

CRESOL BASER

BRAZIL

Category I-2 Sub-Project Disclosure Package

Environmental and Social Due Diligence Report & ESAP

FP230: Kualu Fund-GCF

Accredited Entity: COFIDES, S.A., S.M.E.

Executing Entity: GAWA Capital

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1. Sub-Project Disclosure Summary

Kualí Fund proposes an **EUR 8 million senior unsecured loan** to Cresol Baser, a regulated rural credit cooperative in Brazil, to support the expansion of financial access for its cooperative members and the scaling of its green portfolio, delivering climate adaptation solutions to family farmers and rural MSMEs. The proposed investment has a **tenor of four years**. It is expected to directly reach approximately **600 clients** and to create additional income streams through carbon markets and climate resilience. Cresol Baser has existing DFI partnerships with IDB Invest (USD loan, July 2024) and IFAD (USD 10 million senior loan, September 2025, targeting 6,000 direct beneficiaries with at least 25% women and 25% youth), both of which include comprehensive ESAPs that the Kualí Fund formally adopts.

2. Acronyms and Glossary

- **BCB:** *Banco Central do Brasil* (Central Bank of Brazil).
- **CLT:** *Consolidação das Leis do Trabalho* (Consolidation of Labour Laws).
- **CMN:** *Conselho Monetário Nacional* (National Monetary Council).
- **CNAE:** *Classificação Nacional de Atividades Econômicas* (National Classification of Economic Activities).
- **CNPJ:** *Cadastro Nacional da Pessoa Jurídica* (The Brazilian federal tax identification number for companies/suppliers).
- **ESMS:** Environmental and Social Management System.
- **IBAMA:** *Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis* (Brazilian Institute of the Environment).
- **IFC PS:** International Finance Corporation Performance Standards.
- **PRONAF:** *Programa Nacional de Fortalecimento da Agricultura Familiar* (National Program for Family Farming).
- **PRSAC:** *Política de Responsabilidade Social, Ambiental e Climática* (Socioenvironmental and Climate Responsibility Policy).
- **SEP:** Stakeholder Engagement Plan.
- **ICMBio:** Instituto Chico Mendes de Conservação da Biodiversidade (Chico Mendes Institute for Biodiversity Conservation).
- **CIU:** Clasificación Industrial Internacional Uniforme (International Standard Industrial Classification).
- **FEBRABAN:** Federação Brasileira de Bancos (Brazilian Federation of Banks).
- **IFAD (FIDA):** International Fund for Agricultural Development (Fondo Internacional de Desarrollo Agrícola).
- **IDB Invest:** Inter-American Development Bank Group's private sector arm.
- **BNDES:** Banco Nacional de Desenvolvimento Econômico e Social (Brazilian National Development Bank).
- **RSAC:** Responsabilidade Social, Ambiental e Climática (Social, Environmental and Climate Responsibility).
- **SEAH:** Sexual Exploitation, Abuse, and Harassment.
- **GAP:** Gender Action Plan.
- **MIS:** Management Information System.
- **CAR:** Cadastro Ambiental Rural (Rural Environmental Registry).
- **PRSAC:** While included in the text, ensure its full meaning is consistently listed as Política de Responsabilidade Social, Ambiental e Climática (Socioenvironmental and Climate Responsibility Policy) in the glossary.

E&S Categorization

Cresol Baser is categorized as **I-2**, given its average loan size per borrower of EUR 13,287 and a portfolio concentration of 58% in agriculture. Environmental and social risks in Cresol's portfolio include potential land-use change, soil

degradation, agrochemical exposure, and labor conditions at the level of the rural family farms and MSMEs receiving the capital. These risks are generally site-specific, predictable, and mitigable through appropriate management systems.

E&S Management System

Cresol Baser maintains an adequate institutional ESMS. The key elements include:

- **PRSAC Policy:** Cresol operates under a Social, Environmental and Climate Responsibility Policy (PRSAC), a stringent, binding regulatory requirement enforced by the Central Bank of Brazil (BCB) under CMN Resolution No. 4,945. This resolution integrates climate risk—both physical and transition—into the governance, capital management, and risk frameworks of all regulated Brazilian financial institutions.
- **ESMS Components:** The ESMS includes an Environmental, Social and Climate (ESC) Risk Policy, an exclusion list, ESC risk assessment and monitoring procedures, and a Sustainability Committee. Cresol's socioenvironmental risk management is structured across three governance tiers (Board of Administration, Executive Directorate, and Risk Management), with dedicated risk analysts screening borrowers against IBAMA, ICMBio, and Slave Labour restrictive lists. Eligible cooperados are classified into risk ratings (Low, Medium, or High) through a standardised self-declaration questionnaire, with CNAE-based sector screening for exposures above defined thresholds. The system is aligned with the UN Sustainable Development Goals and ensures compliance with applicable local regulations, including CMN Resolutions 4,327/2014 and 4,557/2017.
- **Regulatory Supervision:** As a regulated financial institution, Cresol Baser is supervised by the Central Bank of Brazil and subject to mandatory ESG disclosure requirements, providing an additional layer of accountability beyond the GCF framework.

Stakeholder Engagement and Grievance Mechanism

Cresol Baser adopts principles of transparency and ethics across all levels of its activities and relationships, prioritizing business opportunities that promote positive social and environmental impacts. As a member-owned cooperative, Cresol's governance model inherently embeds stakeholder engagement through general assemblies, elected councils, and local branch networks spanning over 700 service points. For receiving and resolving complaints, Cresol Baser utilizes governance structures designed to ensure timely correction of identified deficiencies, overseen by the Board of Directors and the specific Directorate responsible for the PRSAC, with monthly reporting on socioenvironmental risk indicators to senior management. The institution mandates a duty to report for any personnel witnessing breaches of established guidelines, utilizing the System Code of Ethical Conduct as the framework for applying disciplinary measures and ensuring formal resolution of conflicts. As part of the IFAD ESAP, a structured Grievance Redress Mechanism (GRM) covering environmental and social issues with defined access points, response timelines, and escalation pathways is under development.

Gender and SEAH

Gender equality, women's participation, and the prevention of sexual exploitation, abuse, and harassment (SEAH) are addressed through the Kualí Fund's dedicated Gender Assessment and Action Plan (GAP), prepared in accordance with the GCF Gender Policy and the Kualí ESMS. The GAP covers the internal and external gender dimensions of each sub-project investment, including institutional policies on non-discrimination and anti-harassment, women's participation in stakeholder consultations, and gender-sensitive indicators for portfolio monitoring. These commitments are tracked through the programme-level GAP reporting cycle and are not replicated in this disclosure,

which is limited to the E&S risk profile and ESMS adequacy of the intermediary in line with GCF Information Disclosure Policy requirements.

Existing ESAP Commitments

Cresol Baser is already in the process of implementing a comprehensive Environmental and Social Action Plan negotiated with IDB Invest (July 2024) and IFAD (September 2025), covering ESG capacity building, ESMS updates for IFC PS monitoring, stakeholder engagement planning, and grievance mechanism expansion. **No additional ESAP activities are required at this stage besides Gender Capacity Building** to prevent client fatigue and ensure coherent, focused capacity building. These existing multilateral ESAP milestones will be included as covenants within Kualu Fund's legal agreements. Details are provided in Section 3.

Cresol's ESMS (and this disclosure) complies with the GCF Environmental and Social Policy and GCF Information Disclosure Policy. Cresol Baser will report annually to GAWA/COFIDES on the E&S performance of its portfolio, including categorization, incidents, and grievance cases, in line with GCF reporting requirements.

Annex 1. Environmental and Social Due Diligence (ESDD) Report

3.1. Project Background

Cresol Baser is a regulated rural credit cooperative in Brazil, operating under Central Bank supervision and following a member-ownership model. The institution maintains a consistent strategic focus on family farming and rural development, targeting underserved segments often overlooked by larger commercial banks. As of December 2024, Cresol Baser reported BRL 13.9 billion disbursed, with contributions to the Green Economy categorized according to the National Classification of Economic Activities (CNAE) and the Brazilian Federation of Banks (FEBRABAN) Taxonomy.

Investment: EUR 8 million senior unsecured loan, 4-year tenor, expected to reach approximately 600 clients.

3.2. E&S Categorization and Rationale

Cresol Baser is categorized as **I-2**.

Funded Activities (Nature and Scale): Cresol Baser primarily targets family farmers (following PRONAF definitions) and rural MSMEs. The capital is deployed for agricultural production (primarily dairy, soy, wheat, coffee, and pineapple), working capital for seeds and agrochemicals, and Capital Expenditures (CapEx) for machinery and climate-resilient technologies like solar panels.

Nature of Risks: Risks include site-specific land-use change, soil degradation, and climate vulnerability. Given the small-scale nature of individual operations, impacts are predictable and mitigable.

Scale of Impact: The average loan size is EUR 13,287 per borrower, categorizing these as loans for small-scale producers.

Rationale for I-2: While the agricultural concentration is high (58%), the risks are considered site-specific, predictable, and mitigable due to the small-scale nature of individual operations

3.3 Applicable Standards and Regulatory Framework

International Standards

- IFC Exclusion List
- IFC Performance Standards 1–8 (as applicable to FI operations and sub-projects)
- IFC/World Bank Group EHS General Guidelines and sector-specific EHS Guidelines
- ILO Core Conventions (all ratified by Brazil)
- GCF Environmental and Social Policy (Revised, B.BM-2021/18)
- GCF Information Disclosure Policy

Brazilian National Regulations and Relevance to Kualí

Cresol Baser operates under a stringent regulatory environment managed by the Central Bank of Brazil (BCB), which mandates the integration of environmental, social, and climate risks into financial governance.

Regulation	Short Description	Relation to Kualí Investment
CMN Resolution No. 4,945/2021 (PRSAC)	Mandates that all regulated financial institutions implement a Social, Environmental, and Climate Responsibility Policy (PRSAC).	Kualí's loan relies on this as the foundational governance for Cresol's ESMS, ensuring climate risk is integrated into capital management.

Federal Law No. 12,651/2012 (Forest Code)	Sets strict rules for native vegetation protection on private lands, requiring Rural Environmental Registries (CAR).	Directly relates to Kualí's Zero Deforestation goal. Cresol screens borrowers against IBAMA/ICMBio lists to ensure compliance with this law.
CMN Resolution No. 4,557/2017	Defines the structure for risk management, including requirements for identifying socioenvironmental losses.	Provides the framework for Cresol's monthly reporting to Kualí on portfolio exposure and risk classification.
CLT (Consolidation of Labour Laws)	The primary law governing employment and occupational safety in Brazil.	Ensures that Cresol's 10,000+ employees and its sub-borrowers adhere to fair labor and safety practices (PS2 alignment).
Federal Law No. 6,938/1981 (National Environmental Policy)	Establishes the framework for environmental licensing and liability for damages.	Relates to the "Medium" risk agriculture sub-projects (58% of portfolio) that require specific E&S mitigation measures.

- [CMN Resolution 4,945/2021 \(PRSAC\)](#): The primary regulation for E&S in Brazilian banking.
- [Federal Law 12,651/2012 \(Forest Code\)](#): The legal basis for monitoring deforestation in the Amazon.
- [CLT - Labour Laws](#): The foundation for labor rights and OHS compliance.
- [Federal Law 6,938/1981 \(Environmental Policy\)](#): Outlines institutional liability for environmental impacts.

3.4 Scope of Review and Methodology

The Kualí Fund E&S officer conducted a proportional, risk-based ESDD to confirm that Cresol Baser's ESMS is fit-for-purpose for Category I-2 and aligned with GCF policies. The review assessed: (i) policy alignment on paper, and (ii) effective implementation in practice. Methods included document review, management interviews, and benchmarking against the existing IDB Invest and IFAD due diligence findings.

The interviews were conducted with the Risk Manager, Risk and Audit analyst, Cresol Manager, and Human Resources Manager.

The following tools and guidance were used:

- **IFC Performance Standards**: To assess the compliance of Cresol ESMS.
- **Alinus/SPI-5 and Green Index**: To evaluate social performance and green readiness.
- **Gender questionnaire**: To evaluate gender compliance.

3.5 Documents Reviewed

- Human Resources Policies
- Central Bank of Brazil (BCB) CMN Resolutions: Specifically, Resolution No. 4,945/2021 (which enforces the PRSAC)
- Política de Responsabilidade Social, Ambiental e Climática (PRSAC) do Sistema Cresol
- Norma de Risco Social, Ambiental e Climático do Sistema Cresol
- Relatorios de Risco Socioambiental
- Relatorios de Sustentabilidade
- IDB Invest Environmental and Social Action Plan (ESAP)
- IFAD Environmental and Social Action Plan (ESAP)

3.6 Assessment Results: IFC Performance Standards Gap Analysis

The Environmental and Social Due Diligence for a Category I-2 institution like Cresol Baser focuses exclusively on Performance Standards 1 and 2. Performance Standard 1 is evaluated to ensure the institution possesses a robust ESMS capable of cascading risk management down to the portfolio level, effectively delegating the oversight of the sub-projects. Meanwhile, Performance Standard 2 is directly applied to the financial intermediary's own workforce, requiring the institution to maintain fair employment practices, safe working conditions, and adequate human resources policies for its own internal employees. The remaining Performance Standards (PS3 through PS8) are not directly analyzed because the intermediary itself does not directly engage in physical activities that trigger them—such as industrial pollution, land acquisition, or biodiversity clearing. Instead, the responsibility to enforce the principles of PS3 through PS8 is systematically delegated to the FI's ESMS, which screens and monitors the underlying sub-borrowers against these standards or their strict national legislative equivalents based on defined risk thresholds.

3.6.1 Application of Kualii ESMS Tools

The ESDD utilized specialized tools to verify compliance and institutional maturity:

Kualii ESMS Tool	Summary of Findings for Cresol Baser
Alinus/SPI-5	Cresol achieved an overall Social Performance Score of 91%. Strengths were identified in responsible growth and committed leadership (98-100%), while gaps were noted in systematic impact data collection (75%).
Green Index (3.0)	Classified Cresol as Phase 3 (Green) with a score of 51.85%. While environmental strategy is strong (55.26%), the tool highlighted a need for more proactive ex-ante green tagging (39.66%).
Gender Assessment	Cresol Baser achieves solid 67% gender score with strong internal foundations (formal policy, 59% women workforce, 37% leadership), positioned for 2X leadership through targeted external product development.

PS 1: Assessment and Management of Environmental and Social Risks and Impacts

ESMS Component	Findings
E&S Policy	In place. Cresol operates under the PRSAC, a mandatory policy under BCB CMN Resolution No. 4,945 that integrates climate risk into governance and capital management. The PRSAC covers environmental, social, and climate dimensions with Board-level oversight through a Sustainability Committee.
Exclusion List	In place. Cresol Baser screens all cooperados and counterparties daily against Brazil's IBAMA, ICMBio, and Slave Labour (Trabalho Escravo) restrictive lists via the PLD area, with automatic alerts to the socioenvironmental risk team. The institution maintains its own exclusion list in its PRSAC policy, prohibiting financing for high-risk activities and further adopts the IDB Invest Exclusion List. As part of the current ESAP, Cresol is updating the PRSAC Policy to explicitly include the IFAD Exclusion List, ensuring that any activities prohibited by IFAD (e.g., specific mining or non-certified palm oil production) are strictly rejected across the Kualii Fund-supported portfolio.
E&S Risk Assessment	In place. The ESMS includes ESC risk assessment and monitoring procedures for the loan portfolio. Cooperados are identified by CNAE code and debtor balance thresholds (R\$ 600,000 for Cresol Baser) and classified through a self-declaration questionnaire into Low, Medium, or High socioenvironmental risk ratings valid for 12 months. Cooperados flagged on IBAMA or ICMBio restrictive lists are automatically classified as High. Sub-loans are screened against the exclusion list and assessed for environmental and social risk. Approximately 45% of the agricultural portfolio is financed through governmental programmes (Brazil's Central Bank funds), aligned with FEBRABAN's taxonomy and monitored via satellite systems. Portfolio-level monitoring covers climate vulnerability of agricultural borrowers, with accounting

	parameters for socioenvironmental losses and recoveries tracked in dedicated ledger accounts.
Sector-Specific Mitigation	<p>Land-Use/Deforestation: Cresol leverages satellite monitoring, currently covering 45% of the agricultural portfolio via government-aligned programs. As part of the ESAP, this is being expanded to an institutional satellite system to detect land-use changes in all Amazon-biome sub-projects.</p> <p>Labor: 100% of the portfolio undergoes automated daily screening against the federal Slave Labour (Trabalho Escravo) restrictive list; any match triggers an automatic transaction block and an alert to the socioenvironmental risk team.</p> <p>Chemicals: Agrochemical and hazardous substance management is governed by the ESC Risk Policy, requiring borrowers to disclose chemical handling practices through standardized questionnaires, which are then verified against Brazilian environmental licensing requirements.</p>
External Portfolio Risks	<p>Sector Risk Mapping: All underlying investments are screened against over 300 CNAE (National Classification of Economic Activities) codes to identify high-exposure activities.</p> <p>High-Risk Exposures: For the 58% agricultural concentration, Cresol monitors for agro-commodity runoff (soil/water degradation) and effluent management in dairy production.</p> <p>Granular OHS Monitoring: External OHS hazards are assessed in non-agricultural segments, such as chemical exposure in rural repair shops and high-voltage risks in solar installation projects.</p>
Green Readiness	<p>Institutional Maturity: The Kualí ESDD, utilizing the Green Index 3.0 tool, classified Cresol as "Green Phase 3," indicating that environmental strategy is formally embedded in governance and credit frameworks.</p> <p>Green Performance: The institution effectively manages a EUR 49.8 million green solar portfolio, which represents 1.3% of total assets and demonstrates proven capacity in climate mitigation lending.</p> <p>Operational Transformation: To address current gaps in retrospective tracking, Cresol is transitioning to ex-ante tagging, setting green allocation targets at the point of loan origination to improve the quantification of external climate outcomes.</p>
Organizational Capacity	Adequate with enhancement underway. Cresol's socioenvironmental risk management operates through a three-tier structure: (i) Board of Administration, (ii) Executive Directorate (where applicable), and (iii) Risk Management, which includes a dedicated Socioenvironmental Risk Coordination unit at the Confederation level, replicated across Central and Singular cooperatives. The Sustainability Committee provides Board-level oversight of the PRSAC. The existing ESAP requires appointment of a dedicated ESG focal point and training of ESMS personnel on climate risks for the agricultural portfolio within 18 months. Cresol has prior DFI experience with IDB Invest, DEG, and BNDES.
Stakeholder Engagement	<ul style="list-style-type: none"> • The existing ESAP requires ESMS update within 12 months to monitor transactions triggered by IFC PS (loans ≥USD 5M, tenor ≥36 months): <ol style="list-style-type: none"> 1. Stakeholder Analysis: Identification of affected parties and vulnerable groups. 2. Disclosure: Timely dissemination of project E&S information to local communities. 3. Participation: Documented processes for community consultation. 4. Ongoing Reporting: Periodic updates to Affected Communities on mitigation progress. <p>A formal, stand-alone Stakeholder Engagement Plan (SEP) is under development as part of the existing ESAP commitments.</p>

<p>Grievance Mechanism</p>	<ul style="list-style-type: none"> • Institutional Level: Cresol operates governance structures overseen by the Board of Administration for conflict resolution. • Borrower-Level Expansion: As part of the ongoing IFAD alignment, Cresol is expanding requirements for borrowers to establish project-specific Grievance Redress Mechanisms (GRM). • Accessibility: Borrowers must define clear access points, response timelines, and escalation pathways specifically for environmental and social concerns raised by Affected Communities <p>The existing ESAP requires expansion to explicitly cover E&S issues with clear response timelines and escalation procedures.</p>
<p>Monitoring and Reporting</p>	<p>Regulatory reporting to BCB is mandatory. Internal socioenvironmental risk reporting is produced monthly by Risk Management for the Executive Directorate and Board of Administration, covering portfolio exposure, risk classification, loss/recovery records, and action plan status. The existing ESAP requires annual E&S reports documenting portfolio compliance and incidents, which will also satisfy GCF reporting requirements.</p> <p>Portfolio Monitoring: 100% daily restrictive screening; annual rating re-evaluations; and dedicated ledger accounts for E&S loss tracking.</p> <p>Borrower Monitoring: Use of contractual protective clauses in all CCBs and technical site visits for high-risk ("Alto") transactions.</p>
<p>IFC PS Compliance</p>	<p>The ESMS is designed to meet the IFC Performance Standards as applicable to FI operations. The existing ESAP requires ESMS update within 12 months to monitor transactions triggered by IFC PS (loans \geqUSD 5M, tenor \geq36 months).</p> <p>Cascading Requirements: For transactions \geqUSD 5M (tenor \geq 36 months), Cresol requires borrowers to establish project-level stakeholder analysis, disclosure procedures, and dedicated grievance mechanisms.</p>
<p>Indigenous Peoples</p>	<p>No indigenous populations currently affected by the portfolio.</p>
<p>Gender and SEAH</p>	<p>Addressed through programme-level instruments. Gender equality, women's participation, non-discrimination, and the prevention of sexual exploitation, abuse, and harassment (SEAH) are covered in the Kualii Fund's dedicated Gender Assessment and Action Plan (GAP), prepared under the GCF Gender Policy and the Kualii ESMS. IFC Performance Standards provisions on gender (non-discrimination, OHS, anti-harassment) apply through the ESMS update commitment in ESAP item 5. Detailed assessment and reporting are tracked through the GAP cycle, not this disclosure.</p>
<p>Deforestation Risk</p>	<p>Relevant given agricultural portfolio and presence in states with Amazon biome exposure. Approximately 45% of the agricultural portfolio is already monitored via satellite systems as part of governmental programme compliance aligned with FEBRABAN's taxonomy. The IDB Invest ESAP requires implementation of an expanded satellite monitoring system within 12 months to detect deforestation in all Amazon-based agricultural sub-projects, complementing the IFAD ESAP's focus on climate-smart agriculture with at least 10% of loans formally supporting climate-resilient practices.</p>

PS 2: Labor and Working Conditions

The assessment confirms that Cresol Baser’s HR framework, governed by the Brazilian Consolidation of Labour Laws (CLT) and the institutional System Code of Ethical Conduct, addresses the core components of PS2 as follows:

Assessment Area	Findings
Working Conditions & Terms of Employment	Strictly governed by the CLT, ensuring documented contracts, regulated working hours, overtime compensation, and mandatory benefits.
Workers’ Organizations	As a regulated entity in Brazil, Cresol respects the constitutional right of its 10,000+ employees to form or join unions and engage in collective bargaining.
Non-Discrimination & Equal Opportunity	Cresol maintains a formal institutional gender policy and a Diversity & Inclusion Committee. Policies explicitly prohibit discrimination based on race, gender, ethnicity, or religion
Workers Engaged by Third Parties	The PRSAC Policy requires that third-party service providers and suppliers be screened and homologated based on the same ethical and E&S criteria as the bank’s own staff.
Supply Chain	Cresol manages supply chain risks by verifying the CNPJ of all suppliers against restrictive lists, specifically prohibiting any entity involved in forced or child labor.
Workers’ Grievance Mechanism (GRM)	Cresol operates an internal GRM overseen by the Board and PRSAC Directorate. The Code of Ethical Conduct mandates a "duty to report" breaches, ensuring employees can raise labor concerns without fear of reprisal.
Human Resources Policies	Cresol Baser's internal human resources policies are governed by the Brazilian Consolidation of Labour Laws (CLT). The institution utilizes a System Code of Ethical Conduct as the formal framework for disciplinary measures and conflict resolution and mandates a duty to report for personnel witnessing breaches. Cresol Baser employs more than 10,000 total employees. The institution promotes diversity through a dedicated committee aligned with the UN Global Compact.
Gender Integration and Workforce Diversity	A comprehensive assessment of the institution's gender policies reveals a strong foundation at the governance level but identifies operational gaps. The institution has successfully approved an institutional gender policy, implemented practices to identify workplace gender biases, and maintains a formal anti-harassment policy and grievance mechanism. Demographically, the workforce is 59% female, with women occupying 37.2% of executive leadership and decision-making roles, and 25% of the Board of Administration. However, the analysis highlights critical areas for improvement regarding capacity building and product development. Currently, the institution lacks an internal gender specialist to support product teams and has not yet executed specific gender training for staff across all organizational levels. Furthermore, there is an absence of market research targeted at understanding the specific financial barriers faced by women, and existing credit risk models have not been modified to independently analyze women's behavior to eliminate potential discriminatory practices.
Child and Forced Labor	Cresol Baser enforces strict controls against forced labor within its portfolio by screening all cooperative members daily against the federal Slave Labour (Trabalho Escravo) restrictive list. Any flagged entity triggers an automatic alert to the socioenvironmental risk team, effectively blocking the transaction. The institution's operations also align with the ILO Core Conventions ratified by Brazil.
Occupational Health and Safety	Internal OHS protocols comply with applicable Brazilian occupational safety regulations. Additionally, because the public has access to Cresol Baser's cooperative branches, the institution manages life and fire safety risks in accordance with the World Bank's Environmental, Health, and Safety (EHS) General Guidelines.

3. Environmental and Social Action Plan (ESAP)

Cresol Baser maintains a highly capable ESMS that is undergoing targeted enhancement through a comprehensive ESAP previously negotiated with IDB Invest (July 2024) and IFAD (September 2025). To ensure harmonization and prevent redundant reporting burdens, the **Kualu Fund formally adopts these existing multilateral ESAP commitments** as the binding conditions for this GCF-backed investment. No additional ESAP actions are required at this stage.

As of March 2026, Cresol Baser has made significant progress on the milestones originally established with IDB Invest and IFAD. The Kualu Fund includes these items in the current integrated ESAP to ensure the final institutionalization of ongoing capacity building.

#	Action	PS	Deliverable	Resp.	Current Status (March 2026)	Timeline
1	Internal Capacity and Skills Enhancement: Train ESMS personnel on climate risks for the agricultural portfolio. Appoint a dedicated ESG focal point.	PS1	Training records; ESG focal point appointment letter and ToR	Cresol Baser	Ongoing: ESG focal point and Sustainability Committee are operational. Specialized training modules for the branch network are being finalized.	Within 18 months (IDB Invest ESAP)
2	Exclusion List Formalization: Issue management letter confirming exclusion list compliance; update policy to incorporate IDB Invest and IFAD exclusion lists.	PS1	Management letter (1 month); updated policy document (12 months)	Cresol Baser	Ongoing: Cresol already applies IDB Invest and internal restrictive lists daily. The formal policy update to explicitly include IFAD is underway.	1 month / 12 months
3	ESMS Update for IFC PS: Update ESMS to monitor transactions triggered by IFC Performance Standards (loans ≥USD 5M, tenor ≥36 months), with external support.	PS1	Updated ESMS procedures document	Cresol Baser	In Progress: The Colmeia automated risk system is operational. Technical refinements for the USD 5M threshold are being completed with external support.	Within 12 months (IDB Invest ESAP)
4	PRISAC Policy Alignment: Update PRISAC to explicitly include IFAD's Exclusion List.	PS1	Updated PRISAC policy	Cresol Baser	In Progress: The system already applies IFAD exclusions in practice via manual screening. Formal integration into the written PRISAC policy is scheduled for completion within the next 12 months.	Within 12 months (IFAD ESAP)
5	Annual E&S Reporting: Prepare annual environmental, social, and climate risk reports covering portfolio compliance and incidents.	PS1	Annual E&S report submitted to GAWA/COFIDES	Cresol Baser	On Track: Monthly internal socioenvironmental risk reporting is active.	Annually
6	Stakeholder Engagement Plan: Develop and disclose a structured SEP defining key stakeholders, engagement frequency, and feedback integration.	PS1	Published SEP (English and Portuguese)	Cresol Baser	Ongoing: Transitioning from principles-based engagement to a formal, stand-alone SEP.	Within 12 months (IDB Invest ESAP)

7	Grievance Mechanism Expansion: Expand GRM to cover E&S issues with clear response timelines and escalation procedures.	PS1	Updated GRM procedures; communication plan	Cresol Baser	In Progress: Existing ethics/service GRM is being categorized to include specific E&S channels across the 700+ service points.	Within 12 months (IFAD ESAP)
8	Gender Capacity Building	PS2	Establish a baseline for staff gender knowledge and provide or integrate in current training comprehensive gender training to personnel across all levels.	Cresol Baser	Ongoing: Institutional gender policy approved. Baseline assessment of staff knowledge is currently being established.	Within 24 months
9	Zero Deforestation Monitoring: Implement satellite monitoring system to detect deforestation in Amazon-based agricultural sub-projects.	PS6	Satellite monitoring system operational; sample reports	Cresol Baser	On Track: Approximately 45% of the agricultural portfolio is already monitored via government systems. Full expansion to all Amazon sub-projects is underway.	Within 12 months (IFAD ESAP)

4. Summary and Recommendations

The ESDD confirms that Cresol Baser has a **robust and adequate ESMS** for an I-2 classification, built upon a mandatory regulatory framework (PRISAC/CMN 4,945), Central Bank supervision, and institutional experience with multiple DFI partners (IDB Invest, IFAD, DEG, BNDES). The cooperative’s socioenvironmental risk management framework includes comprehensive CNAE-based sector screening covering over 300 economic activity codes, daily restrictive-list monitoring (IBAMA, ICMBio, Slave Labour), and a structured risk-rating system with 12-month validity. The member-ownership model, focus on family farming and rural MSMEs, and commitment to the Green Economy align well with GCF climate adaptation and mitigation objectives.

The existing ESAP commitments with IDB Invest and IFAD comprehensively address the identified gaps in capacity, monitoring, deforestation risk, stakeholder engagement, and grievance mechanisms. The Kualu Fund’s adoption of these milestones ensures coherent, non-duplicative capacity building and avoids client fatigue.

Recommendation: The investment is recommended for approval. The IDB Invest/IFAD ESAP milestones will be incorporated as covenants in the Kualu Fund legal agreements. Following completion of the current ESAP cycle, Cresol Baser will undergo an annual E&S review. If any remaining compliance gaps are identified, a supplemental ESAP will be proposed at that time.

Finally, to support this transparency, GAWA Capital encourages stakeholders to submit any questions regarding this disclosure document to grievance@gawacapital.com

End of Disclosure Package