TCFD Guidelines

In 2015, the Financial Stability Board (FSB) created the Task Force on Climate-Related Financial Disclosures (TCFD), a working group responsible for encouraging companies to inform their investors about the risks related to climate change and how they are managed. Aware of the importance of the topic for society and our business, we started this reporting cycle by reporting our governance actions for climate change following the TCFD guidelines, thus adhering to a global network of organizations based on this framework to discuss the topic.

GOVERNANCE

a) How the Board of Directors oversees risks and opportunities related to climate change.

At least once a year, the Board of Directors supervises risks related to climate change at the body's meetings and through the Audit, Risks and Integrity Statutory Committee. Risks related to climate change are mapped by the Risks and Concessions areas, reviewed and presented to the Board and Audit, Risks and Integrity Statutory Committee by the Audit, Risks and Internal Controls (DARC) Board. For these risks, a Contingency Plan was created by preparing a CANVAS that guides the actions of all involved in dealing with the event. The document is made available to the concessionaires and can be reviewed for new events or if it needs to be reviewed. Opportunities related to climate change are supervised at least once a year at meetings of the Board and the Finance Statutory Committee. These opportunities are mapped and presented to the Board and the Finance Statutory Committee by the Planning and Engineering Boards to approve the Company's budget and business plan. All meetings of the Board and Committees are recorded in minutes.

b) The role of the Board of Directors is to assess and manage risks and opportunities related to climate change.

The Board of Directors has the role of approving and monitoring the management of physical and climate risks and may also request specific action in some instances, such as additional assessments, preparation, and implementation of action plans, among other procedures. Board's requests related to climate risks are made by the Board to the DARC, while requests related to opportunities are addressed to the Planning and Engineering Boards.

ESTRATEGY

a) Risks and opportunities related to climate change that the organization has identified in the short, medium and long term.

Risks: In the short and medium term, risks related to climate change resulting from significant rainfall, floods, deluges, landslides, electrical discharges, winds, windstorms, and cyclones, among others, were identified, which may compromise, mainly, the intake, treatment and distribution of water as well as sewage collection and treatment structures. In the long term, operational water supply risks related to water availability and the replenishment capacity of springs were identified, such as droughts and reduction of the level and flow of water bodies. The risk assessment was made by DARC with the concessionaires and submitted to the Audit, Risks and Integrity Statutory Committee.

Opportunities: In the short and medium term, opportunities were identified in projects to transition to a low-carbon economy, such as the circular economy involving the noble destination or reuse of sludge, use of energy and generation of biogas and biomethane, production of renewable energy through distributed generation projects and the purchase of energy in the free market, reduction of energy consumption, reduction of water losses and expansion of the supply of reuse water for industrial purposes. In the long term, the opportunities are related to alternative sources of water intake, such as desalination projects, for example.

b) Impacts of risks and opportunities related to climate change on the organization's business, strategy and financial planning.

Risks: The impact assessment is carried out in two aspects: reputational impact and financial impact. Both are evaluated following the Company's Risk Management Policy. Regarding the reputational impact, it is considered how much the risk may affect the Company's image, from locally to internationally. Regarding the financial impact, the calculation is based on the estimated OPEX and CAPEX values to prevent or remediate risks, compared to the Company's Net Income in the previous year. Such evaluation is carried out by concession. The results are reported to the Audit and Integrity Statutory Committee. Risks related to climate change may directly interfere with the Company's operations. Short- and medium-term risks can cause, for example, interruptions in the provision of services, which can lead to water shortages. Long-term risks, on the other hand, can lead to a reduction in the level and flow of water bodies, which can impact the availability of water to be treated and supplied to customers. In all cases, there is a financial impact. The Company monitors these risks as reported in the Governance topic and evaluates and executes the action plans necessary to mitigate them. Action plans may include making investments and other interventions, such as associated expenditures approved by the Board of Directors. In addition to the action plans, from the point of view of financial planning, the Company also has insurance policies with coverage related to climate risks.

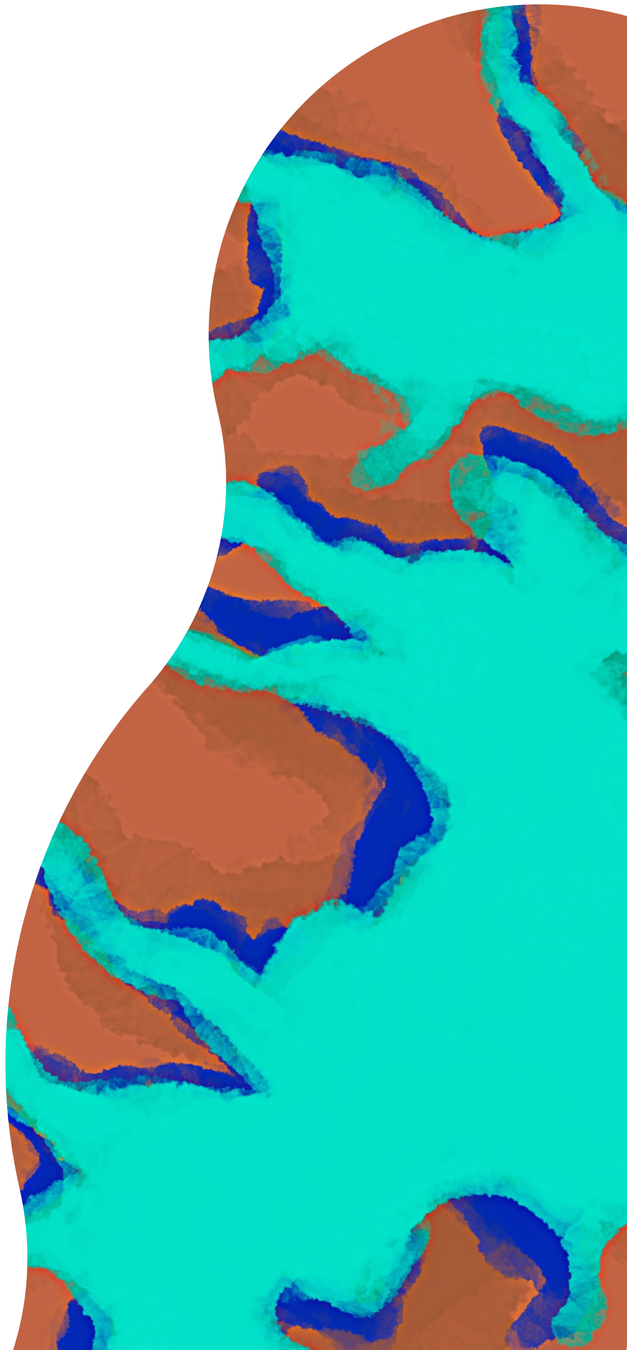
In April and May 2024, the state of Rio Grande do Sul experienced a climatic event, registering high rainfall rates that resulted, among others, in floods and deluges that affected the Company's operations. At the time, the Company triggered the measures to mitigate the impacts, including the emergency plan and insurance coverage mentioned in the governance and climate risk management topics of this TCFD report.

In the disclosure of this report, the Company had ascertained the following impacts on its operations:

- Operational impacts: Flooded facilities, no electricity, networks obstructed, logistical difficulties and difficult access to supplies;
- Financial impacts: BRL 97 million in costs and BRL 105 million in revenues, including the program to support customers affected by floods and deluges, with tariff exemptions for up to 6 months.

The insurance policies hired by the Company for operational risks and loss of profits total BRL 230 million and cover the weather events that affected operations in Rio Grande do Sul.

Opportunities: In the short, medium and long term, opportunities related to climate change can help cut costs and expenses and transition to a low-carbon economy. Long-term opportunities can help increase water resilience. Implementing all climate opportunity projects requires financial evaluation (Net Present Value analysis).



c) Resilience of the organization's strategy, considering different climate change scenarios, including a situation of 2°C or less.

The main impact of climate risks for the Company is the possibility of direct interference in operations, especially in water supply. In this sense, the Company maps and monitors events that may interfere with operations, even in the long term, including, but not limited to, forecast for rainfall, temperature, and water replenishment capacity in surface springs, aquifers and river basins compared to the consumption forecast and behavior of the population. Based on this work, risk matrices, action plans and investments, such as drilling wells, increasing water reserve capacity, transferring basins, development of alternative energy sources, reinforcement of building structures, and installation of backup systems, among others. Regarding climate resilience, the Company, which works to recover water bodies through sewage collection and treatment, also has projects focused on preserving basins recovering riparian forests, river headwaters and mangroves. To help control the planet's temperature, the Company has reforestation, protection and recovery projects for degraded areas and units dedicated to generating wind and solar energy.

In addition to monitoring and prevention measures, the Company's strategy adopts mitigating measures when weather risk events occur, such as adopting emergency plans, contingency plans and insurance coverage.

CLIMATE RISK MANAGEMENT

a) Processes used by the organization to identify and assess risks related to climate change.

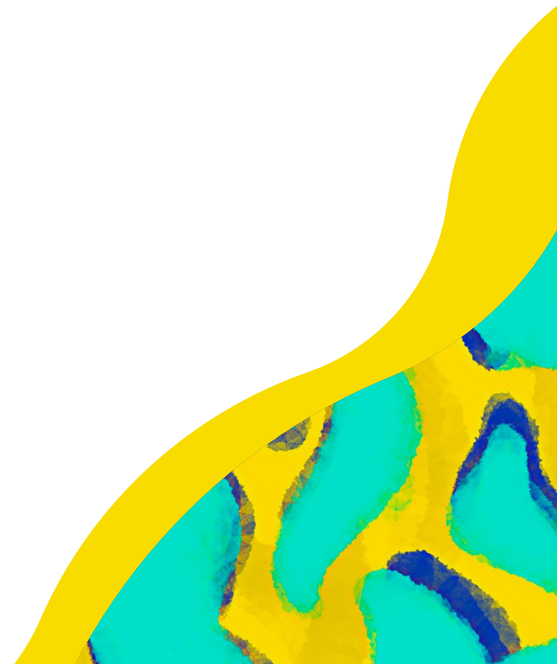
The risk analysis methodology is based on the ISO 31000 standard – Risk Management and the methodology of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Identifying water availability risks occurs through mapping processes and/or studying scenarios. We also carry out climatological analysis in partnership with a company specializing in climate forecasts, which provides historical data, projections and estimates in real time. After identifying the risks, they are evaluated, considering the probability of their occurrence and impact on the business.

b) Processes used by the organization to manage risks related to climate change.

The process used to manage risks related to climate change is the assessment through a risk matrix, which analyzes the probability of an event and the potential impact on the business. This analysis classifies the risks by degree of severity and criticality. All risks are monitored through KPIs. For the most critical risks, the Company adopts an Action Plan using CANVAS according to the 5W2H methodology and Contingency Plans. Those considered critical require developing an action and contingency plan prepared according to the 5W2H methodology. These are monitored to validate their effectiveness and, if necessary, make adjustments.

c) How the processes used by the organization to identify, assess and manage risks related to climate change are integrated into the organization's overall risk management.

Climate risks are part of Aegea's Risk Catalogue. This catalog is reviewed whenever a new category of risks is identified in the Company. Its identification, evaluation and management are integrated with the Audit, Risks and Internal Controls Board. and reported to the Board of Directors and Audit, Risks and Integrity Statutory Committee, which decides on the approval of the document.



METRICS AND TARGETS

a) Metrics used by the organization to assess risks and opportunities related to climate change following its strategy and risk management process.

We evaluate all of the Company's risks using three metrics: 1) probability, which assesses the possibility of the risk occurring, considering its history, internal controls and processes; 2 and 3) financial impact and reputational impact, which analyzes risks from the perspective of damage to the business (image, costs, execution of the business plan, etc.), which analyzes the risks from the perspective of damage to the business (image, costs, execution of the business plan, etc.). Implementing an Action Plan is mandatory for high and very high risks.

Regarding probability, the following metrics are considered: "Low" – when the probability is low, with no history of events in the last year; "Medium" – when the probability is uncertain but possible; "High" – when the probability is certain and will occur within six months; "Very High" – when the probability is imminent or is already a recurring risk.

For reputational impact, the following metrics are considered: "Low" - If it happens, the risk may have minimal repercussions (internal or no repercussions) and treated as an internal problem, not affecting the Company's image; "Moderate" – If it happens, the risk may have local and/or regional repercussions, which may affect the image, raising questions about the Company's legitimacy, but without relation to the Aegea brand; "High" - If it happens, the risk could have national repercussions, potentially affecting the Company's image, and could be extended to other companies in the Group, negatively interfering with the credibility of the Aegea brand; "Severe" - If it happens, the risk may have a prolonged national repercussion and may be expanded internationally, compromising the perception of confidence of the main stakeholders, interfering with future business opportunities and the reputation of the Aegea brand.

Regarding financial impact, the following metrics are considered: "Low" (< 5% of Net Income) - If it happens, this risk will not impact the Company in financial terms or represents low criticality; "Moderate" (5.01% to 20% of Net Income) - This risk represents medium criticality in financial terms; "High" (20.01% to 50% of Net Income) - If it happens, this risk represents high criticality in financial terms; "Severe" (> 50.01% of LL) - If it happens, this risk will result in significant losses for the Company, which may compromise the Company's ability to honor its commitments. The assessment metrics are applied to all risks in Aegea's business, including climate risks. In addition, the Company also regularly calculates and monitors certain environmental and climate KPIs, some of which, such as Energy Consumption, are the Company's corporate target, whose performance is linked to the variable compensation of the members of the management. The monitoring of the company's performance in certain KPIs related to climate change can be found on page 75 and in the chapters Waste and Economy Circular; Renewable Energy Use; Energy Consumption; GHG Emissions; Water Losses; Water Resilience, of the *2023 Annual Sustainability Report*.

Opportunities are evaluated according to the value that can be added to the business, that is, according to the possibility of additional revenue and/or reduced expense costs. The project's Net Present Value Analysis (NPV) is the metric used to evaluate the opportunities.

b) Greenhouse gas emissions and the risks related to them.

GHG emissions are measured, and since 2022, the Company has been a member of the Brazilian GHG Protocol Program, having received the Gold Certificate for publishing emission inventories on an audited basis on the *Public Emissions Registry platform*. The measurement of GHG emissions is carried out by the multidisciplinary working group on Strategic Carbon Management, which was created to track and monitor the Company's GHG emissions and evaluate and develop projects that reduce the trend in emissions. The group also carries out in-depth studies on emissions calculation methodologies and the consequences of emissions on the environment. The risks related to GHG emissions for the Company are climate events and regulatory risks mentioned in this TCFD report.

The Company monitors the evolution of its carbon footprint through KPIs that measure the intensity of emissions, that is, that compare the volume of GHG emissions in relation to operational revenue and invoiced volume. The Company has no target related to greenhouse gases emitted by its operations. However, as previously

mentioned, the Company monitors the intensity of its emissions. For 2023, there was an 11% reduction in GHG emissions of Scopes 1 and 2 in relation to the Net Operating Revenue of the entire group. The Company evaluates and adopts several actions to reduce the intensity of emissions, including maintaining and adapting methane burners (flare), energy use studies of the biogas generated in anaerobic reactors (energy production from methane and upgrade from biogas to biomethane), circular economy initiatives for sludge and projects that also promote carbon capture, such as *Floresta Viva*.

c) Targets used to manage risks and opportunities related to climate change, and performance against targets.

The Company has a target to reduce energy consumption in water and sewage treatment by at least 15% by 2030 (measured in kWh/m³ and based on 2020). This target was agreed upon within the issuance of Sustainability-Linked Bonds in 2022, reaffirmed in the issuance of Sustainable and Sustainability-Linked Bonds in 2023, and considered highly ambitious by Sustainalytics in a *second opinion*.

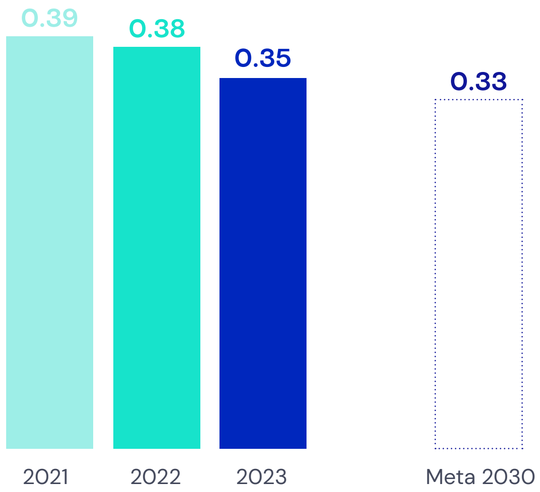
The target is a formal commitment of the Company related to the climate agenda. Electricity is one of the main resources used in producing and distributing water and sewage treatment. Hence, efficiency is important in the use of energy resources. The KPI to monitor this target is Specific Energy Consumption, which measures the amount of electricity consumed by the water production and distribution and sewage collection and treatment units, in kWh, in relation to the sum of the volumes of water produced and of treated sewage, in cubic meters (m³). From a risk point of view, increased energy efficiency contributes to mitigating the risks related to the energy demand required for water and sewage treatment processes. From the point of view of opportunities, with the increased energy efficiency, it is possible to reduce energy expenses in the Company.

To achieve the target, the Company implemented the Energy Efficiency Management Program, with measures that include the use of high-tech software and equipment, hydraulic modeling and automation, besides the Water Loss Decrease Program, since the treatment and distribution of water is the process that demands the greatest energy effort in operations.

In 2023, specific energy consumption was 0.35 kWh/m³, down by 11.0% compared to the baseline (0.39 kWh/m³).

An external verifier audits the Energy Efficiency KPI. The Audit Report is available at the following address *here*.

Energy consumption in water and sewage treatment in kWh/m³



Also, on the climate agenda, specifically on water resilience, some of the Company's concessionaires have targets to reduce water losses agreed in the concession agreements, to be reached by 2033, and which can vary between 25 and 35%, lower than the current national average, which is 38% of losses in water distribution. The calculation of these targets is based on the relationship between the macrometered water volume versus the micrometered water volume, with some considerations such as excluding the volumes used in the Company's operations. The targets are measured by the concessionaires and validated by the regulatory agencies and/or the granting authority. From a risk perspective, water loss reduction targets help mitigate the risk of water shortages. From the point of view of opportunities, by reducing water losses, the Company also reduces its operational expenses. The Company uses innovative leak detection technologies, such as software and satellites, to reduce water losses, as well as specific equipment, such as geophones.