

Second-Party Opinion

Aegea Sustainable Financing Framework



Evaluation Summary

Sustainalytics is of the opinion that the Aegea Sustainable Financing Framework is credible and impactful and aligns with the four core components of the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP), Green Loan Principles 2023 (GLP), and Social Loan Principles 2023 (SLP). This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds, Sustainable Water and Wastewater Management, Renewable Energy, Pollution Prevention & Control, Terrestrial & Aquatic Biodiversity Conservation, Affordable Basic Infrastructure, Socioeconomic Advancement and Empowerment, are aligned with those recognized by the SBG, GBP, SBP, GLP and SLP. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 8 and 14.



PROJECT EVALUATION AND SELECTION Projects that fulfil the evaluation and selection criteria outlined in the Framework will be selected by Aegea’s ESG Executive Committee, comprised by representatives from the Investor Relations, Finance, Business Development, Sustainability and Mergers, and Acquisitions departments, in addition to the Company’s CEO and CFO. The Company has in place processes to identify and mitigate environmental and social risks associated with the eligible projects. Based on the clear delineation of responsibility, Sustainalytics considers this process to be in line with market practice.



MANAGEMENT OF PROCEEDS Aegea’s Financial Operations Department will be responsible for monitoring the allocation of proceeds, and the Company’s Treasury Department will be responsible for the management of proceeds on a portfolio basis. The Company intends to fully allocate all proceeds to eligible assets as soon as practicable within 72 months of issuance. Unallocated proceeds will be temporarily used for other operational, financial and investment activities. Sustainalytics notes that the allocation period aligns with the timeline of the Company’s project pipeline under its existing public service concessions but notes that the allocation period is longer than what Sustainalytics considers to be good practice. Sustainalytics further notes that Aegea commits to reach full allocation before the maturity of the issued instruments.



REPORTING Aegea will publish a report on its website on the allocation and impact of bond proceeds on an annual basis until full allocation. Allocation reporting will include the percentages of proceeds allocated to eligible projects, to other financial instruments and to other Aegea projects not indicated in the Framework. In addition, the Company is committed to report on impact metrics, where relevant, such as the population served, collected sewage (in m3), volume of solid waste recycled (in tonnes) and percentage of water distribution losses. Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Evaluation Date	October 11, 2024 ¹
Issuer Location	São Paulo, Brazil

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¹ This document updates the Second-Party Opinion provided by Sustainalytics in September 2023.

Introduction

Aegea Saneamento e Participações S.A. (“Aegea”, the “Company” or the “Issuer”) is a Brazilian private sanitation company headquartered in São Paulo. The Company’s operations focus on water treatment and distribution, and sewage collection and treatment. In 2023, Aegea had a net revenue of BRL 14.3 billion² (USD 2.95 billion) and served more than 31 million people in more than 500 municipalities in Brazil.³ The Company employed more than 17,000 direct employees as of September 2024.

Aegea has developed the Aegea Sustainable Financing Framework dated October 2024 (the “Framework”) as an update to a previous one dated September 2023 under which the Issuer, its subsidiaries and associated companies⁴ may issue thematic bonds, including green, social, sustainable and blue bonds, or obtain sustainable loans,⁵ and other sustainable debt securities.⁶ Under use of proceeds instruments, the proceeds will finance or refinance, in whole or in part, existing or future projects that are expected to lead to positive environmental outcomes and social advancements in Brazil. The Framework defines eligibility criteria in the following areas:

1. Sustainable Water and Wastewater Management
2. Renewable Energy
3. Pollution Prevention & Control
4. Terrestrial & Aquatic Biodiversity Conservation
5. Affordable Basic Infrastructure
6. Socioeconomic Advancement and Empowerment

Aegea engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP), Green Loan Principles 2023 (GLP), and Social Loan Principles 2023 (SLP). Sustainalytics notes that in addition to these principles, Aegea intends to align with the IFC Guidelines for Blue Finance,⁷ the Practitioner’s Guide to Bonds to Finance the Sustainable Blue Economy⁸ and the Brazilian Financial and Capital Markets Association (ANBIMA).⁹ The Framework will be published in a separate document.¹⁰

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent¹¹ opinion on alignment of the Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023 as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

² Aegea, “Company Presentation”, (April 2024), at: <https://api.mziq.com/mzfilemanager/v2/d/9aa4d8c5-604a-4097-acc9-2d8be8f71593/f8b624e9-2c0b-1a92-ee8b-1982d5241e1a?origin=1>

³ Ibid.

⁴ Aegea has communicated to Sustainalytics that it will have operational control over the issuance process of its subsidiaries and associated companies as it pertains to any financings under the Aegea Sustainable Financing Framework. The Issuer has further confirmed that it will be responsible for ensuring continual alignment of any issuances with the criteria defined in the Framework.

⁵ Types of loan instruments include debentures, letters of credit and lines of credit.

⁶ Sustainalytics has reviewed just those financial instruments that are specified in the Framework.

⁷ ICMA, “Bonds to Finance the Sustainable Blue Economy”, at: <https://www.icmagroup.org/assets/documents/Sustainable-finance/Bonds-to-Finance-the-Sustainable-Blue-Economy-a-Practitioners-Guide-September-2023.pdf>

⁸ The “Bonds to Finance the Sustainable Blue Economy: A Practitioner’s Guide” is jointly developed by the Asian Development Bank (ADB), International Capital Market Association (ICMA), International Finance Corporation (IFC), United Nations Environment Programme – Finance Initiative (UNEP FI), and United Nations Global Compact (UNGC). ADB, “Bonds to finance the Sustainable Blue Economy - A Practitioner’s Guide”, (2023), at: <https://www.icmagroup.org/assets/documents/Sustainable-finance/Bonds-to-Finance-the-Sustainable-Blue-Economy-a-Practitioners-GuideSeptember-2023.pdf>

⁹ ANBIMA, “Brazilian Capital Markets”, (2024), at: <https://internacional.anbima.com.br/>

¹⁰ The Aegea Sustainable Financing Framework dated October 2024 is available on Aegea’s website at: <https://ri.aegea.com.br/en/>

¹¹ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.17.2, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with representatives of Aegea to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. Aegea representatives have confirmed that: (1) they understand it is the sole responsibility of Aegea to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information; and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with it.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Aegea.

Sustainalytics' Second-Party Opinion assesses alignment of the Framework with market standards but provides no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the issuer.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee their realized allocation towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument in favour or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Aegea has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Aegea Sustainable Financing Framework

Sustainalytics is of the opinion that the Aegea Sustainable Financing Framework is credible and impactful, and aligns with the four core components of the SBG, GBP, SBP, GLP and SLP. Sustainalytics notes that in addition to these principles, Aegea intends to align with the IFC Guidelines for Blue Finance, the Practitioner's Guide to Bonds to Finance the Sustainable Blue Economy and the Brazilian Financial and Capital Markets Association (ANBIMA). Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories, Sustainable Water and Wastewater Management, Renewable Energy, Pollution Prevention & Control, Terrestrial & Aquatic Biodiversity Conservation, Affordable Basic Infrastructure, and Socioeconomic Advancement and Empowerment, are aligned with those recognized by the GBP.
 - Aegea has defined a 24-month look-back period for refinancing its operating expenditure activities which Sustainalytics considers to be in line with market practice.
 - Aegea has in place exclusionary criteria that prohibit financing projects or expenditures associated with activities such as child, youth and slave labour, activities that violate the rights of indigenous and traditional peoples and communities, business partners not complying with federal anticorruption laws, fossil fuels or coal acquisition or generation projects, or nuclear waste. Sustainalytics views that the exclusion of these activities further strengthens the Framework.
 - The investment may include capital expenditures and selected operating expenditures, R&D expenditures and acquisitions of a majority or minority stake or capital injection in pure play companies. In case of pure play companies, Aegea intends to finance or refinance acquisition of entities that derive 90% or more of their revenue from activities that comply with the eligibility criteria set in the Framework. Sustainalytics considers it to be good practice to allocate use of proceeds for acquisition in pure plays linked to the fair value of eligible green assets booked under the balance sheet of the target company.
 - In case of capital injection in pure player companies, Aegea intends to invest equity in entities that derive 90% or more of their revenues from activities that comply with the eligibility criteria in the Framework. Sustainalytics considers that project and activity-based

lending generally ensures better compliance with the criteria in the Framework and results in more direct environmental and social benefits than equity investments into pure play companies. However, using proceeds from green, social and sustainability (GSS) instruments to make equity investments into pure play companies is also a commonly accepted approach likely to generate positive impacts through supporting activities of the investee pure play company.

- Under the Sustainable Water and Wastewater Management category, Aegea may finance or refinance projects in accordance with the following criteria:
 - Construction, installation, expansion or replacement of wastewater management and supply systems including: i) treatment plants; ii) lifting stations; iii) water pumping systems; iv) sewer network, pipes, lines, mains and sewer collection and drainage structure.
 - Construction, installation, expansion or replacement of water management and supply systems including: i) treatment plants; ii) lifting stations; iii) water pumping systems; iv) pipes, lines, watermains and structures for the management and supply water.
 - Equipment and activities aimed at improving water usage efficiency such as drip irrigation and water recycling solutions, that reduce water usage by a minimum of 20% compared to a specified baseline.
 - Water supply resilience projects such as recovery of water bodies, desalination plants, rainwater harvesting, water recycling and R&D expenditure.
 - Aegea confirmed to Sustainalytics that it will exclude equipment and methodologies reliant on fossil fuels, as well as the treatment of wastewater from fossil fuel operations like fracking. Additionally, systems and treatment facilities associated with controversial activities causing adverse social or environmental effects, such as industrial-scale livestock operations, will also be excluded.
 - For water efficiency activities, Aegea has communicated to Sustainalytics that the expenditures may include water loss management systems such as active leakage control, pressure management, satellites developed for detecting water leakage on ground, extension of pipes to reduce water leakage, wherever applicable, and that such activities will not support hard-to-abate sectors.
 - Aegea has communicated to Sustainalytics that projects related to recovery of water bodies include treating of sewage water that flows in rivers and improving the overall quality of water flowing into the natural water bodies.
 - For desalination plant, Aegea has confirmed to Sustainalytics that: i) treatment of wastewater from fossil fuel operations will be excluded from financing; ii) desalination plants will be powered by low-carbon energy sources or the average carbon intensity of the electricity that is used for desalination is at or below 100 gCO₂e/kWh; and iii) there will be an appropriate waste management plan for brine disposal in desalination plants.
 - Aegea confirmed to Sustainalytics that it will exclude equipment and methodologies reliant on fossil fuels, as well as the treatment of wastewater from fossil fuel operations like fracking. Additionally, systems and treatment facilities associated with controversial activities causing adverse social or environmental effects, such as industrial-scale livestock operations, will also be excluded.
 - For water efficiency activities, Aegea has communicated to Sustainalytics that the expenditures may include water loss management systems such as active leakage control, pressure management, satellites developed for detecting water leakage on ground, extension of pipes to reduce water leakage, wherever applicable, and that such activities will not support hard-to-abate sectors.
 - Aegea has communicated to Sustainalytics that projects related to recovery of water bodies include treating of sewage water that flows in rivers and improving the overall quality of water flowing into the natural water bodies.
 - For desalination plant, Aegea has confirmed to Sustainalytics that: i) treatment of wastewater from fossil fuel operations will be excluded from financing; ii) desalination plants will be powered by low-carbon energy sources or the average carbon intensity of the electricity that is used for desalination is at or below 100 gCO₂e/kWh; and iii) there will be an

- appropriate waste management plan for brine disposal in desalination plants.
- Sustainalytics views expenditures under this category to be aligned with market practice.
 - Under the Terrestrial and Aquatic Biodiversity Conservation category, the Company may finance the management of conservation areas and reforestation projects.
 - The Company intends to finance conservation and reforestation projects as part of Brazil's Living Forest programme executed by the Brazilian Fund for Biodiversity (FUNBIO).¹² Aegea has confirmed to Sustainalytics that reforestation projects will use tree species that are well adapted to site conditions.
 - Sustainalytics notes that FUNBIO requires selected projects to have a sustainable management plan in place that must follow established methodologies for ensuring biodiversity conservation, carbon sequestration, native species selection, public notice and consultation, socio-environmental monitoring and workers' rights. Sustainalytics encourages Aegea to select projects, where feasible, that have a sustainable management plan certified by credible third-party certifications.
 - Under the Pollution Prevention and Control category, Aegea intends to invest in the following projects:
 - Increasing the ratio of treated sewage in aerobic plants and biogas systems at sewage plants. Aegea has communicated to Sustainalytics that the Company will use biogas solely for electricity generation purposes and biogas production excludes sewage from fossil fuel operations.
 - Electricity and energy management projects that reduce energy consumption and increase energy efficiency, including projects that enable continuous monitoring of the energy output of equipment, and improve energy efficiency through reconditioning of engines, pumps and related components, and replacement of inefficient equipment. Sustainalytics encourages Aegea to report on the estimated or achieved energy gains, where feasible. Aegea has confirmed to Sustainalytics that fossil fuel-powered equipment and technology will be excluded for financing in this category. Sustainalytics considers these expenditures to be in line with market practice.
 - Carbon sequestration projects include financing for the addition of biochar to soils. Sustainalytics considers this investment to be in line with market practice.
 - Under the Renewable Energy category, Aegea intends to invest in maintaining its current renewable energy mix, as well as the production of biogas from sewage sludge.
 - The expenditures related to maintaining Aegea's current renewable energy mix will be limited to the procurement of renewable energy through power purchase agreements (PPAs) with terms longer than five years or more. Aegea has communicated to Sustainalytics that nearly 97% of the Company's energy consumption is composed of renewable energy sources, including wind, solar and biogas.
 - As for the production of biogas from sewage sludge, Aegea has communicated to Sustainalytics that biogas from sewage sludge will exclude wastewater from fossil fuel activities.
 - Sustainalytics considers investments in this category to be in line with market practice.
 - Under the Affordable Basic Infrastructure category, Aegea may finance infrastructure to improve access to sanitation and potable water.
 - Aegea informed Sustainalytics that the projects will mostly benefit municipalities, individuals and low-income communities with inadequate infrastructure and aim to improve access to potable and clean water and sanitation that have the potential to provide additional health benefits to identified target populations. Sustainalytics considers investments in infrastructure to improve access to potable water and sanitation in a developing economy, such as Brazil, to be aligned with market practice.
 - Under the Socioeconomic Advancement and Empowerment category, Aegea may finance projects that generate employment opportunities for local populations and expand the number of beneficiaries of tariff reduction and social tariff programmes.

¹² The Living Forest programme will be executed by FUNBIO, which is a non-profit national institution that works in partnership with the government and private sectors to undertake biodiversity conservation initiatives.

FUNBIO, "Floresta Viva", at: https://www.funbio.org.br/programas_e_projetos/florestaviva/

- Aegea has informed Sustainalytics that employment opportunities are generated through the Águas do Rio project. The project directly serves low-income populations in Rio de Janeiro.
- Tariff reduction and social tariff programmes include expanding the number of beneficiaries that receive subsidization to cover nearly 50% of the costs associated with obtaining access to potable water and sewage treatment. The beneficiaries are low-income populations, populations registered in the Single Registration System (Cadastro Único), low-income families as identified in the government's Bolsa Familia programme and residents of communities in need, as well as precarious housing areas and housing developments, and housing for low-income residents. Aegea has informed Sustainalytics that populations registered in the Cadastro Único are the most likely target populations to receive financing under these programmes.
- Sustainalytics notes that the projects aiming to generate employment for low-income populations and expanding access to government programmes that provide subsidies for water and sewage treatment services are anticipated to deliver positive social impacts.
- Project Evaluation and Selection:
 - Aegea's ESG Executive Committee will select projects that fulfil the evaluation and selection criteria outlined in the Framework. The Company has informed Sustainalytics that the executive committee is composed of representatives from the Investor Relations, Finance, Business Development, Sustainability and Mergers, and Acquisitions departments, plus the Company's CEO and CFO.
 - The Company has in place processes to identify and mitigate environmental and social risks associated with the eligible projects, which are applicable to all allocation decisions made under the Framework. Additionally, Aegea requires all eligible projects to obtain applicable licensing and permits, including environmental permits. For additional details, please see Section 2.
 - Based on the clear delineation of responsibility, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Aegea's Financial Operations Department will be responsible for monitoring the allocation of proceeds, and the Company's Treasury Department will be responsible for the management of proceeds on a portfolio basis. The Framework further notes that in the event of specific funding operations, a special purpose entity managed by a third party will be responsible for managing the allocation of proceeds. This is aligned with market practice.
 - Instruments issued under the Framework may include multi-tranche loan facilities. Aegea has confirmed to Sustainalytics that it will label only those tranches of such facilities that will be entirely and exclusively allocated to projects that align with the criteria defined in the Framework.
 - The Company intends to fully allocate all proceeds to eligible assets as soon as practicable within 72 months of issuance. In the event a project becomes ineligible as per the Framework's eligibility criteria, Aegea intends to allocate proceeds to other eligible projects within 12 months. Unallocated proceeds will be temporarily used for other operational, financial and investment activities. Sustainalytics notes that the allocation period aligns with the timeline of the Company's project pipeline under its existing public service concessions but notes that the allocation period is longer than what Sustainalytics considers to be good practice. Sustainalytics further notes that Aegea commits to reach full allocation before the maturity of the issued instruments.
- Reporting:
 - Aegea will publish a report on its website on the allocation and impact of bond proceeds on an annual basis until full allocation.
 - Allocation reporting will include the percentage of proceeds allocated to eligible projects, the percentage of proceeds temporarily allocated to other financial instruments and the percentage of proceeds temporarily allocated to other Aegea projects not indicated in the Framework. For revolving credit, the Company has communicated to Sustainalytics that it will provide allocation reporting to lenders until the maturity of the revolving facility.
 - In addition, the Company is committed to report on impact metrics, where relevant, such as the population served, collected sewage (in m3), volume of solid waste recycled (in tonnes) and percentage of water distribution losses.

- Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP), Green Loan Principles 2023 (GLP), and Social Loan Principles 2023 (SLP)

Sustainalytics has determined that the Aegea Sustainable Financing Framework aligns with the four core components of the SBG, GBP, SBP, GLP and SLP.

Section 2: Sustainability Strategy of Aegea

Contribution to Aegea's Sustainability Strategy

Aegea's Sustainability Policy is underpinned by three pillars¹³ – economic, environmental, and social – that align with its commitment to the UN Sustainable Development Goals and the principles of the UN Global Compact, the Brazilian Global Compact Committee and the Water and Sanitation mandate.¹⁴ Over the last 10 years, the Company has been reporting on its sustainability performance through its annual sustainability reports.¹⁵ The Company conducted a materiality assessment in 2020 and identified 13 material topics, including GHG emissions, operational efficiency management, energy management and people management.¹⁶

To reduce its operational carbon footprint, Aegea has established a target of reducing its energy consumption for water treatment and distribution, and sewage collection and treatment by 15% by 2030 from a 2021 baseline. In Aegea's progression towards its 2030 target, the Company sourced 98% of its total energy consumption from renewable energy sources in 2024.¹⁷ Furthermore, in 2023, Aegea's Loss Reduction Program that fosters water efficiency prevented 15 billion litres of water loss.^{18,19}

Regarding Aegea's aim to enhance access to basic sanitation, the Company has rolled out the Vem com a Gente (Come With Us) programme, which seeks to enhance access to sanitation services for low-income families by establishing sanitation connections and connecting houses to sanitation grids.²⁰ As part of Aegea's water and sewage operations project – Águas do Rio – the Company has provided direct and indirect employment opportunities to more than 8,000 people by pursuing its diversity and racial equality programme, and through training and hiring initiatives in slums and local communities.

To fulfill its goal of providing equal opportunities, the Company has established the "Respeito Dá o Tom" (Respect Sets the Tone) programme, which is aimed at encouraging people from diverse ethnicities and backgrounds, including Indigenous Peoples, to apply for corporate positions.²¹ The Company identified 'Diversity' as a material issue in its materiality assessment in 2020, and thereafter has sought to advance women and diversity through multiple meetings and campaigns conducted by its corporate diversity committee. In 2023, women represented 32% of Aegea's leadership roles.^{22, 23} In the same year, black employees represented 20% of leadership positions, while non-white employees represented 19% and 26.5% of the board and management roles, respectively.²⁴

Sustainalytics is of the opinion that the Aegea Sustainable Financing Framework is aligned with Aegea's sustainability strategy and initiatives and will further support its key sustainability commitments.

Environmental and Social Risk Management

Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are anticipated to have a positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key

¹³ Aegea, "Sustainability Policy", at: <https://www.aegea.com.br/en/sustainability-policy/>

¹⁴ Aegea, "Annual Sustainability Report 2020", at: <https://api.mziq.com/mzfilemanager/v2/d/9aa4d8c5-604a-4097-acc9-2d8be8f71593/cbf92f50-a5f4-c074-79b7-ad59257a653e?origin=1>

¹⁵ Aegea, "Investor Relations", at: <https://ri.aegea.com.br/en/esg/annual-report/>

¹⁶ Aegea, "Annual Sustainability Report 2023", at: <https://api.mziq.com/mzfilemanager/v2/d/9aa4d8c5-604a-4097-acc9-2d8be8f71593/f58935ec-75ef-eaab-1874-2aa35dd3ad80?origin=1>

¹⁷ Aegea, "Aegea is the first sanitation company to issue bond linked to ESG targets in Latin America", at: <https://ri.aegea.com.br/en/noticia/aegea-is-the-first-sanitation-company-to-issue-bond-linked-to-esg-targets-in-latin-america/>

¹⁸ Aegea, "Annual Sustainability Report 2022", at: <https://api.mziq.com/mzfilemanager/v2/d/9aa4d8c5-604a-4097-acc9-2d8be8f71593/e6a16c55-4e35-775e-792b-d28604f7e443?origin=1>

¹⁹ Aegea, "Sustainable Financing Framework September 2024"

²⁰ Aegea, "Annual Sustainability Report 2021", at: <https://api.mziq.com/mzfilemanager/v2/d/9aa4d8c5-604a-4097-acc9-2d8be8f71593/c0c088b1-eae2-1071-1bd0-451b461b8360?origin=1>

²¹ Ibid.

²² Aegea, "Respeito Dá o Tom, programa de diversidade da Aegea, completa seis anos", at: <https://www.aegea.com.br/2023/09/27/respeito-da-o-tom-programa-de-diversidade-da-aegea-completa-seis-anos/>

²³ Aegea, "Annual Sustainability Report 2023", at: <https://api.mziq.com/mzfilemanager/v2/d/9aa4d8c5-604a-4097-acc9-2d8be8f71593/f58935ec-75ef-eaab-1874-2aa35dd3ad80?origin=1>

²⁴ Ibid.

environmental and social risks potentially associated with the eligible projects could include product governance; emissions, effluents and waste; issues involving contamination of water bodies; occupational health and safety; land use and biodiversity; community relations and stakeholder engagement.

Sustainalytics is of the opinion that Aegea is able to manage or mitigate potential risks through the implementation of the following:

- Aegea's risk management identifies nine key functional areas of risk, including: i) people; ii) environmental health and safety; iii) operational; iv) planning and strategic growth; and v) compliance.²⁵ Under these broad areas of risk, the Company focuses on mitigating issues related to product governance, environmental management, occupational health and safety, and compliance. The Company's Business Impact Analysis tool is an internal mechanism to manage risks, identify business impact risks and generate a risk map, which is approved by top management.²⁶ Aegea's Risk and Internal Control department identifies and addresses risks through a three-line strategy that involves line managers, internal risk control and top management.
- To address emissions, effluents and waste management risks, the Company's Health, Occupational Safety and Environment Department requires each unit to identify environmental risks by conducting environmental impact assessments and mitigating these risks in their activities. To prevent the contamination of water as part of the water collection and treatment process, the Company conducts assessments that include various climatic and water related indicators. Water is collected and disposed of in compliance with legal standards and conditions related to grants and environmental licenses. To treat effluents, technical and economic feasibility is conducted to assess the impact and benefits of converting existing sewage treatment plants from anaerobic to aerobic processes, as well as implementing aerobic processes at new sewage treatment plants. For waste management, Aegea conducts waste reuse programmes to reduce the volume of sludge disposed of in landfills and promote circular economy. The Company has also incorporated an environmental management system to stay up to date on sector-specific guidelines and monitor the status of environmental licenses, grants and restrictions.²⁷
- To address risks related to contamination of water bodies, water or soil pollution and waste disposal, the Company's Health, Occupational Safety and Environment Department requires each unit to identify environmental risks by conducting environmental impacts assessment and mitigating these risks in their activities.²⁸ The Company has also incorporated an environmental management system into its risk portal²⁹ to stay up to date on sector-specific guidelines and monitor the status of environmental licenses, grants and restrictions.
- Aegea addresses health, occupational and safety risks through the Health, Occupational Safety and Environment programme under its Sustainability Policy, which covers all its operations.³⁰ The Company's occupational health and safety management system is aligned with the regulatory standards established by the Brazilian Ministry of Labour and Employment, as well as international standards, such as ISO 45001³¹ and the IFC Performance Standards for health and safety.³² To manage occupational risks, such as workplace accidents, the Company conducts annual audits that focus on employee health and safety (H&S) issues. Potential H&S risks are mapped and required management actions to mitigate them are defined according to the Company's Environmental Risk Prevention Program and the Occupational Risks and Hazards List.³³
- To mitigate the risk of biodiversity loss, the Company's management is responsible for overseeing compliance with environmental authorizations and licenses, in addition to other requirements from municipal, state and federal environmental agencies, including those related to land use and biodiversity.³⁴
- To mitigate or manage risks associated with stakeholder participation, Aegea has implemented the Afluentes programme to promote the relationship of its concessionaires with local leaders. Aegea conducts stakeholder engagement activities to understand the needs, suggestions and

²⁵ Aegea, "Annual Sustainability Report 2022", at: <https://api.mziq.com/mzfilemanager/v2/d/9aa4d8c5-604a-4097-acc9-2d8be8f71593/e6a16c55-4e35-775e-792b-d28604f7e443?origin=1>

²⁶ Aegea, "Annual Sustainability Report 2020", at: <https://api.mziq.com/mzfilemanager/v2/d/9aa4d8c5-604a-4097-acc9-2d8be8f71593/cbf92f50-a5f4-c074-79b7-ad59257a653e?origin=1>

²⁷ Ibid.

²⁸ Ibid.

²⁹ Ibid.

³⁰ Aegea, "Sustainability Policy", at: <https://www.aegea.com.br/en/sustainability-policy/>

³¹ ISO, "ISO 45001:2018 – Occupational Safety and Health Management Systems", at: <https://www.iso.org/standard/63787.html>

³² Aegea, "Sustainability Policy", at: <https://www.aegea.com.br/en/sustainability-policy/>

³³ Aegea, "Annual Sustainability Report 2023", at: <https://api.mziq.com/mzfilemanager/v2/d/9aa4d8c5-604a-4097-acc9-2d8be8f71593/f58935ec-75ef-eaab-1874-2aa35dd3ad80?origin=1>

³⁴ Ibid.

opinions of the communities. In 2023, the Company held nearly 234,361 meetings and engaged approximately 10,804 leaders.³⁵

Based on these policies and standards, Sustainalytics considers that Aegea has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with investments in the eligible categories.

Section 3: Impact of Use of Proceeds

Importance of improving energy efficiency in the water utilities sector

Electricity consumption in the water sector is projected to increase to over 1,000 TWh in 2025 and to almost 1,500 TWh by 2040.³⁶ Water and energy systems are highly interdependent as the water utilities consume energy for purposes such as water source pumping, treatment, and distribution. Among water utilities worldwide, the energy costs typically range between 5 to 30% of the total operating costs, but the share is usually higher in developing countries reaching as much as 40%.³⁷ For many municipal governments, drinking water and wastewater plants are typically the largest energy consumers, often accounting for 30% to 40% of total energy consumed and this is expected to increase to 60% within the next 15 years.^{38,39} Additionally, water supply and wastewater treatment are responsible for more than 50% of total electricity consumption among water utilities.⁴⁰

Based on the above, Sustainalytics is of the opinion that Aegea's investments in energy efficiency projects dedicated to the water sector are expected to create a positive environmental impact.

Importance of financing the provision of sewage and water infrastructure in Brazil

The volume of freshwater accessible for human use in the world has been severely reduced as a result of population growth, the intensity of use and a rise in pollution and degradation of remaining water bodies.⁴¹ One-third of the world's population still lacks access to safe drinking water, two-fifths lack acceptable basic sanitation facilities and more than 673 million people do not have access to toilets.⁴² In Brazil, 30 million people lack access to safely managed sources of water and 109 million lack access to safely managed household sanitation facilities.⁴³ Furthermore, only 62% of the population has access to sanitary sewage collecting systems, while only 78.5% of the collected volume is treated, leaving the remainder of the 22.5% of raw sewage to be disposed of into the environment.⁴⁴ Basic sanitation has the potential to benefit the community in a variety of ways, including reducing the risks of infant mortality and minimizing the spread of diseases that affect various areas of Brazil, including dengue, Zika, Chikungunya, hepatitis A, leptospirosis and diarrheal disorders.⁴⁵

Brazil's Sanitation Law, passed in July 2020, marks the reform of the regulatory framework for water and sanitation, providing increased opportunities for investments in the sector to develop infrastructure and expand sanitation services throughout the country.⁴⁶ The national sanitation framework aims to universalize clean water and sanitation services in Brazil, with the objective of delivering drinking water

³⁵ Ibid.

³⁶ IEA, "Electricity consumption in the water sector by process, 2014-2040", at: <https://www.iea.org/data-and-statistics/charts/electricity-consumption-in-the-water-sector-by-process-2014-2040>

³⁷ Wilson, L. et al (2021), "Water utilities' improvement: The need for water and energy management techniques and skill" at: <https://www.sciencedirect.com/science/article/pii/S2666445321000027#bib1>

³⁸ US EPA, "Energy Efficiency for Water Utilities" at: <https://www.epa.gov/sustainable-water-infrastructure/energy-efficiency-water-utilities>

³⁹ Tata and Howard, "The Criticality of Energy Efficiency for Water and Wastewater Utilities" at: <https://tataandhoward.com/the-criticality-of-energy-efficiency-for-water-and-wastewater-utilities/>

⁴⁰ IEA, "Electricity consumption in the water sector by process, 2014-2040", at: <https://www.iea.org/data-and-statistics/charts/electricity-consumption-in-the-water-sector-by-process-2014-2040>

⁴¹ Costa, A.S.V. (2020), "Potential use of wastewater from sewage treatment plants in fertigation in Brazil", Open Access Journal of Environmental & Soil Science, at: <https://lupinepublishers.com/environmental-soil-science-journal/fulltext/potential-use-of-wastewater-from-sewage-treatment-plants-in-fertigation-in-brazil.ID.000206.php>

⁴² Da Silva Gomes, F.M. et al. (2020), "Access to drinking water and sewage treatment in Brazil: a challenge for the control of waterborne infectious diseases", National Library of Medicine, at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7534402/>

⁴³ Water.org, "Brazil", at: <https://water.org/our-impact/where-we-work/brazil>

⁴⁴ Borges, M.C.P. et al. (2022), "The Brazilian National System for Water and Sanitation Data (SNIS): Providing information on a municipal level on water and sanitation services", ScienceDirect, at: <https://www.sciencedirect.com/science/article/pii/S222658562200070X>

⁴⁵ Portal Saneamento Básico, "Maceió/AL City Hall begins basic sanitation works to benefit more than 240 thousand people", (2021) at: <https://saneamentobasico.com.br/esgoto/maceio-obras-saneamento-basico/>

⁴⁶ OECD iLibrary, "Making water and sanitation regulation in Brazil more effective", at: <https://www.oecd-ilibrary.org/sites/343d7eb1-en/index.html?itemId=/content/component/343d7eb1-en>

to 99% of the country's population, and sewage collection and treatment to 90% of the population by the end of 2033.⁴⁷

Sustainalytics is of the opinion that the projects financed by Aegea under the Framework are expected to contribute positively to Brazil's water infrastructure system and are aligned with the country's goals of universalizing water and sanitation services.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Aegea Sustainable Financing Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Pollution Prevention and Control	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Terrestrial and Aquatic Biodiversity	6. Clean Water and Sanitation	6.6 By 2020, protect and restore water related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes
	14. Life Below Water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans.
Affordable Basic Infrastructure	6. Clean Water and Sanitation	6.1. By 2030, achieve universal and equitable access to safe and affordable drinking water for all. 6.2. By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations.
Socioeconomic Advancement and Empowerment	8. Decent Work and Economic Growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

Conclusion

Aegea has developed the Aegea Sustainable Financing Framework under which it and its subsidiaries and associated companies may issue and obtain green, blue, social or sustainable bonds, loans and other debt securities, and use the proceeds to finance Sustainable Water and Wastewater Management, Renewable Energy, Pollution Prevention & Control, Terrestrial & Aquatic Biodiversity, Affordable Basic Infrastructure, Socioeconomic Advancement and Empowerment projects. Sustainalytics considers that the eligible projects are expected to provide positive environmental impacts.

⁴⁷ Ibid.

The Framework outlines processes for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Aegea Sustainable Financing Framework is aligned with Aegea's sustainability strategy and that the use of proceeds will contribute to the advancement of UN Sustainable Development Goals 6, 7, 8 and 14. Additionally, Sustainalytics considers that Aegea has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Aegea is well positioned to issue green, social, sustainable and blue bonds and obtain labelled loans and that the Aegea Sustainable Financing Framework is robust, transparent and in alignment with the four core components of the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023, and Social Loan Principles 2023. Sustainalytics notes that in addition to these principles, Aegea intends to align with the IFC Guidelines for Blue Finance, the Practitioner's Guide to Bonds to Finance the Sustainable Blue Economy and the Brazilian Financial and Capital Markets Association (ANBIMA).

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