

ANNEX V
REGULATORY MODEL

CONTENTS

1.	Chapter 1 - Preamble and purpose	2
2.	Chapter 2 - Definitions.....	2
3.	Chapter 3 - Tariff Remuneration Rules.....	7
4.	Chapter 4 – Revision Rules.....	13
5.	Chapter 5 – ADJUSTMENT Rules	16
6.	Chapter 6 - RAB Update.....	19
7.	Chapter 7 - Methodology for the calculation of the Regulatory Remuneration Rate	21
8.	Chapter 8 - Methodology for the calculation of the Regulatory Remuneration....	24
9.	Chapter 9 - Methodology for the calculation of the Regulatory Reintegration Quota	27
10.	Chapter 10 - Methodology for the calculation of OPEX and the X Factor.....	29
11.	Chapter 11 - Methodology for the calculation of Other Operating Expenses	35
12.	Chapter 12 - Methodology for Firm Demand.....	39
13.	Chapter 13 – Regulatory Treatment for Renovations and Cancellations	40
14.	Chapter 14 - Methodology for the calculation of UNRECOVERABLE REVENUES...	40
15.	Chapter 15 - Methodology for the calculation of ADDITIONAL REVENUES, arising from OTHER PRICES AND THE K FACTOR.....	41
16.	Chapter 16 - Methodology for the calculation of the quality incentive factor (Q FACTOR).....	45
17.	Chapter 17 - Methodology for the calculation of the universalization factor (U FACTOR).....	45
18.	Chapter 18 - Regulatory Accounting.....	46
19.	Chapter 19 - Related Pary Transactions	47

EXHIBIT V - REGULATORY MODEL

1. Chapter 1 - Preamble and purpose

1.1. This Annex V – Regulatory Model ("**ANNEX**") established the mandatory parameters and assumptions applicable to the exercise of economic regulation, which must be observed by ARSESP throughout the entire term of the CONTRACT.

1.2. This ANNEX will be binding on the PARTIES and ARSESP.

1.3. Capitalized terms will have the definitions contained in Clause 1 of the CONTRACT (Title II – Definitions – Chapter 1 – Glossary), or, when they are not defined in the CONTRACT, will have the definitions detailed in this ANNEX.

2. Chapter 2 - Definitions

2.1. For the purposes of this ANNEX, the following definitions apply:

(a) COMPENSATORY ADJUSTMENT: a financial component to be applied within the scope of the ADJUSTMENTS or PERIODIC TARIFF REVISIONS or EXTRAORDINARY

REVISION, intended exclusively to correct errors or inaccuracies identified in the tariff formulas, input data, or calculation processes used in the most recent ADJUSTMENT or PERIODIC REVISION or EXTRAORDINARY REVISION, and based on the actual amounts spent on certain non-manageable cost components, as provided for in item 3.13 of this ANNEX. It is not intended to address economic-financial imbalances, which are the subject of PERIODIC TARIFF REVISION or EXTRAORDINARY REVISION;

(b) ADVANCE OF MUNICIPAL FUNDS ("ADVANCE"): early transfer to the municipalities listed in Annex VIII – INITIAL TARIFF FORMATION, according to Annexes II – TECHNICAL ANNEX FOR EACH MUNICIPALITY, comprising the amounts of MUNICIPAL FUNDS. The total amount advanced is defined in Annex VIII – INITIAL TARIFF FORMATION INICIAL and shall be remunerated and fully recovered over the term of the CONTRACT;

(c) RAB UPDATE: calculation of the updated value of the BAR, to occur periodically within the timelines defined in the CONTRACT and its ANNEXES, based on ARSESP's recognition of INVESTMENTS in LINKED ASSETS made by SABESP based on the ASSET VALUATION REPORT, and will impact the calculation of TARIFFS;

(d) REGULATORY ASSET BASE (RAB): consists of all investments that are (i) eligible – related to service provision; (ii) useful – necessary for service provision; (iii) prudent – incurred at market-aligned costs; and (iv) in use by the provider, and which have been made at its own expense, which shall be remunerated and depreciated/amortized through TARIFFS;

(e) SHIELDED RAB: composed of assets listed in the ASSET VALUATION REPORT validated by ARSESP during the most recent tariff event, whether an annual ADJUSTMENT or a PERIODIC TARIFF REVISION. These assets must be monetarily updated and adjusted considering write-offs, depreciation, changes to

the UTILIZATION INDEX, and eligible reclassifications;

(f) FINAL RAB: the asset base as of December of the REFERENCE PERIOD year. It corresponds to the INITIAL BAR of the REFERENCE PERIOD after adjustments, including deduction of accumulated depreciation, write-offs, adjustments to the UTILIZATION INDEX, eligibility reclassifications, and incorporation of capitalized investments during the REFERENCE PERIOD;

(g) INITIAL RAB: the initial RAB of the REFERENCE PERIOD, corresponding to the SHIELDED RAB of the year before the REFERENCE PERIOD year;

(h) INCREMENTAL RAB: composed of operational assets annually added to the SHIELDED RAB;

(i) GROSS REGULATORY ASSET BASE (RABgross): the RAB before deduction of depreciation. It is used in the calculation of the REGULATORY REINTEGRATION QUOTA (RRQ);

(j) NET REGULATORY ASSET BASE (RABnet): refers to the RABgross minus accumulated depreciation and the application of the UTILIZATION INDEX. Therefore, it corresponds to the set of investments not yet depreciated or amortized. They make up the RRB;

(k) REGULATORY REMUNERATION BASE (RRB): the amount comprising prudent investments not yet depreciated or amortized (RABnet), the COMPENSATION for flooded areas, and the value of the ADVANCE, all of which shall be remunerated at the REGULATORY REMUNERATION RATE in the TARIFFS;

(l) TARIFF CYCLE: the period between the PERIODIC TARIFF REVISIONS of the CONTRACT, on the dates defined in item 3.2 of this ANNEX;

(m) CERTIFICATION: the annual investment certification process to be carried out by the VALUATION COMPANY, whose role is governed in Annex VI – GUIDELINES FOR THE VALUATION COMPANY AND THE INDEPENDENT VERIFIER;

(n) COMPENSATION FOR FLOODED AREAS ("COMPENSATION"): financial compensation paid to municipalities for flooded areas and, therefore, rendered unproductive, resulting from the construction of water reservoirs for the human supply of the Metropolitan Integrated System. The compensation amount is defined in ANNEX VIII and must be remunerated and fully recovered over the term of the CONTRACT;

(o) FIRM DEMAND: pre-existing contracts as of the EFFECTIVE DATE, signed between SABESP and non-residential USERS, that grant discounts on the payment of water and sewage tariffs;

(p) DEPRECIATED REPLACEMENT COST (DRC): valuation methodology for the INCREMENTAL RAB that consists of the cost of replacing each asset with another of identical functionality and capacity, replacing it under identical technical conditions, considering acquisition values compatible with market prices and accounting for

the accumulated depreciation since the asset's start-up or capitalization. That is, the methodology considers the cost to build the asset under identical conditions, using the same technology and engineering solutions, less physical depreciation incurred from the asset's acquisition and its valuation;

(q) **TECHNICAL EFFICIENCY:** consists in the optimization of the company's internal processes to reduce costs and improve practices in organization, operation and maintenance, and procurement of inputs, among others;

(r) **IMBALANCE EVENT:** any event, act, or fact that impacts the economic-financial equation defined in the most recent PERIODIC TARIFF REVISION or EXTRAORDINARY REVISION and whose treatment is not provided for in the regulatory model outlined in this ANNEX;

(s) **K FACTOR:** technical coefficient attributed to the pollutant load resulting from the discharge of non-domestic sewage into SABESP's network, which, in general, increases the monthly billing for large users such as industrial and commercial customers whose effluents are discharged into the public network;

(t) **X FACTOR:** a pre-established factor applied to transfer to USERS the efficiency gains resulting from the adoption of technologies, estimated according to the methodology in this ANNEX;

(u) **LARGE USERS:** non-residential USERS, as defined in ARSESP Resolution 818/2018 and its amendments, whose tariffs may be directly negotiated through specific contracts, according to the rules for FIRM DEMAND outlined in this Annex and in future ARSESP Resolutions;

(v) **UTILIZATION INDEX:** a percentage defined by ARSESP, after previous measurement by the VALUATION COMPANY, based on verification and qualified analysis of the actual use of the asset in the SERVICES. This index may apply to land, buildings, water and sewage treatment stations, and other patrimonial assets indicated in the REGULATION. The calculation rules for this index are provided in Resolution 1,488 of January 12, 2024 and subsequent amendments, with the assurance of non-retroactivity of effects;

(w) **MALMQUIST INDEX:** a methodology that estimates changes in the productivity of a sector between two distinct TARIFF CYCLES. For the purposes of measuring the X FACTOR, only the component of the MALMQUIST INDEX, or any replacement thereof, that reflects productivity gains associated with the average technological change in the basic sanitation sector will be adopted;

(x) **INPUTS:** variables to be explained in an efficiency analysis model such as the MALMQUIST INDEX. They correspond to the resources used by companies in a sector to generate a given level of product;

(y) **ASSET VALUATION REPORT:** inventory and description of the assets in use capitalized during the REFERENCE PERIOD through specific treatment for each group of assets depending on its relevance in terms of value and the

feasibility of physical field of verification. The detailed composition of asset costs and valuation using the DRC method to be used in the ASSET VALUATION REPORT will be defined by ARSESP in a specific resolution;

(z) REFERENCE MARKET: the water distribution and sewage collection market observed during the REFERENCE PERIOD, whose information includes data on volumes, number of units, and connections;

(aa) AGING METHODOLOGY, OR DEBT AGING CURVE:

consists in the payment flow behavior of billed accounts in a given month, verifying the monthly non-payment percentage, i.e., the portion of billed amounts from previous months that remain unpaid compared to the total billing. The regulatory target corresponds to the stabilization point of the curve showing monthly non-payment percentages;

(bb) WORKING CAPITAL REQUIREMENT (WCR): minimum amount of highly-liquid resources needed to ensure SABESP's short-term operations. The WCR amount to be remunerated is included in the capital remuneration, along with the amount resulting from applying the REGULATORY REMUNERATION RATE to the RRB;

(cc) ECONOMIC LEVEL OF LOSSES (ELL): a method for calculating the level of water losses that equates the benefit of avoiding losses with the cost of combating them;

(dd) OPEX: set of operational costs, i.e., expenses with personnel, third-party services, treatment and general supplies, electricity, as well as other general expenses and taxes related to SABESP's core activity;

(ee) WATER LOSSES: defined as the difference between the VOLUME OF WATER PRODUCED minus the VOLUME FOR SPECIAL USES and the volume of consumption measured for all users. They are divided into real (physical) losses—related to water volume that entered the supply system but did not reach the user due to leaks and overflows in the infrastructure—and apparent (commercial) losses, corresponding to water consumed by USERS but not measured due to metering errors, registration failures, fraud, and illegal connections;

(ff) REFERENCE PERIOD: a 12-month reference period, from January to December of the year preceding the TARIFF ADJUSTMENT or PERIODIC TARIFF REVISION;

(gg) COUNTRY RISK PREMIUM: represents the compensation for the additional risk borne by an investor when investing in Brazil, rather than in the United States of America, which is used as a reference country in determining the cost of equity capital used in the REGULATORY REMUNERATION RATE calculation;

(hh) OUTPUTS: variables that explain the level of INPUTS in an efficiency analysis model. In the case of the MALMQUIST INDEX model, these correspond to the cost drivers associated with operating the SERVICES;

(ii) **COMMERCIAL PROGRAMS:** contracts signed between SABESP and non-residential USERS that grant discounts on water and sewage tariffs, provided they meet the criteria outlined in ARSESP Resolution 1,150 of April 08, 2021, or any subsequent regulation;

(jj) **REGULATORY REINTEGRATION QUOTA (RRQ):** the annual amount intended to restore, over their useful lives, the LINKED ASSETS, COMPENSATION for flooded areas, and the ADVANCE. It corresponds to (1) the inverse of the regulatory useful life, applied to the gross regulatory asset base (RABgross) to calculate capital recovery associated with the LINKED ASSETS; and (2) the inverse of the remaining contract term when applied to the COMPENSATION and ADVANCE amounts.

(kk) **ADJUSTMENT:** the annual adjustment of TARIFF values according to the CONTRACT and this ANNEX, accounting for inflation variation, efficiency-sharing factors, potential deductions due to failure to meet quality targets and indicators, as well as asset base changes in the first two cycles, as detailed in Chapter 5 of this ANNEX;

(ll) **REQUIRED REVENUE (RR):** the revenue needed to cover SABESP's costs defined under regulatory terms, considering efficient costs and an adequate return on prudently invested capital, determined during the annual tariff ADJUSTMENT process in the first two cycles or in the PERIODIC TARIFF REVISION process, as described in item 3.4 of this ANNEX;

(mm) **TARIFF REVENUE (RT):** operating revenue from the provision of SERVICES paid by USERS. It equals the REQUIRED REVENUE minus ADDITIONAL REVENUES, SUPPLEMENTAL REVENUES, PROJECT-RELATED revenues, tax credits from FAUSP resources, and FACTOR K;

(nn) **UNRECOVERABLE REVENUES:** the portion of revenue billed by SABESP that, after all commercial and legal collection efforts, was not received and considered permanent default. Only the regulatory portion of uncollectible revenue, referring to structural delinquency, is considered.

(oo) **RENOVATIONS AND CANCELLATIONS:** post-billing corrections to USER invoices due to billing or metering errors, discounts granted for debt renegotiation, cancellation of charges, unexplained or leak-related high consumption, registration changes, average-based consumption billing, among others;

(pp) **EXTRAORDINARY REVISION:** a revision of the CONTRACT and/or its economic-financial balance, conducted by ARSESP, at the request of SABESP, ARSESP, or URAE-1, to adjust it in light of changes or conditions that affect contractual compliance, especially resulting from the realization of risks outlined in Clause 37 of the CONTRACT, including changes to the REGIONAL SANITATION PLAN after 2035, when annual recognition of investments ends. The extraordinary revision process is exceptional and only applicable when an event clearly

compromises SABESP's solvency or liquidity or SERVICE continuity, and it must be proven that the consequences arising thereto cannot be addressed in a PERIODIC TARIFF REVISION.

(qq) PERIODIC TARIFF REVISION: a revision conducted as specified in this ANNEX, aiming to (i) define the TARIFF values based on the REQUIRED REVENUE for the next TARIFF CYCLE; (ii) consider economic-financial impacts on TARIFFS due to changes in the SERVICEABLE AREA; (iii) adapt tariff terms and conditions to the SERVICE contractual and operational context, including but not limited to updates to COVERAGE AND LOSS INDICATORS AND TARGETS; and (iv) align TARIFFS with the current REGIONAL SANITATION PLAN;

(rr) TARIFFS: a general reference to both APPLICATION TARIFFS and EQUILIBRIUM TARIFFS;

(ss) APPLICATION TARIFFS: the fee paid by USERS to SABESP for receiving SERVICES;

(tt) EQUILIBRIUM TARIFFS: the fee necessary to ensure the REQUIRED REVENUE based on the REFERENCE MARKET, owed to SABESP for the provision of SERVICES, defined in the PERIODIC TARIFF REVISION, EXTRAORDINARY REVISION, or ADJUSTMENTS;

(uu) REGULATION AND OVERSIGHT FEE: a fee paid by SABESP to ARSESP for regulation, control, and oversight, calculated under State Complementary Law 1,025/2007 and the CONVENTION terms;

(vv) REGULATORY REMUNERATION RATE: the rate applied to the RABnet and part of the WCR, aiming to cover the opportunity cost of investing in a specific project or business instead of alternative investments, as defined in item 7 of this ANNEX;

(ww) VOLUME OF WATER PRODUCED: the sum of measured water volumes, WATER LOSSES, and SPECIAL USE VOLUMES. It is a cost driver used in OPEX calculation;

(xx) SPECIAL USE VOLUME: refers to water used for (i) social purposes in informal areas or by the Fire Department; (ii) emergency use; (iii) operational uses like pipeline and reservoir cleaning by SABESP; and (iv) internal use in administrative facilities. It is included in the calculation of the VOLUME OF WATER PRODUCED.

3. Chapter 3 - Tariff Remuneration Rules

3.1. A fundamental condition of the CONTRACT is the adequate remuneration of prudent investments not yet depreciated or amortized, the recovery of efficient service provision costs, appropriate amortization of capital, and other expenses inherent to service provision, which shall be ensured through the definition of the EQUILIBRIUM TARIFFS, as provided in this ANNEX.

3.2. The CONTRACT shall follow the TARIFF CYCLES below, considering the period during which the TARIFF is applied:

- (a) 1st TARIFF CYCLE: EFFECTIVE DATE – December 31, 2029;
- (b) 2nd TARIFF CYCLE: January 01, 2030 – December 31, 2034;
- (c) 3rd TARIFF CYCLE: January 01, 2035 – December 31, 2039;
- (d) 4th TARIFF CYCLE: January 01, 2040 – December 31, 2044;
- (e) 5th TARIFF CYCLE: January 01, 2045 – December 31, 2049;
- (f) 6th TARIFF CYCLE: January 01, 2050 – December 31, 2054;
- (g) 7th TARIFF CYCLE: January 01, 2055 – October 19, 2060.

3.3. The methodology for calculating the EQUILIBRIUM TARIFF shall adopt a backward-looking approach, taking into account actual costs, investments, and the REFERENCE MARKET ex-post to their occurrence, as observed in the REFERENCE PERIOD.

3.4. The calculation of RR shall follow a cost block composition, where each component is assessed separately and then consolidated.

3.5. The calculation of the TARIFF REVENUE and RR shall be as follows, without prejudice to other items to be covered by TARIFFS at ARSESP's discretion:

$$TR_t = RR_t - \text{Additional Rev.} - \text{Supplemental Rev.} - \text{Rev. Associated Projects} - K \text{ FACTOR}_t - \text{Tax Credits}_t$$

$$RR_t = OPEX_{t-1} + \text{Other Operating Expenses}_{t-1} + \text{Remuneration of } K_{t-1} + \text{Reintegration of } K_{t-1} + UR_{t-1} + \text{Firm Demand}_{t-1}$$

Where:

TR is the Tariff Revenue in the year of the tariff process;

RR is the Required Revenue in the year of the tariff process;

Additional Rev. is the ADDITIONAL REVENUE to be shared with USERS from the performance of ANCILLARY ACTIVITIES;

Supplemental Rev. is the revenue to be shared with USERS from OTHER PRICES applied in COMPLEMENTARY ACTIVITIES;

Rev. Associated Projects is the revenue to be shared with USERS arising from ASSOCIATED PROJECTS;

K FACTOR is the revenue from applying FACTOR K during the REFERENCE PERIOD;

Tax Credits is the revenue to be shared with USERS arising from tax credits effectively obtained by SABESP, exclusively from FAUSP-funded grants;

$t - 1$ is the REFERENCE PERIOD used for the respective variables;

t is the year in which the ADJUSTMENT and PERIODIC TARIFF REVISION are carried out and approved;

OPEX is the regulatory operating cost;

Other operating expenses include expenses from Public-Private Partnership contracts and Asset Leasing; transfers to MUNICIPAL FUNDS; payment for the use of water resources; transfers to the Research, Development and Innovation (PDI) program; fees for the VALUATION COMPANY and the INDEPENDENT VERIFIER; payment of insurance and guarantees; data collection on USERS in rural and informal urban areas (when previously approved by ARSESP); and other items ARSESP may consider as non-manageable expenses in tariff calculation;

Remuneration of K is the capital remuneration, which corresponds to the application of the WACC over the net regulatory asset base (BARLiq), COMPENSATION, and ADVANCE, plus the amount of WCR to be remunerated;

Reintegration of K is the capital recovery, calculated as RRQ applied to the gross regulatory asset base ($BARbruta_{\{t-1\}} \times RRQ$), plus depreciation of COMPENSATION and ADVANCE;

WCR is the Working Capital Requirement, as defined in this ANNEX;

RABnet is the Regulatory Asset Base net of depreciation, as defined in this ANNEX;

WACC is the REGULATORY REMUNERATION RATE, as defined in this ANNEX;

RABgross is the Gross Regulatory Asset Base, before depreciation;

UR is the Regulatory UNRECOVERABLE REVENUE;

FC is the FINANCIAL COMPONENTS from SABESP's last tariff adjustment (2024), to be included in the INITIAL TARIFF according to Chapter 12; and

Firm Demand is the regulatory volume of discount granted to large users, as defined in this ANNEX.

3.5.1. The relationship between the TARIFF REVENUE defined in item 3.5 (calculated based on data from the REFERENCE PERIOD) and the volume of the REFERENCE MARKET (in cubic meters), also measured in the REFERENCE PERIOD, will result in the EQUILIBRIUM TARIFF.

$$ET_t = \frac{TR_t}{Market_t}$$

Where:

ET_t is the average EQUILIBRIUM TARIFF;

TR_t is the TARIFF REVENUE; and

$market_t$ is the sum of the volume of water measured in t with the volume of sewage collected in t.

3.5.2. The calculation of the EQUILIBRIUM TARIFF in the ADJUSTMENTS will also consider the monetary update and the impacts of X FACTOR, U FACTOR, and Q FACTOR.

3.5.3. The EQUILIBRIUM TARIFF may be adjusted, either upwards or downwards, by the impact of the FINANCIAL COMPONENTS approved by ARSESP on the dates of the ADJUSTMENT or PERIODIC TARIFF REVISION.

3.6. The calculation parameters for the components of the RR shall be defined by ARSESP as part of the PERIODIC TARIFF REVIEW, under the criteria and methodologies established in this ANNEX of the CONTRACT, except during the 1st CYCLE, for which such parameters are defined in Annex VIII – INITIAL TARIFF FORMATION.

3.7. The EQUILIBRIUM TARIFF required to cover the RR of the REFERENCE PERIOD shall be annually calculated during the first two TARIFF CYCLES following the start of the CONTRACT (2024–2029 and 2030–2034) within the scope of the ADJUSTMENT, as described in Chapter 5 of this ANNEX, and every five years from the 3rd TARIFF CYCLE (2035–2039) onward, during the PERIODIC TARIFF REVISION.

3.8. In all TARIFF CYCLES, PERIODIC TARIFF REVISIONS shall consider the month of December as the reference date for approval purposes of the PERIODIC TARIFF REVISION, and January 01 of the following year as the effective date for applying the revised TARIFFS.

3.9. For the calculation of the EQUILIBRIUM TARIFF during tariff processes, SABESP shall submit to ARSESP, by May 31 of the approval year, the ASSET VALUATION REPORT prepared by the VALUATION COMPANY, according to item 6.2 of this ANNEX, the reports issued by the INDEPENDENT VERIFIER, under Annex VI – GUIDELINES FOR THE PERFORMANCE OF THE VALUATION COMPANY AND INDEPENDENT VERIFIER, as well as the accounting data relating to the REFERENCE PERIOD.

3.10. Once the data and documents outlined in item 3.9 are received, ARSESP must conclude, by November 30 of the approval year of the tariff process, the analysis of the data for the purpose of calculating the EQUILIBRIUM TARIFF and the ADJUSTMENT, to be applied in January, according to items 4.4.3 and 5.1.1 of this Annex.

3.10.1. If the analysis is not fully concluded within the deadline mentioned in item 3.10, ARSESP shall provisionally and tentatively apply, for the purpose of calculating the EQUILIBRIUM TARIFF, the results presented by the VALUATION COMPANY and the INDEPENDENT VERIFIER, provided they do not contradict

analyses already carried out by the agency. The calculations must be disclosed to SABESP and the GRANTING AUTHORITY within five business days after the deadline established in item 3.10.

3.10.2. Regardless of the application of item 3.10.1, ARSESP shall finalize the analysis of the submitted data as soon as possible. Any differences between the agency's final findings and the results used on a provisional basis—presented by the VALUATION COMPANY and INDEPENDENT VERIFIER—shall be compensated in the calculation of the EQUILIBRIUM TARIFF in the subsequent ADJUSTMENT, during the first two TARIFF CYCLES, or in the subsequent PERIODIC TARIFF REVISION, starting from the 3rd TARIFF CYCLE.

3.10.3. As of the 3rd TARIFF CYCLE, such compensations as referred to in item 3.10.2 may be carried out within the TARIFF CYCLE, provided that SABESP explicitly consents it.

3.11. All components of the REQUIRED REVENUE used to calculate the EQUILIBRIUM TARIFF shall be calculated in currency values at the reference date of the annual ADJUSTMENT, PERIODIC TARIFF REVISION, or EXTRAORDINARY REVISION, using the most recent inflation index available.

3.12. The APPLICATION TARIFFS must comply with the rules defined in Annex IV – TARIFF ANNEX.

3.12.1. When the average APPLICATION TARIFF requires the use of tariff affordability to be lower than the corresponding average EQUILIBRIUM TARIFF, the following formula must be applied:

$$TR_{Application_t} = [OPEX_{t-1} + Other\ Operating\ Expenses_{t-1} + Remuneration\ of\ K_{t-1} + (Reintegration\ of\ K_{t-1} - resources\ allocated\ to\ tariff\ affordability) + UR_{t-1} + Firm\ Demand_{t-1}] - Additional\ Rev._t - Supplemental\ Rev._t - Rev.\ Associated\ Projects_t - K\ FACTOR_t - Tax\ Credits_t$$

$$T_{Application_t} = \frac{TR_{Application_t}}{Market_t}$$

Where:

Additional Rev. is the ADDITIONAL REVENUE to be shared with USERS from the performance of ANCILLARY ACTIVITIES in the year of the tariff process;

Supplemental Rev. is the revenue to be shared with USERS from OTHER PRICES applied in COMPLEMENTARY ACTIVITIES;

Rev. Associated Projects is the revenue to be shared with USERS arising from ASSOCIATED PROJECTS;

K FACTOR is the revenue from applying the K FACTOR during the REFERENCE PERIOD;

Tax Credits is the revenue to be shared with USERS arising from tax credits effectively obtained by SABESP, exclusively from FAUSP-funded grants;

$t - 1$ is the REFERENCE PERIOD used for the respective variables;

t is the year in which the ADJUSTMENT and PERIODIC TARIFF REVISION are carried out and approved;

OPEX is the regulatory operating cost;

Other operating expenses include expenses from Public-Private Partnership contracts and Asset Leasing; transfers to MUNICIPAL FUNDS; payment for the use of water resources; transfers to the Research, Development and Innovation (PDI) program; fees for the VALUATION COMPANY and the INDEPENDENT VERIFIER; payment of insurance and guarantees; data collection on USERS in rural and informal urban areas (when previously approved by ARSESP); and other items ARSESP may consider as non-manageable expenses in tariff calculation;

Remuneration of K is the capital remuneration, which corresponds to the application of the WACC over the net regulatory asset base (RABnet), COMPENSATION, and ADVANCE, plus the amount of WCR to be remunerated;

Reintegration of K is the capital recovery, calculated as RRQ applied to the gross regulatory asset base ($RAB_{gross_t-1} \times RRQ$), plus depreciation of COMPENSATION and ADVANCE;

Resources allocated to tariff affordability refer to the subsidy revenue received from FAUSP funds, as well as from other linked accounts described in Appendix I, aimed at reducing the depreciation and amortization amounts that encompass capital reintegration;

UR is the Regulatory UNRECOVERABLE REVENUE;

Firm Demand is the regulatory volume of discount granted to large users, as defined in this ANNEX;

TAplicationt is the average APPLICATION TARIFF;

TRApplicationt is the TARIFF REVENUE applicable to t ; and

market is the sum of the volume of water measured in t with the volume of sewage collected in t .

3.13. At each ADJUSTMENT or at the end of each TARIFF CYCLE, during the ADJUSTMENTS, PERIODIC TARIFF REVISIONS, or EXTRAORDINARY REVISIONS, ARSESP may include COMPENSATORY ADJUSTMENTS related to the previous tariff period.

3.13.1. The COMPENSATORY ADJUSTMENTS will be subject to oversight and verification by ARSESP, so that the inclusion of the amounts in the tariff calculation will be based on values validated by the Agency;

3.13.2. Deviations in non-manageable costs and in SUPPLEMENTAL REVENUES, ADDITIONAL REVENUES, ASSOCIATED PROJECTS, tax credits , and K FACTOR in the tariff established at the beginning of each TARIFF CYCLE, compared to verified amounts, will be calculated and offset during the subsequent tariff process, under the provisions of this ANNEX;

3.13.3. The following may be subject to COMPENSATORY ADJUSTMENTS:

- (a) Excess or shortfall in the transfers to MUNICIPAL FUNDS;
- (b) Consideration under PPP contracts and lease of assets existing before the EFFECTIVE DATE;
- (c) Actual values of SUPPLEMENTAL REVENUES, tax credits, and K FACTOR;
- (d) Actual amounts paid for the use of water resources;
- (e) Actual amounts paid for contracting the VALUATION COMPANY and the INDEPENDENT VERIFIER, provided they are recognized by ARSESP;
- (f) Expenses related to data collection in rural areas and updates to information on informal urban settlements, provided they are previously approved by ARSESP.

3.13.4. ARSESP may proceed with other COMPENSATORY ADJUSTMENTS, exclusively related to non-manageable items not specified in this ANNEX or in Annex VIII – INITIAL TARIFF FORMATION, provided they are formally recognized by the Agency, with justification presented for the act and previously discussed with SABESP.

4. Chapter 4 – Revision Rules

4.1. The realignment of TARIFFS with the cost of SERVICE provision will occur through (i) PERIODIC TARIFF REVISION; and/or (ii) EXTRAORDINARY REVISION.

4.2. The PERIODIC TARIFF REVISION and/or EXTRAORDINARY TARIFF REVISION will follow the formulas defined in item 3.5, as well as the risk matrix provided in the CONTRACT.

4.3. Monetary updates will be made through ADJUSTMENTS.

4.4. Periodic Tariff Revisions

4.4.1. PERIODIC TARIFF REVISIONS will simultaneously aim to:

- (a) ensure the establishment of TARIFFS for the subsequent TARIFF CYCLE, according to the assumptions, calculation methodology, and other rules outlined in this ANNEX; and
- (b) contribute to tariff affordability, according to the CONTRACT and this ANNEX, including through the distribution of technological efficiency gains via X FACTOR, operational efficiency gains, and

the results obtained from ADDITIONAL REVENUES, SUPPLEMENTAL REVENUES, OTHER PRICES, and ASSOCIATED PROJECTS.

4.4.2. In the PERIODIC TARIFF REVISION, ARSESP will determine the BALANCE TARIFF for the following TARIFF CYCLE, defining the REQUIRED REVENUE based on the amounts needed to remunerate the efficiently incurred SERVICE provision costs and prudent INVESTMENTS, under this ANNEX.

4.4.3. In all PERIODIC TARIFF REVISIONS, the reference date for approval purposes shall be December, and for the application of the updated TARIFFS, January of the immediately following year, depending on the availability and publication of official inflation indices.

4.4.4. The TARIFFS approved in the year of the PERIODIC TARIFF REVISIONS will be subject to the Q FACTOR and any deductions resulting from the non-fulfillment of coverage targets (U FACTOR).

4.5. Extraordinary Revision

4.5.1. An EXTRAORDINARY REVISION is exceptional and will only be applicable when it is proven that there is a clear threat to the solvency and liquidity of SABESP, compromising the continuity of SERVICE provision. It must also be demonstrated that the consequences of the event cannot be addressed through a PERIODIC TARIFF REVISION.

4.5.2. Based on the risk allocation established in the CONTRACT, ARSESP will consider the impacts on the solvency and liquidity of SABESP, as well as the continuity of SERVICE provision, to assess the relevance and feasibility of conducting an EXTRAORDINARY REVISION.

4.5.3. ARSESP may assess the need for an EXTRAORDINARY REVISION when:

- (a) there is an imminent risk of non-compliance with obligations, early maturity, or acceleration of maturity of financing agreements with lenders; or
- (b) changes are made to Annex II – TECHNICAL ANNEX OF EACH MUNICIPALITY, only after the start of the 3rd TARIFF CYCLE, that demonstrably compromise the solvency and liquidity of SABESP or the continuity of SERVICE provision.

4.5.4. ARSESP and/or the GRANTING AUTHORITY may implement precautionary measures to mitigate the effects of contractual imbalances, according to the REGULATION.

4.5.5. Requests for EXTRAORDINARY REVISION will not be processed if submitted less than 12 months before the PERIODIC TARIFF REVISION process and must instead be addressed in the subsequent PERIODIC TARIFF REVISION.

4.5.6. The EXTRAORDINARY REVISION procedure, when applicable, may be initiated at the request of SABESP or URAE-1, or ex officio by ARSESP.

(a) The requesting PARTY must (i) identify, qualify, and substantiate the event according to item 4.5.3., and (ii) notify the other PARTY and ARSESP within no more than 180 (one hundred and eighty) days from the materialization of the event, to ensure contractual contemporaneity and enable proper management of the event's consequences.

(b) Within the period specified in subitem (a), the PARTY must notify the other PARTY and ARSESP of the event underlying the EXTRAORDINARY REVISION request, substantiating it with the characteristics described in item 4.5.3. above.

4.5.7. ARSESP will have up to 60 (sixty) days to assess the admissibility of the EXTRAORDINARY REVISION with the characteristics described in item 4.5.3. above.

(a) When the urgency justification for addressing the event that gave rise to the request for an EXTRAORDINARY REVISION is not substantiated or accepted by ARSESP, the matter shall be addressed in the subsequent PERIODIC TARIFF REVISION.

(b) The period mentioned in item 4.5.7. may be extended with justification, and its countdown may be paused if adjustments or additional documentation are requested.

4.5.8. A request for EXTRAORDINARY REVISION initiated ex officio by ARSESP or at the instigation of the GRANTING AUTHORITY shall be formally notified to SABESP, accompanied by relevant reports and studies.

(a) Once notified, SABESP will have up to 60 (sixty) days to submit a reasoned response.

(b) Upon receiving SABESP's response, ARSESP will have 30 (thirty) days to issue its opinion on the EXTRAORDINARY REVISION request. During the analysis of the EXTRAORDINARY REVISION request by ARSESP, all contractual obligations of SABESP remain in full force.

4.5.9. The EXTRAORDINARY REVISION process must be completed within 180 (one hundred and eighty) days from its initiation, extendable once for up to 60 (sixty) days at the request of any PARTY or ARSESP, with a justified request submitted at least 15 (fifteen) business days before the original deadline and reviewed by ARSESP within 10 (ten) business days of receipt.

4.5.10. Additional aspects and parameters for the EXTRAORDINARY REVISION process will be defined by ARSESP regulation.

5. Chapter 5 – ADJUSTMENT Rules

5.1. In all TARIFF CYCLES, the ADJUSTMENTS shall consider a 12-month period, except for the first ADJUSTMENT, which shall consider the period between the EFFECTIVE DATE of this CONTRACT and the base date established in this ANNEX.

5.1.1. In all ADJUSTMENTS, the base date for the purposes of approval shall be the month of December, and the base date for applying the updated TARIFFS shall be January 01 of the immediately following year, subject to the availability and publication of official inflation indices.

5.2. In the 1st and 2nd TARIFF CYCLES, the ADJUSTMENT of the BALANCE TARIFF shall account for inflation variation, application of the Q FACTOR, X FACTOR (subject to item 5.2.4), and any deductions due to non-compliance with coverage targets (U FACTOR), in addition to the RAB UPDATE and the update of the REFERENCE MARKET verified during the REFERENCE PERIOD, under item 4.4.2.

5.2.1. The Tariff Adjustment Index (TAI) shall be calculated using the formula below:

$$\text{TAI} = \frac{TR_1}{TR_0} + (\text{inflation} \pm Q \text{ Factor} - U \text{ Factor})$$

Where:

TR_1 is the equilibrium base Tariff Revenue for the REFERENCE PERIOD to be adjusted, as defined by the criteria specified below;

TR_0 is the observed base Tariff Revenue for the REFERENCE PERIOD to be adjusted, which corresponds to the product of MR and the Current Tariffs;

$Q \text{ Factor}$ is the Service Quality Incentive Factor;

$U \text{ Factor}$ is the Universalization Factor;

Inflation refers to the variation in the IPCA index from the date of the last tariff adjustment to the base date of the ADJUSTMENT process;

RM is the REFERENCE MARKET, based on the billed volume.

5.2.2. Whenever the sum of the Q FACTOR and the U FACTOR, as shown in the formula in item 5.2.1 above, is greater than zero, this result shall be disregarded in the calculation of the TAI, with zero being adopted, so that the TAI reflects only the impact of the inflation index.

5.2.3. The portion of the ADJUSTMENT related to the monetary update of the TARIFFS and OTHER PRICES shall consider the variation in the Extended National Consumer Price Index (IPCA) or any other index that may replace it.

5.2.4. In the first two tariff cycles, the technological efficiency gains associated with the X FACTOR shall be applied directly to the operational unit costs on a cumulative basis. Therefore, this factor shall not be included in the TAI formula defined in item 5.2.1, to avoid double-counting.

5.2.5. Since the ADJUSTMENTS in the first two TARIFF CYCLES will also incorporate the RAB UPDATE and the REFERENCE MARKET, the unit costs and other calculation parameters for the RR components listed below shall remain fixed throughout each of these TARIFF CYCLES, and equal to the values defined in Annex VIII – INITIAL TARIFF FORMATION, or as defined in the most recent PERIODIC TARIFF REVISION, as applicable. Thus, the base tariff revenue (TR_1) to be calculated in the annual ADJUSTMENTS of the 1st and 2nd TARIFF CYCLES shall be determined based on:

- (a) the RR consisting of operating expenses, capital return and depreciation, unrecoverable revenues, and discounts granted to large users, according to item 12.1;
- (b) the annual RAB UPDATE, including the INVESTMENTS made and assessed in the REFERENCE PERIOD, subtracting write-offs, annual depreciation, reclassification of eligibility, and revised UTILIZATION RATES of the previous year's SHIELDED RAB, with values to be depreciated and updated annually by the IPCA;
- (c) the fixed REGULATORY REMUNERATION RATE defined in Annex VIII – INITIAL TARIFF FORMATION for the 1st TARIFF CYCLE, or in the 1st PERIODIC TARIFF REVISION at the beginning of the 2nd TARIFF CYCLE;
- (d) the initial unit costs for OPEX calculation equal to those defined in Annex VIII – INITIAL TARIFF FORMATION for the 1st TARIFF CYCLE, or in the 1st PERIODIC TARIFF REVISION at the beginning of the 2nd TARIFF CYCLE, from which cumulative technological gains under the X FACTOR will be deducted. The starting unit costs shall be updated annually by the IPCA;
- (e) the annual recalculation of total OPEX value solely to incorporate REFERENCE MARKET data, such as the number of active connections and volumes, which are multiplied by the unit costs from item (d), adjusted for technological gains under the X FACTOR;
- (f) the percentage of TARIFF REVENUE allocated to the Development and Innovation Program (DIP), fixed and equal to that defined in Annex VIII – INITIAL TARIFF FORMATION for the 1st TARIFF CYCLE, or in the 1st PERIODIC TARIFF REVISION at the beginning of the 2nd TARIFF CYCLE;
- (g) the criterion for transfers to the MUNICIPAL FUNDS, according to the percentages defined in the respective act governing the calculation basis for the transfer and in Annex II;

- (h) the full allocation of expenses incurred in the REFERENCE PERIOD for water resource usage fees, PPP payments, asset lease contracts, insurance, and guarantees;
- (i) the allocation of expenses, if any and subject to the conditions outlined in this ANNEX, for hiring the VALUATION COMPANY and the INDEPENDENT VERIFIER, as well as expenses associated with rural area data collection and updates to information on informal urban settlements, as long as they are pre-approved by ARSESP;
- (j) the regulatory default rate for calculating UNRECOVERABLE REVENUES, fixed and equal to that defined in Annex VIII – INITIAL TARIFF FORMATION for the 1st TARIFF CYCLE, or as revised in the PERIODIC TARIFF REVISION at the beginning of the 2nd TARIFF CYCLE;
- (k) the sharing of revenues under the K FACTOR observed in the REFERENCE PERIOD, updated monetarily by the IPCA based on each ADJUSTMENT's base date;
- (l) the full allocation of tax credits observed by SABESP, if any, during the REFERENCE PERIOD;
- (m) the full allocation of SUPPLEMENTAL REVENUES from OTHER PRICES observed in the REFERENCE PERIOD, updated by the IPCA;
- (n) the sharing of the ADDITIONAL REVENUES in an amount equal to that defined in Annex VIII – INITIAL TARIFF FORMATION, adjusted for inflation by the IPCA from the base date of each annual ADJUSTMENT during the 1st TARIFF CYCLE, and the sharing criterion for each type of ADDITIONAL REVENUE shall be fixed and equal to that defined in this ANNEX to the CONTRACT for the 2nd TARIFF CYCLE.
- (o) sharing of revenues with ASSOCIATED PROJECTS obtained in the REFERENCE PERIOD, monetarily adjusted by the IPCA;
- (p) the criterion for tariff recognition of discounts on FIRM DEMAND up to the ceiling limit defined in this ANNEX for the 1st TARIFF CYCLE or by ARSESP at the time of the PERIODIC TARIFF REVISION at the beginning of the 2nd TARIFF CYCLE.

5.3. From the 3rd TARIFF CYCLE onwards, the ADJUSTMENT of the EQUILIBRIUM TARIFF will consider only the inflation variation, the application of a technological efficiency sharing factor (X FACTOR), the Q FACTOR and any deductions resulting from the non-fulfillment of coverage goals (U FACTOR).

5.3.1. The Tariff Adjustment Index (TAI) shall be calculated using the formula below:

$$TAI = inflation - X Factor \pm Q Factor - U Factor$$

Where:

Pt: Equilibrium Tariff in the year of the tariff process;

X Factor: efficiency gains sharing factor on operational costs;

Q Factor: service quality incentive factor;

U Factor: Universalization factor;

Inflation is the IPCA variation from the date of the last tariff adjustment to the base date of the ADJUSTMENT process.

5.3.2. The X FACTOR will not be applied directly to the operational unit costs. Therefore, this factor will be included in the TAI formula defined in item 5.3.1, considering the weight of operational costs in the composition of the TARIFF REVENUE.

5.3.3. Whenever the sum of the X FACTOR, the Q FACTOR, and the U FACTOR, as shown in the formula in item 5.3.1 above, is greater than zero, this result shall be disregarded in the calculation of the TAI, with zero being adopted, so that the TAI reflects only the impact of the inflation index.

5.4. As in the first two tariff cycles, the portion of the ADJUSTMENT related to the monetary update of the TARIFFS and OTHER PRICES shall consider the variation in the Extended National Consumer Price Index (IPCA) or any other index that may replace it.

6. Chapter 6 - RAB Update

6.1. ARSESP, supported by the ASSET VALUATION REPORT of the VALUATION COMPANY, will act in monitoring the evolution of INVESTMENTS, as well as their amortization and depreciation, for the purposes of RAB UPDATE and any calculation of compensation for REVERSIBLE ASSETS.

6.1.1. During the first two TARIFF CYCLES, the RAB UPDATE will occur annually, at the time of the ADJUSTMENT or PERIODIC TARIFF REVISION;

6.1.2. From the 3rd TARIFF CYCLE onwards, once the cycles of larger investments are completed, the RAB UPDATE will occur every 5 years, at the time of the PERIODIC TARIFF REVISIONS.

6.2. The ASSET VALUATION REPORT produced in the annual INVESTMENT CERTIFICATION process:

6.2.1. Will be produced by the VALUATION COMPANY, whose contracting costs by SABESP will be passed on to the TARIFFS;

6.2.2. Will have as its cut-off date December 31 of the REFERENCE PERIOD to which the ASSET VALUATION REPORT refers;

6.2.3. Must be delivered by SABESP to ARSESP by May 31 of the year in which the ADJUSTMENT or PERIODIC TARIFF REVISION is processed, for evaluation and supervision by ARSESP's technical team. In case of non-compliance with the deadline, only 75% of the contracting costs of the VALUATION COMPANY incurred by SABESP in the REFERENCE PERIOD will be passed on to the TARIFFS;

6.2.4. In the event that the ASSET VALUATION REPORT is delivered after August 31, the investments of the REFERENCE PERIOD will not be incorporated in the respective tariff calculation;

6.2.5. Based on the data obtained from the submission of the ASSET VALUATION REPORTS, according to items 6.2.2 and 6.2.3, it must be evaluated by ARSESP by September 30 of the year in which the ADJUSTMENT or PERIODIC TARIFF REVISION is processed, for incorporation of the RAB UPDATE in the TARIFFS of the corresponding ADJUSTMENT or PERIODIC TARIFF REVISION. If during its supervision ARSESP identifies non-compliance, it must issue a notification term for correction by SABESP of the problems identified;

6.2.6. If ARSESP fails to meet the deadline provided in the subitem above, the TARIFFS of the corresponding ADJUSTMENT or PERIODIC TARIFF REVISION must consider the RAB value informed in the REPORT. In this case, in the subsequent tariff process, the necessary compensatory adjustments must be made once the ASSET REPORT is approved;

6.2.7. The supervision procedures of the ASSET VALUATION REPORT will be defined by ARSESP under Submodule 4.4 – Asset Base Supervision Procedures of the Tariff Calculation Procedures (PROCALT).

6.3. Based on the ASSET VALUATION REPORT, ARSESP will decide on the approval of INVESTMENTS and the RAB UPDATE in the TARIFFS.

6.4. In case of disagreements between SABESP, the VALUATION COMPANY, and ARSESP regarding the conclusions of the ASSET VALUATION REPORT and the calculation memory of the INVESTMENT values made in the REFERENCE PERIOD, the undisputed values will be approved by ARSESP and incorporated into the RAB in the ADJUSTMENT or PERIODIC TARIFF REVISION process.

6.5. Regarding the disputed values that were not approved, SABESP may request ARSESP's re-evaluation, including with the submission of complementary information, so that they may be incorporated into the RAB in the ANNUAL ADJUSTMENTS of the first two TARIFF CYCLES or in an EXTRAORDINARY REVISION after 2035. The initially disputed values, if adjusted and duly approved by ARSESP, will be incorporated into the TARIFFS also considering the revenue shortfall in the period elapsed without the INVESTMENTS having been remunerated and recovered in the TARIFFS.

6.6. ARSESP's decision not to approve INVESTMENT values included in the ASSET VALUATION REPORT must be technically justified and preceded by an administrative process that respects SABESP's right to ample defense and adversarial proceedings.

6.7. ARSESP's decisions on the RAB UPDATE at the time of the ADJUSTMENT or PERIODIC TARIFF REVISION are final at the administrative level, without prejudice to their questioning by any of the PARTIES in arbitration.

6.8. The Rolling Forward approach will be used for changes in the RAB over the years of the TARIFF CYCLE.

6.8.1. The change of the base will follow the result of the ASSET VALUATION REPORT, provided it is approved and homologated by ARSESP;

6.8.2. The Rolling Forward method, which must be observed in the ASSET VALUATION REPORT, consists of the monetary update of the SHIELDED RAB approved by ARSESP in the last tariff event, the deduction of accumulated depreciation in the period, write-offs, the adjustment of the UTILIZATION INDEX, eligibility reclassifications and the incorporation of the INCREMENTAL RAB;

6.8.3. Interest on works in progress will be considered in the RAB calculation, with criteria following those defined in ARSESP Resolution 1,488 of January 12, 2024, or another that may replace it.

6.9. The locking of the INITIAL RAB guarantees that the asset price will not be re-evaluated by ARSESP and no technological change will be incorporated, since the investments are analyzed from a prudence perspective at the time of their incorporation into the base.

6.10. The ASSET VALUATION REPORTS referring to the INVESTMENTS capitalized in 2024 and 2025, to be evaluated by ARSESP for calculation of the TARIFFS in the 2025 and 2026 ADJUSTMENTS, respectively, must comply with the rules outlined in ARSESP Resolution 1,488 of January 12, 2024.

6.11. The annual CERTIFICATION of the INVESTMENTS by the VALUATION COMPANY shall be mandatory, whose operating rules are detailed in Annex VI – GUIDELINES FOR THE VALUATION COMPANY AND THE INDEPENDENT VERIFIER. As of 2026, when the valuation methodology for new investments by the DRC begins to be adopted, the CERTIFICATION process shall:

- (a) Verify whether SABESP's acquisition values are consistent with market prices for the valuation of capitalized investments in the REFERENCE PERIOD to discourage opportunistic behavior and overpricing;
- (b) Not incorporate technological changes, that is, consider the asset under identical conditions with the same technology and engineering solution to mitigate the risk of discrepancy between the asset price at the time of disbursement and the market-valued price (DRC methodology); and
- (c) be carried out by the VALUATION COMPANY.

7. Chapter 7 - Methodology for the calculation of the Regulatory Remuneration Rate

7.1. The REMUNERATION RATE, which is used in the calculation of the working capital requirement (WCR) and applies to the amount of the COMPENSATION, the ADVANCE, and the investments not yet depreciated or amortized (RABnet), seeks to cover the

opportunity cost associated with the option of investing in a specific business or project instead of alternative investments.

7.2. The REGULATORY REMUNERATION RATE shall be calculated using the Weighted Average Cost of Capital methodology ("**WACC**"), the result of which consists of the average between the Cost of Equity and Cost of Debt, weighted by a reference Capital Structure, as described in the following formula;

$$rWACC = \frac{P}{P+D}rp + \frac{D}{P+D}rd(1 - T)$$

Where:

$rWACC$ is the real regulatory capital rate of return;

rp is the real Cost of Equity;

rd is the real Cost of Debt;

P is the amount of equity estimated for SABESP in the financing structure;

D is the amount of debt capital estimated for SABESP in the financing structure;

T is the tax rate (Corporate Income Tax and Social Contribution on Net Profit).

7.3. The calculation of the real cost of equity will prioritize the adoption of the CAPM model (Capital Asset Pricing Model – CAPM) Country Spread Model until ARSESP deems it appropriate to replace it with a hybrid CAPM model, according to the formulas indicated below:

$$r_p = \frac{1 + r_n}{1 + CPI} - 1$$

$$r_p^n = R_f + \beta(R_m - R_f) + r_{Br}$$

Where:

rp is the real cost of equity;

r_n^n is the nominal cost of equity;

CPI is the United States inflation rate;

R_f is the nominal risk-free return rate referenced in the U.S. financial market;

β is the slope coefficient of the line that measures the asset's risk level in relation to market fluctuations;

R_m is the expected nominal market return rate, which corresponds to the stock market yield (Stock Exchange Index) referenced in the U.S. financial market; and

r_{Br} is the country risk premium.

7.3.1. The rates used in the calculation of the cost of equity are nominal. Therefore, their values must be adjusted by the inflation rate of the U.S.A. to determine the real cost of equity.

7.3.2. The risk-free rate represents the yield on so-called safe securities, which are those with a low probability of payment default and minimal insolvency risk. This rate shall preferably be referenced in the financial market of the U.S.A. As of the 2nd TARIFF CYCLE, if ARSESP adopts the hybrid CAPM model, the risk-free rate may be referenced in the Brazilian financial market based on National Treasury bonds;

7.3.3. The market risk premium, defined as the difference between the stock market yield (R_m) and the risk-free rate (R_f), shall be based on the U.S. financial market, both with the same timeframe and frequencies;

7.3.4. The beta, which measures an asset's sensitivity or how much its return varies in relation to the overall market return, shall be based on companies listed on the New York Stock Exchange (NYSE) and/or NASDAQ in the water utilities sector. U.S. companies traded over-the-counter shall be excluded from the sample used to calculate the beta due to their low liquidity.

7.4. To calculate the real cost of debt, the real yield of a set of private debt securities from companies comparable to SABESP will preferably be used, thus being referenced in the Brazilian market. Its calculation may consider the yield on debentures from the sanitation, electricity, or other infrastructure sectors and must include the securities issue costs.

7.5. For the definition of the capital structure, the asset will be defined by the value of the Regulatory Asset Base (RABnet). In this case, the debt share will be determined by the ratio between the Net Interest-Bearing Liabilities¹ and the concession assets, quantified by the Net RAB of the REFERENCE PERIOD. The equity share will correspond to the difference between the result of the debt and the RABnet.

7.6. The final WACC will be the real pre-tax WACC. The Remuneration calculation will consider the applicable Income Tax and Social Contribution on Net Income (CSLL) rates at the time, under the following formula:

¹ Net interest-bearing liabilities = Loans and financing plus debentures under current liabilities and non-current liabilities, net of cash and cash equivalents.

$$\text{Actual WACC BEFORE TAXES} = \frac{\text{Actual WACC AFTER TAXES}}{(1 - T)}$$

Where:

Actual WACC BEFORE TAXES is the real regulatory capital rate of return before taxes;

Actual WACC AFTER TAXES is the real regulatory capital rate of return after taxes; and

T is the sum of Income Tax and Social Contribution on Net Income (CSLL) rates

- 7.7.** Starting from the 2nd TARIFF CYCLE, the REGULATORY REMUNERATION RATE shall be calculated by ARSESP at each PERIODIC TARIFF REVISION, and must ensure an adequate return to cover the cost of debt and the opportunity cost of the equity invested by SABESP, safeguarding the economic-financial sustainability of the SERVICE provision and ensuring the realization of the required INVESTMENTS.

7.7.1. In determining the REGULATORY REMUNERATION RATE from the 2nd TARIFF CYCLE onward, ARSESP shall observe the methodologies outlined in this ANNEX for recalculating all WACC components.

7.7.2. At each PERIODIC TARIFF REVISION, the REGULATORY REMUNERATION RATE calculated by ARSESP must be consistent with the remuneration rate defined by other regulatory agencies in other regulated sectors, where applicable under the terms of the CONTRACT, with justification required for any deviations.

7.7.3. The WACC calculation shall be reviewed at every PERIODIC TARIFF REVISION and its value maintained in the annual ADJUSTMENTS of the EQUILIBRIUM TARIFF, as well as in any EXTRAORDINARY REVISIONS.

7.7.4. From the 2nd TARIFF CYCLE onward, ARSESP shall determine, through future resolution:

- (i) The data series for (a) cost of debt; (b) risk-free rate, prioritizing data from the United States market; (c) beta; (d) market risk premium used in the calculation of the cost of equity, prioritizing data from the United States market; and (e) country risk premium.
- (ii) The timeframe and frequency of the data series, taking into account the market conditions in which the provider operates, calculation consistency, and harmonization across datasets.

8. Chapter 8 - Methodology for the calculation of the Regulatory Remuneration

8.1. Capital remuneration, included in the RR calculation, shall be defined as the sum of NWC and the product of the WACC and the Regulatory Asset Base,

which corresponds to the sum of RABnet and the COMPENSATION and ADVANCE values are not yet depreciated or amortized, as shown in the following formula:

$$\text{Capital Remuneration} = ((\text{RABnet} + \text{NetAdvances}) \times \text{WACC}) + \text{WC}$$

Where:

WACC is the Regulatory Remuneration Rate;

RABnet is the net Regulatory Asset Base;

NetAdvances is the net amount of COMPENSATION for flooded areas not yet depreciated;

NetAdvance is the MUNICIPAL FUND ADVANCE not yet depreciated; and

WCR is the Working Capital Requirement.

8.2. The value of RABnet excludes the assets under PPP contracts and leased assets.

8.3. RABnet Calculation for remuneration

8.3.1. For the purposes of capital remuneration calculation, RABnet shall correspond to the simple average of the INITIAL and FINAL RABnet values during the 12-month REFERENCE PERIOD.

8.3.2. The RABnet values approved by ARSESP, based on the ASSET VALUATION REPORT with a cut-off date in December of the REFERENCE PERIOD year, will be adjusted for inflation by the IPCA index or any replacement index up to the current tariff process base date.

8.3.3. The COMPENSATION and ADVANCE amounts not yet depreciated shall be remunerated using the WACC.

8.3.4. The remuneration of the net amounts referred to in section **Error! Reference source not found.** shall follow the same criteria used to UPDATE the RAB. That is, the COMPENSATION and ADVANCE amounts not yet depreciated or amortized:

- (i) shall be remunerated annually in the TARIFFS at each TARIFF ADJUSTMENT and in the 1st TARIFF REVISION during the first two TARIFF CYCLES;
- (ii) shall be remunerated under the EQUILIBRIUM TARIFF calculated every 5 years during the PERIODIC TARIFF REVISIONS from the 3rd TARIFF CYCLE onward.

8.4. WCR Calculation

8.4.1. The working capital requirement (WCR) may be included in the capital remuneration calculation starting from the 2nd TARIFF CYCLE.

8.4.2. The WCR shall be calculated based on SABESP's balance sheet data for the REFERENCE PERIOD and on the average collection and payment terms.

8.4.3. WCR shall be determined as a portion of the TARIFF REVENUE based on the total WCR percentage.

$$WCR = \%WCR_{total} \times TR$$

8.4.4. The $\%WCR_{total}$ shall be composed of two components: (1) the cash required due to timing differences between payables and receivables, to be remunerated by the difference between the regulatory WACC and the average return on financial investments; and (2) the value of operational inventory, to be remunerated by the regulatory WACC, as shown below:

$$\begin{aligned} \%WCR_{total} = & \%working\ capital\ requirement \times (WACC_{before\ taxes} - yield\ rate) \\ & + \%inventories \times WACC_{before\ taxes} \end{aligned}$$

Where:

$\%working\ capital\ requirement$ is the percentage of the cash resources needed for working capital in relation to SABESP's gross operating revenue in the Balance Sheet for the REFERENCE PERIOD; The amount of cash resources required represents the difference between the accounts receivable and the operating liabilities;

yield rate refers to the average real return rate on cash and cash equivalents recorded in SABESP's Balance Sheet for the REFERENCE PERIOD;

$\%inventories$ is the percentage of the inventory account in relation to direct operating revenue in SABESP's balance sheet for the REFERENCE PERIOD;

$WACC_{before\ taxes}$ represents the REGULATORY REMUNERATION RATE calculated according to the criteria defined in Chapter 7.

8.4.5. The portion of cash required for working capital shall be determined as the ratio between (1) the average amount of receivables (trade payables) minus the average amount of operational payables; and (2) the direct operating revenue:

- (i) Receivables shall reflect the direct operating revenue based on the average collection period to be defined by ARSESP from the 2nd TARIFF CYCLE onward, based on SABESP's collection cycle. For the ANNUAL ADJUSTMENTS during the 1st TARIFF CYCLE, the average collection period shall be 30 days, as stated in ANNEX VIII – INITIAL TARIFF FORMATION;

- (ii) Operational liabilities shall reflect operating expenses, based on the average payment period to be defined by ARSESP from the 2nd TARIFF CYCLE onward, based on SABESP's payment cycle. For the ANNUAL ADJUSTMENTS during the 1st TARIFF CYCLE, the average payment period shall be 30 days, as stated in ANNEX VIII;
- (iii) Operating expenses used to calculate operational liabilities shall exclude construction costs, depreciation and amortization, and expected losses on doubtful accounts.

8.4.6. The average yield rate shall be measured as the ratio between the returns from financial investments and the sum of cash resources (cash and cash equivalents) and financial investments recorded on the Balance Sheet for the REFERENCE PERIOD disclosed by SABESP. The IPCA inflation index for the period shall be deducted from this average yield rate.

8.4.7. The inventories line will comprise supplies for consumption and maintenance of the water and sewage systems. It shall not include inventories of construction materials.

8.4.8. Beginning with the 2nd TARIFF CYCLE, ARSESP shall decide whether to include the WCR in the calculation of capital remuneration based on:

- (i) the comparison of the methodology described in this ANNEX with regulatory best practices adopted in local and international regulated network industries, especially in basic sanitation and electric power;
- (ii) the analysis of the historical total cash availability and its absolute return, in light of SABESP's liquidity policy.

9. Chapter 9 - Methodology for the calculation of the Regulatory Reintegration Quota

9.1. The regulatory reintegration of capital corresponds to the annual amount transferred to the TARIFFS to recover the assets related to the provision of the SERVICES over their physical useful life.

9.2. The capital reintegration included in the RR calculation shall be measured as the product of RABgross and the RRQRAB, which corresponds to the inverse of a predefined physical useful life, plus the sum of the gross COMPENSATION and gross ADVANCE multiplied by the RRQ, which corresponds to the inverse of the term of the CONTRACT, according to the formula below:

$$\begin{aligned} &\text{Capital Reintegration} \\ &= (\text{RABgross} \times \text{RRQRAB}) + (\text{gross COMP.} + \text{gross ADVANCE}) \times \text{RRQ} \end{aligned}$$

Where:

RRQRAB is the Regulatory Reintegration Quota for the LINKED ASSETS that make up the RAB;

RABgross is the gross Regulatory Asset Base to be amortized or depreciated;

RRQ is the Regulatory Reintegration Quota for the amounts related to COMPENSATION for flooded areas and the ADVANCE of MUNICIPAL FUNDS;

Gross COMPENS. is the value of the COMPENSATION for flooded areas as defined in ANNEX VIII;

Gross ADVANCE is the value of the ADVANCE of MUNICIPAL FUNDS as defined in ANNEX VIII.

9.3. The RABgross used in the capital reintegration calculation shall be the simple average between the INITIAL RABgross and the FINAL RABgross observed in the REFERENCE PERIOD.

9.4. The RABgross value excludes assets under PPP contracts and asset lease agreements

9.5. The RABgross values approved by ARSESP based on the ASSET VALUATION REPORT, whose cutoff date is December of the REFERENCE PERIOD year, shall be adjusted for inflation using the IPCA or any other index that may replace it up to the base date of the current tariff process.

9.6. For purposes of calculating the reintegration of LINKED ASSETS into the TARIFFS, linear depreciation over time shall be applied, and the physical useful life of the assets shall define the investment recovery period. The physical useful life shall comply with the timelines by Asset Type as defined in ARSESP Resolution 1,371 of December 29, 2022, or any future resolution that may replace it, under the CONTRACT's risk allocation.

9.6.1. The physical useful life may be updated by ARSESP if technical criteria demonstrate a change in the useful life of the assets or in the event of accelerated depreciation, such that full investment recovery in the tariff occurs before the end of the physical useful life.

9.6.2. As already provided for in the CONTRACT, any reversible assets not fully depreciated or amortized upon contract termination shall be indemnified.

9.6.3. If it does not compromise tariff affordability and USERS' ability to pay, investments stipulated in the CONTRACT shall be depreciated or amortized until contract expiration.

9.6.4. Accelerated depreciation of the RABgross is prohibited during the first two TARIFF CYCLES.

9.6.5. For the purposes of item 9.6.3, ARSESP must carry out a prior economic and financial feasibility study, to be submitted to public oversight, demonstrating that the accelerated amortization or depreciation process complies with the provisions of Federal Law 1,445/2007 and does not depend on contributions from FAUSP.

9.7. For the purpose of calculating the reintegration of the COMPENSATION and ADVANCE amounts, linear depreciation over time and a useful life equal to the term of the CONTRACT (35 years) shall be applied.

9.7.1. The gross values of the COMPENSATION and ADVANCE correspond to the amounts provided in Annex VIII – INITIAL TARIFF FORMATION. These values

shall be adjusted for inflation up to the base date of the current tariff process using the IPCA or any other index that may replace it.

9.7.2. The gross values of the COMPENSATION for flooded areas and the ADVANCE of MUNICIPAL FUNDS shall be fully depreciated or amortized by the end of the contract term, in 2060.

10. Chapter 10 - Methodology for the calculation of OPEX and the X Factor

10.1. OPEX shall include personnel and outsourced service expenses, treatment and general supplies, electricity, and other general expenses related to the core sanitation service activity.

10.2. In determining the OPEX under this chapter, components related to municipalities not participating in URAE-1 shall be segregated, so that only the OPEX of the municipalities listed in Annex I is considered.

10.3. The allocation of operational costs in cases of shared infrastructure with municipalities not part of URAE-1 shall follow the rules outlined in an ARSESP resolution.

10.4. For RR calculation purposes, OPEX shall correspond to the product of cost drivers and unit cost, broken down by cost purpose and production stage, and discounted by the productivity gains from technological efficiency.

10.4.1. The cost purposes are: (i) personnel, including in-house and outsourced services; (ii) general supplies; (iii) treatment supplies; (iv) electricity; and (v) general expenses, including taxes.

10.4.2. Personnel and outsourced service expenses shall be treated jointly, with a single unit cost, to allow flexibility in substituting between in-house and outsourced labor;

10.4.3. The production stages are (i) water production; (ii) water distribution; (iii) sewage collection; (iv) sewage treatment; (v) commercial activities; and (vi) central administration.

10.5. Definition of OPEX Drivers

10.5.1. The cost driver data listed in the table below shall be applied to the regulatory unit costs to calculate the total OPEX to be considered in the RR.

STAGE/ PURPOSE	Water Producti on	Water Distribution	Sewage Collecti on	Sewage Treatment	Commercia l Activities	Central Administration
Personnel & Third- Party Services	Volume of water produced	Water connections	Sewage connections	Volume of sewage treated	Water connections	Fixed (equal to 1)
General Supplies	Volume of water produced	Water connections	Sewage connections	Volume of sewage treated	Water connections	Fixed (equal to 1)
Treatment Supplies	Volume of water produced	Volume of water measured	Volume of sewage collected	Volume of sewage treated	Water connections	Fixed (equal to 1)
Electricity	Volume of water produced	Volume of water measured	Volume of sewage collected	Volume of sewage treated	Water connections	Fixed (equal to 1)
General Expenses	Volume of water produced	Water connections	Sewage connections	Volume of sewage treated	Water connections	Fixed (equal to 1)
Stage Classification	WATER	WATER	SEWAGE	SEWAGE	GENERAL	GENERAL

10.5.2. Only in the first two TARIFF CYCLES, the cost drivers shall be updated annually based on the data from the REFERENCE PERIODS, in the ADJUSTMENTS, on the occasion of the BAR UPDATE. As of the 3rd TARIFF CYCLE, the drivers shall be updated only in the PERIODIC TARIFF REVISIONS.

10.5.3. The calculation of the VOLUME OF WATER PRODUCED must consider the regulatory volume of WATER LOSSES (given in m³), according to the formula below. ARSESP may include other volumes necessary to determine the water supply, in addition to those indicated in the formula.

$$\text{vol. water produced}_t = \text{vol. water measured}_t + \text{vol. water losses}_t + \text{vol. special uses}_t$$

Where vol. is volume.

10.5.4. The calculation of the regulatory volume of WATER LOSSES (given in cubic meters) shall be based on the formula described below:

$$\text{volume of water losses}_t = \text{IPDT goal}_t \times \frac{365}{100} \times \text{no. of connections}_t$$

Where:

IPDT target: is the regulatory target of the Total Losses Index in Distribution (IPDT) given in liters per water connection per day, for the purpose of calculating efficient costs;

no. connections: is the number of water connections

(i) In the 1st TARIFF CYCLE, the total losses index in distribution (IPDT), given in liters per water connection per day, to be used for calculating the volume of WATER LOSSES, shall be equal to the contractual targets indicated in ANNEXES II – TECHNICAL ANNEXES of each municipality;

(ii) As of the 2nd TARIFF CYCLE, the total losses index in distribution (IPDT), given in liters per connection per day, to be used for calculating the volume of WATER LOSSES, shall be defined by ARSESP through the NEP (Economic Level of Losses) methodology, including the tariff impact, on the occasion of the PERIODIC TARIFF REVISIONS and the revisions of the REGIONAL SANITATION PLAN;

(iii) The calculation criteria for the NEP shall be defined by ARSESP in each TARIFF REVISION after a procedural process of public debate and consultation with society, the GRANTING AUTHORITY, and SABESP;

(iv) In the calculation of the IPDT targets through the NEP methodology, ARSESP shall observe the maximum limit established in Ordinance 490, of March 22, 2021, of the Ministry of Regional Development;

(v) In tariffs, the compliance or not with the WATER LOSS targets shall be SABESP's risk, since the calculation of the volume of water produced and, consequently, the OPEX, shall observe the regulatory WATER LOSS targets, and not the IPDT actually observed by the company.

10.6. Definition of Regulatory Unit Costs

10.6.1. The methodology and criteria for determining the unit costs of the 1st TARIFF CYCLE are described in Annex VIII – INITIAL TARIFF FORMATION.

10.6.2. As of the 2nd TARIFF CYCLE, the unit costs shall be defined based on the historical analysis of SABESP's own operational costs and shall remain fixed throughout each TARIFF CYCLE for purposes of calculating the EQUILIBRIUM TARIFF, being modified only for the eventual application of efficiency gains through technological advancement.

10.6.3. In each PERIODIC TARIFF REVISION, ARSESP shall calculate the TECHNICAL EFFICIENCY gain achieved by SABESP, which shall correspond to the positive or zero difference between the initial regulatory unit cost defined in Annex VIII – INITIAL TARIFF FORMATION, minus the gain from technological advancement accumulated over the preceding TARIFF CYCLES and the second lowest annual unit cost verified since 2025:

(i) The gains from technological advancement shall be established at the beginning of each TARIFF CYCLE based on the MALMQUIST INDEX methodology, as detailed in item 10.8, or another equivalent method

that is widely recommended in the literature on the subject and used in regulation;

- (ii) The reference regulatory unit cost to be compared with the second lowest unit cost verified in the last TARIFF CYCLES shall correspond to the initial unit cost minus the efficiency gains from technological advancement accumulated up to the REFERENCE PERIOD. The equation below demonstrates the calculation of the reference unit cost:

$$\text{ref.unitc.PR0} = \text{c. unit. initial2023} \times \prod_{i=2024 \rightarrow n}^n (1 - \text{TECN.EF.year } i)$$

Where:

ref.unitc.₀ is the reference unit cost for the Tariff Cycle, referring to the regulatory reference unit cost of PR0;

c. unit. initial2023 is the unit cost of the INITIAL TARIFF, defined in ANNEX VIII;

TECN.EF.year *i* is the annual percentage of productivity gain sharing from technological advancement, calculated using the MALMQUIST INDEX in the corresponding PERIODIC TARIFF REVISION;

n: is the number of years since the EFFECTIVE DATE;

i: is the corresponding year from 2024 to the PR0 reference date;

- (iii) The definition of the second lowest verified annual unit cost shall observe the costs verified since 2025 after applying qualitative disallowances, the criteria of which are described in item 10.7;
- (iv) For comparison purposes, the regulatory reference unit cost and the second lowest unit cost verified in the last TARIFF CYCLES must be in prices of the same reference date.

10.6.4. For each cost purpose, the regulatory unit costs on the occasion of the PERIODIC TARIFF REVISIONS shall be equal to the initial regulatory unit cost minus the efficiency gains from technological advancement accumulated up to the REFERENCE PERIOD, monetarily updated, and minus the percentage of TECHNICAL EFFICIENCY gain sharing of the current TARIFF CYCLE, observing the rule defined in item 10.6.3 sub-item (ii).

- (i) In the 1st TARIFF CYCLE, there shall be no sharing with the USERS of the TECHNICAL EFFICIENCY gains measured by SABESP, i.e., the sharing percentage shall be zero, and the unit costs shall remain fixed at the values defined in Annex VIII – INITIAL TARIFF FORMATION, only deducting the technological productivity gains cumulatively;

- (ii) In the 2nd TARIFF CYCLE, the sharing with the USERS shall be 50% of the TECHNICAL EFFICIENCY gains, calculated according to item 10.6.3;
- (iii) In the 3rd TARIFF CYCLE, the sharing with the USERS shall be 75% of the TECHNICAL EFFICIENCY gains, calculated according to item 10.6.3;
- (iv) As of the 4th TARIFF CYCLE, the sharing with the USERS shall be 90% of the TECHNICAL EFFICIENCY gains, calculated according to item 10.6.3;
- (v) Exceptionally, in the event that Regulatory Accounting is not implemented by the date provided in Chapter 188, the sharing criterion for TECHNICAL EFFICIENCY gains shall be 75% as of the 2nd TARIFF CYCLE, maintaining this percentage until the beginning of the 4th TARIFF CYCLE;
- (vi) For the purpose of calculating the verified operating costs, SABESP's accounting values shall be considered after qualitative cost disallowances, according to the guidelines defined in item 10.7 of this ANNEX.

10.6.5. In the 1st TARIFF CYCLE, the unit operating costs for serving USERS in rural areas shall be those defined in Annex VIII – INITIAL TARIFF FORMATION, and, as of the 2nd TARIFF CYCLE, ARSESP shall define the specific methodology to determine such cost.

10.6.6. Exceptionally and only as of the 2nd TARIFF CYCLE, the sharing criteria for electricity operating costs may be altered based on a study conducted by ARSESP. This study shall seek, through analysis of SABESP's own information, to identify the specific efficient consumption levels (KWh/m³) by type of service and municipality, which shall be valued at a market reference price in R\$/KWh, thereby aiming to encourage operational efficiency and the optimization of the energy source (own generation or purchase on the free or regulated market).

- (i) The change shall be preceded by a public consultation, in accordance with ARSESP regulations;
- (ii) Once the study is implemented, the revenues from the sale of energy on the market shall be included as ADDITIONAL REVENUES.

10.7. Disallowance of operating costs

10.7.1. The operating expenses listed below shall not be considered in the calculation of the EQUILIBRIUM TARIFF and, therefore, shall be disallowed from the calculation of the regulatory unit reference cost:

- (i) provision, contingencies, and actuarial liabilities accounts, as they do not represent expenses involving actual cash outflows;

- (ii) expenses resulting from noncompliance with rules and laws, such as indemnities and judicial penalties, or environmental compensations resulting from actions under SABESP's control and management, to the extent that such expenses would not be imposed in the event of compliance with applicable law;
- (iii) expenses related to the payment of bonuses to the executive board;
- (iv) unnecessary or non-service-related expenses not linked to ADDITIONAL REVENUES, SUPPLEMENTAL REVENUES, or revenues from ASSOCIATED PROJECTS, such as sponsorships, fines, interest, and donations;
- (v) expenses related to damages to third parties or the environment resulting from actions under SABESP's control and management; and
- (vi) expenses related to Voluntary Dismissal Programs (VDP), as these are decisions made by SABESP which result in cost reductions in the medium and long term.

10.7.2. Expenses related to the provision of the SERVICES shall be covered by USER TARIFFS, under the terms of this ANNEX, especially the following:

- (vii) personnel expenses, including profit sharing, except those mentioned in item 10.5.1 under the current variable compensation policy approved by SABESP;
- (i) expenses related to the provision of SUPPLEMENTAL ACTIVITIES that are part of the activities whose revenues shall be reverted to tariff affordability.

10.7.3. The accounting items to be disallowed as well as the guidelines for qualitative disallowances shall be defined by ARSESP, under the criteria outlined in this ANNEX, through a specific Resolution, including in case it is necessary to include different concepts from those provided herein.

10.8. X Factor

10.8.1. Since the 1st TARIFF CYCLE, productivity gains resulting from technological advancement — that is, the incorporation of more advanced technologies by the sanitation sector as a whole — shall be considered in the regulatory operating costs.

10.8.2. 5.2.15.3.1 The calculation of technological efficiency gains shall consider the application of the MALMQUIST INDEX over a sample of SERVICE providers comparable to SABESP.

10.8.3. As of the 2nd TARIFF CYCLE, the criteria for filtering the sample of providers comparable to SABESP, as well as the INPUTS and OUTPUTS to be considered in the calculation of the MALMQUIST INDEX, shall be defined by ARSESP at the time of the PERIODIC TARIFF REVISION.

10.8.4. The selection of INPUT and OUTPUT variables by ARSESP must be based, at least, on the criteria of (i) availability of information for each provider in the selected sample; (ii) quality of such information; and (iii) relevance of each variable in explaining the technological efficiency gain in the sector.

10.8.5. If it is observed that there are no providers comparable to SABESP at least in terms of size (number of connections or units) and regional scope of the SERVICES, the methodology defined in ARSESP's REGULATION shall be adopted for the calculation of the X FACTOR.

10.8.6. The value of productivity gains resulting from technological advancement measured by the MALMQUIST INDEX methodology, to be applied to the regulatory unit costs:

- (i) must be calculated at each PERIODIC TARIFF REVISION, established the TARIFF CYCLE, and applied annually during the annual ADJUSTMENTS;
- (ii) is limited to 2% per year;
- (iii) must be applied cumulatively on the regulatory unit reference cost.

11. Chapter 11 - Methodology for the calculation of Other Operating Expenses

11.1. In addition to the operating costs already addressed, there are other indirect expenses that shall be passed on to the TARIFFS. Examples of other operating expenses include:

- (i) transfers to research, development, and innovation programs (known as RDI);
- (ii) expenses for payment for the use of water resources;
- (iii) payment of consideration for Public-Private Partnership (PPP) contracts and for asset lease agreements in effect at the EFFECTIVE DATE;
- (iv) costs for hiring the VALUATION COMPANY and INDEPENDENT VERIFIER;
- (v) expenses associated with the survey of rural area data and the updating of information on informal urban settlements, under Clause 9, item (III) of the CONTRACT;
- (vi) expenses related to the creation and maintenance of the electronic system for ARSESP access to data on LINKED ASSETS, INVESTMENTS, and operational characteristics of the SERVICES, including information on the geolocation of infrastructure, on the INDICATORS AND TARGETS FOR COVERAGE AND LOSSES, and on real-time operating conditions, in addition to real-time access to updated information on the forecasted restoration of interrupted or suspended SERVICES, as provided for in Clause 9, item (dd) of the CONTRACT;

(vii) costs with contracting of insurance and guarantees, under Clauses 10 and 11 of the CONTRACT;

(viii) transfers made by the provider to MUNICIPAL basic sanitation FUNDS.

11.2. In determining the other operating expenses addressed in this chapter, the components related to municipalities that did not join or that withdrew from URAE-1 must be segregated, so that only the expenses of the municipalities listed in Annex I are considered.

11.3. The division of operating expenses, in cases of infrastructure sharing with municipalities not part of URAE-1, shall follow the rules outlined in ARSESP's resolution.

11.4. On the Research, Development, and Innovation Program (RDI):

11.4.1. Throughout the 1st and 2nd TARIFF CYCLES, the percentage allocated to research, development, and innovation ("RDI") shall remain at 0.05%, as established by ARSESP Resolution 920 of November 22, 2019, to be applied to SABESP's direct RR, such that the resulting amount shall be included in the calculation of the EQUILIBRIUM TARIFF.

11.4.2. As of the 3rd TARIFF CYCLE, ARSESP may review the allocation percentage and the oversight of the use of the funds and programs.

11.4.3. The rules governing the allocation, use, control, and recognition of these funds must comply with ARSESP Resolution 920 of November 22, 2019, or any other that may replace it.

11.5. Payment of fees for the use of water resources:

11.5.1. The amount actually spent by SABESP on payment of fees for the use of water resource during the REFERENCE PERIOD shall be included in the calculation of RR and shall be recognized as a non-manageable expense.

11.5.2. Throughout the 1st and 2nd TARIFF CYCLES, the pass-through of this payment shall be made annually based on the REFERENCE PERIOD, at the time of the TARIFF ADJUSTMENT and the 1st TARIFF REVISION, according to subitem "h" of item 5.2.5.

11.5.3. As of the 3rd TARIFF CYCLE, the amount recognized in the TARIFF shall be equivalent to that observed in the REFERENCE PERIOD of the TARIFF REVISIONS.

11.6. PPP consideration payments and asset lease agreements:

11.6.1. The amount actually spent by SABESP on the payment of these considerations during the REFERENCE PERIOD shall be included in the calculation of RR and recognized as a non-manageable expense.

11.6.2. The TARIFFS shall include consideration payments related to contracts in force as of the EFFECTIVE DATE through their contractual term. During the 1st and 2nd TARIFF CYCLES, the pass-through of these payments shall occur annually in the

years of the TARIFF ADJUSTMENT and the 1st TARIFF REVISION, according to subitem "h" of item 5.2.5.

11.7. Expenses related to (i) hiring the VALUATION COMPANY and the INDEPENDENT VERIFIER; (ii) conducting rural surveys and updating information on informal urban settlements; (iii) creating and maintaining the electronic information system for data related to LINKED ASSETS, INVESTMENTS, and SERVICE operational characteristics; and (iv) insurance and guarantee contracting.

11.7.1. These expenses incurred by SABESP during the REFERENCE PERIOD shall be fully passed through to the TARIFFS and recognized as non-manageable expenses, provided their prudence is approved by ARSESP, except for the deduction provided in item 6.2.3 for hiring the VALUATION COMPANY and the INDEPENDENT VERIFIER.

11.7.2. During the 1st and 2nd TARIFF CYCLES, the pass-through of these expenses shall be annual, based on the REFERENCE PERIOD, at the time of the TARIFF ADJUSTMENT and the 1st TARIFF REVISION, according to subitem "i" of item 5.2.5.

11.7.3. As of the 3rd TARIFF CYCLE, the amount recognized in the TARIFF shall be equivalent to that observed in the REFERENCE PERIOD of the TARIFF REVISIONS.

11.8. Transfers to MUNICIPAL FUNDS:

11.8.1. For the purposes of calculating TARIFF REVENUE in the ANNUAL ADJUSTMENTS of the 1st and 2nd TARIFF CYCLES and in the REVISIONS, the annual transfer to the MUNICIPAL FUNDS shall be considered according to the criteria defined in ANNEX II – TECHNICAL ANNEXES, even if they have not been approved by ARSESP under Chapter 3 of ARSESP Resolution 870 of May 13, 2019, or another that may amend or replace it.

11.8.1.1. SABESP must deduct and withhold, from the amount to be transferred to the MUNICIPAL FUNDS, the amounts related to any outstanding debts of the municipal government's direct administration bodies, foundations, and autonomous agencies for water and/or sewage bills, as defined in the MUNICIPAL TECHNICAL ANNEXES of ANNEX II.

11.8.1.2. For the purposes of item 11.8.1.1, SABESP shall determine the existence of outstanding debts and notify the MUNICIPALITY(IES) of the amount due and to be withheld, at least 30 (thirty) days before the transfer to the MUNICIPAL FUND.

11.8.1.3. The direct administration bodies, foundations, and autonomous agencies of the MUNICIPALITY may dispute the withholding referred to in item 11.8.1.1 within 15 (fifteen) days of receiving the notice referred to in item 11.8.1.2. SABESP must rule on the dispute within 15 (fifteen) days of receipt. If the dispute is denied by SABESP, an appeal may be filed with ARSESP within 15 (fifteen) days of

the notification of denial, and ARSESP shall make a final administrative decision on the matter.

11.8.1.4. SABESP shall transfer the remaining amount to the respective MUNICIPAL FUNDS within 30 (thirty) days of proof of payment of the overdue bills and/or installment agreements by the MUNICIPALITY or approval of the dispute or appeal referred to in item 11.8.1.3, duly adjusted by the CDI (Interbank Deposit Certificate) for the retention period.

11.8.1.5. Until the bills are definitively paid, late payment charges shall accrue in accordance with ARSESP regulations and/or specific agreements with the municipal direct administration bodies, foundations, and autonomous agencies.

11.8.2. The portion related to transfers to MUNICIPAL FUNDS that have not been approved by ARSESP by the EFFECTIVE DATE shall be considered a credit in favor of USERS, to be accounted for under the rules outlined in Appendix I of this ANNEX. No transfers to the MUNICIPALITY shall be made while its MUNICIPAL FUND is not approved by ARSESP, and retroactive transfers are not allowed.

11.8.3. The provisions of item 11.8.2 shall remain in effect until the respective MUNICIPAL FUND is approved by ARSESP. Transfers to the FMSB shall only be made from that date onward, with no compensation allowed using amounts recorded in LINKED ACCOUNT 1 as described above.

11.8.4. In the 1st TARIFF CYCLE, the anticipated amount transferred in 2024 for municipalities that received an ADVANCE shall be deducted, according to the rules of ANNEX II – TECHNICAL ANNEXES.

11.8.5. During the 1st and 2nd TARIFF CYCLES, the pass-through of MUNICIPAL FUNDS to the TARIFFS shall be annual based on the REFERENCE PERIOD, at the time of the TARIFF ADJUSTMENT and the 1st TARIFF REVISION, according to subitem “g” of item 5.2.5.

11.8.6. As of the 3rd TARIFF CYCLE, the amount recognized in the TARIFF for each cycle shall be equivalent to that observed in the REFERENCE PERIOD of the TARIFF REVISIONS.

11.9. The REGULATORY AND OVERSIGHT FEE shall not be included in the calculation of RR and shall be applied directly to SABESP based on the USER’s invoice.

11.10. The taxes related to the Social Integration Program (PIS) and the Contribution for the Financing of Social Security (COFINS) shall not be included in the calculation of TARIFF REVENUE and shall be applied directly to the tariff tables published annually by ARSESP. The effective rate shall be determined in each tariff revision.

11.11. Expenses with the payment of the Urban Real Estate Tax (IPTU) or the Rural Property Tax (ITR), eventually incurred by SABESP, and not already paid by SABESP as of the EFFECTIVE DATE

of the CONTRACT, for operational facilities or areas of common interest, including changes in tax classification by municipal legislation after the EFFECTIVE DATE of the CONTRACT, shall be recognized as non-controllable expenses and included in the calculation of RR in the ANNUAL ADJUSTMENTS of the 1st and 2nd TARIFF CYCLES and in the TARIFF REVISIONS.

12. Chapter 12 - Methodology for Firm Demand

12.1. In the ANNUAL TARIFF ADJUSTMENTS of the 1st TARIFF CYCLE, between 2025 and 2029, the tariff recognition of discounts granted by SABESP in contracts with large USERS existing as of the EFFECTIVE DATE is established, provided the following requirements are met:

- (i) The contracts with large users are in effect as of the EFFECTIVE DATE and were signed by December 31, 2022;
- (ii) Each connection has a monthly average consumption, over a one-year period, of at least 500 m³ of water or sewage, or 1,000 m³ of both services combined;
- (iii) The discounted tariff is equal to or greater than twice the average EQUILIBRIUM TARIFF approved by ARSESP in the ANNUAL ADJUSTMENTS;
- (iv) SABESP proves, by March 31, 2025, that the total or partial elimination of the discount granted to each contract would result in harm to other USERS due to a reduction in the market, and that the beneficiary has access to alternative water supply sources and/or proper sewage treatment in the event of termination of the firm demand contract.

12.2. In the 1st TARIFF CYCLE, the annual tariff recognition mentioned in item 12.1 shall be capped at R\$ 300 million per year, based on February 2024 prices.

12.2.1. ARSESP may define a lower amount to be recognized in the TARIFF REVENUE, based on the supporting studies that SABESP presents to the Agency in accordance with the criteria listed in item 12.1.

12.2.2. ARSESP shall have until June 31, 2025, to evaluate the advantage studies of existing contracts and inform SABESP of its conclusion. In case of pending information or noncompliance with the criteria established in this ANNEX, SABESP shall have until August 31, 2025, to adjust its study.

12.2.3. The maximum limit for recognizing the discount granted to large users in the tariff shall be monetarily adjusted by the IPCA from the ADJUSTMENT base date or any other index that may replace it.

12.3. ARSESP shall establish the criteria for tariff recognition of discounts granted to large users in amendment to ARSESP Deliberation 1,150 of April 08, 2021, within 360 days from the EFFECTIVE DATE.

12.3.1. New contracts entered into after the EFFECTIVE DATE must comply with the criteria defined by ARSESP through a resolution to be published by July 31, 2025, in order for the discounts granted to be recognized in the TARIFFS.

12.3.2. Discounts to LARGE USERS under COMMERCIAL PROGRAMS entered into between the EFFECTIVE DATE and July 2025 must comply with the rules of ARSESP Resolution 1,150 of April 08, 2021.

12.4. For the purpose of calculating the TAI in the ANNUAL ADJUSTMENTS of the 1st and 2nd TARIFF CYCLES and in the PERIODIC TARIFF REVISIONS, the Tariff Revenue verified in the REFERENCE PERIOD must price the consumption histograms with the average applicable tariffs already reflecting the discounts applied, provided they refer to COMMERCIAL PROGRAMS approved by ARSESP.

13. Chapter 13 – Regulatory Treatment for Renovations and Cancellations

13.1. ADJUSTMENTS AND CANCELLATIONS shall not be included in the RR as an expense. Their amount shall be considered in the observed base Tariff Revenue in the REFERENCE PERIOD (RT0), which shall be the product of the tariff table in effect that year and the REFERENCE MARKET considering the volumes recorded in the histogram generated from the original billing adjusted for the adjustments and cancellations.

13.2. ADJUSTMENTS AND CANCELLATIONS shall implicitly be included in the TAI calculation provided that:

13.2.1. the reasons for adjusting or canceling a bill are those defined in ARSESP Resolution 106 of November 13, 2009, or another that may replace it, which include (i) high consumption due to leakage or without apparent cause; (ii) registration changes; (iii) cancellation of debts; and (iv) consumption charged based on an average;

13.2.2. they are incorporated into the consumption histograms within 90 days for the purpose of calculating the TAI in the ANNUAL ADJUSTMENTS of the first two TARIFF CYCLES, in the REVISIONS, and in the LINKED ACCOUNTS;

13.2.3. SABESP's commercial system allows for traceability and auditing of processed adjustments and cancellations for ARSESP's assessment.

14. Chapter 14 - Methodology for the calculation of UNRECOVERABLE REVENUES

14.1. UNRECOVERABLE REVENUES represent a portion of SABESP's billed revenue that, after all commercial and legal collection efforts, was not recovered. It is therefore not a case of temporary default, but a permanent situation due to the USER's financial inability or SABESP's lack of coercive capacity, and only the portion related to structural default should be recognized in the TARIFF.

14.2. ARSESP shall encourage and promote the pursuit of efficiency in billing and collection.

14.3. In the 1st TARIFF CYCLE, the regulatory target for UNRECOVERABLE REVENUES shall be defined according to the criteria described in Annex VIII – INITIAL TARIFF FORMATION. This regulatory target shall remain fixed during the ADJUSTMENTS on the occasion of the RAB UPDATE and the market over the 1st TARIFF CYCLE and shall be applied to the TARIFF REVENUE.

14.4. In the ADJUSTMENTS of the 2nd TARIFF CYCLE, on the occasion of the RAB and market UPDATE, the percentage of UNRECOVERABLE REVENUES in relation to the REQUIRED REVENUE defined in the 1st PERIODIC TARIFF REVISION shall apply.

14.5. As of the 2nd TARIFF CYCLE, ARSESP shall use the AGING METHODOLOGY OR DEBT AGING CURVE to determine the UNRECOVERABLE REVENUES to be compensated through the TARIFFS.

14.5.1. The regulatory target for UNRECOVERABLE REVENUES shall be determined based on the historical behavior of SABESP's verified bill payment flow over a 60-month period counted up to December of PRO, referring to the stabilization point of the monthly non-receipt index curve.

14.5.2. Through a resolution, ARSESP shall assess the segregation of the calculation of UNRECOVERABLE REVENUES by consumption class, to encompass the composition of the served market, under the AGING methodology rules defined in item 14.5. In the case of the rural category, ARSESP shall define a default calculation methodology that reflects the characteristics of this particular consumption category.

14.5.3. The total regulatory target defined in each PERIODIC TARIFF REVISION shall remain fixed throughout the corresponding TARIFF CYCLE, and in its calculation, ARSESP shall observe the best regulatory practices adopted in regulated network industries, both local and international, especially in basic sanitation and electricity sectors.

15. Chapter 15 - Chapter 15 – Methodology for the calculation of ADDITIONAL REVENUES, SUPPLEMENTAL REVENUES, Revenues from ASSOCIATED PROJECTS, K FACTOR, and Tax Credits

15.1. SABESP is hereby authorized to explore the following SUPPLEMENTAL ACTIVITIES, in addition to those provided for in ARSESP Resolution 790 of April 26, 2018, or any that may replace it, always remunerated by OTHER PRICES:

- (i) Inspections and certificates;
- (ii) Septic tank cleaning and maintenance of individual systems on private rural properties;
- (iii) Additional charge to USERS that produce non-domestic sewage due to the pollutant load (K FACTOR).

15.1.1. In addition to the activities provided for in this CONTRACT, ARSESP may include new SUPPLEMENTAL ACTIVITIES according to their essential nature and relation to the main activity, provided that ARSESP Resolution 1,107 of December 29, 2020, or another normative act that may amend or replace it is observed, always ensuring the preservation of the list in item 15.1 and the CONTRACT's risk allocation is respected.

15.1.2. The exploration of SUPPLEMENTAL ACTIVITIES other than those listed in this ANNEX or defined by ARSESP in REGULATION must be previously approved by the Agency.

15.2. The OTHER PRICES shall be defined and updated under the terms of ARSESP Resolution 790 of April 26, 2018, and its amendments and shall be adjusted under the terms of the CONTRACT's ADJUSTMENT rule.

15.2.1. The revision of the OTHER PRICES defined in the CONTRACT shall occur if it is shown that the prices indicated in ARSESP resolutions do not reflect the cost of efficient provision. In this case, ARSESP, on its own or at the request of SABESP, may redefine the prices of these activities based on a cost study.

15.3. SABESP is hereby authorized to explore the activities of ASSOCIATED PROJECTS and the following ANCILLARY ACTIVITIES, remunerated by ADDITIONAL REVENUES:

- (i) Treatment of effluents from tanker trucks (landfill leachate, septic tanks, and non-domestic sewage);
- (ii) Sale of used water meters and/or their by-products, provided they have been replaced and there is no impact on the continuity of SERVICE provision;
- (iii) Advertising via physical and digital water and sewage bills (including insert distribution);
- (iv) Advertising on digital tools, such as apps and website;
- (v) Sale of reuse water;
- (vi) Sale of sludge by-products from the treatment processes for fertilizer production;
- (vii) Production and sale of Biogas, Biomethane, and other sewage by-products;
- (viii) Sale of energy;
- (ix) Infrastructure sharing;
- (x) Carbon credit trading;
- (xi) Installation of qualified cogeneration;
- (xii) Execution and maintenance of rainwater drainage works; and
- (xiii) Charging of urban solid waste handling fee – TMRSU.

15.4. SABESP may engage in ANCILLARY ACTIVITIES or ASSOCIATED PROJECTS, either directly or indirectly, and may establish a wholly-owned subsidiary for this purpose.

15.5. SABESP may engage in other ANCILLARY ACTIVITIES not mentioned in item 15.3 above, compensated by ADDITIONAL REVENUES, provided that such engagement:

- (i) does not compromise the quality standards of the SERVICES;
- (ii) does not hinder the normal provision of the SERVICES; and
- (iii) is not incompatible with the purpose of the CONTRACT, in accordance with applicable legislation, including the laws governing SABESP's activities and services.

15.6. ARSESP may deny authorization for the exploitation of a specific ANCILLARY ACTIVITY or ASSOCIATED PROJECT, or order the cessation of an ongoing exploitation,

through a reasoned decision, when it is not in compliance with the requirements set forth in applicable legislation or this CONTRACT.

15.7. The methodology for calculating the revenue-sharing from SUPPLEMENTAL ACTIVITIES, ANCILLARY ACTIVITIES, ASSOCIATED PROJECTS, and the K FACTOR for the 1st TARIFF CYCLE shall be the one defined in ANNEX VIII – INITIAL TARIFF FORMATION. In the ANNUAL ADJUSTMENTS of the 1st CYCLE, at the time of the RAB and MARKET UPDATE, this sharing:

15.7.1. shall remain fixed and equal to the historical average of revenues earned by SABESP in the case of ADDITIONAL REVENUES. Any excess revenue effectively earned by SABESP during the 1st CYCLE shall be entirely retained by the company. Any shortfall shall be entirely absorbed by SABESP; and

15.7.2. shall equal the net revenue (after taxes and duties) collected by SABESP from SUPPLEMENTAL ACTIVITIES in the REFERENCE PERIOD, and shall be fully passed on to tariff affordability;

15.7.3. shall equal the revenue invoiced through the application of the K FACTOR during the REFERENCE PERIOD, and shall be fully passed on to tariff affordability;

15.7.4. Revenues obtained by SABESP from fines and late payment interest shall not be subject to revenue sharing.

15.8. In the 2nd TARIFF CYCLE, ARSESP shall consider:

(i) the full pass-through to tariff affordability of net revenues (after taxes and duties) from SUPPLEMENTAL ACTIVITIES. If these activities incur additional costs, as demonstrated by Regulatory Accounting, the pass-through shall be 100% of the profit, not the net revenue, so that additional costs are not passed on to tariff affordability;

(ii) the pass-through to tariff affordability of 50% of the profit from ANCILLARY ACTIVITIES and ASSOCIATED PROJECTS as of the 2nd TARIFF CYCLE, considering any additional costs incurred in executing these activities. These additional costs shall not be passed on to tariff affordability. ARSESP will estimate the profit from these activities based on SABESP's historical results;

(iii) the full pass-through to tariff affordability of net revenues (after taxes and duties) from ANCILLARY ACTIVITIES in the 2nd TARIFF CYCLE only if SABESP fails to implement Regulatory Accounting within the timeframe established in Chapter 18 of this ANNEX;

(iv) the full pass-through to tariff affordability of revenues obtained through the application of the K FACTOR. If the treatment of non-domestic sewage from USERS subject to the increased tariff due to this Factor incurs additional costs, as demonstrated by Regulatory Accounting, the pass-through shall be 100% of the profit, not the net revenue, so that additional costs are not passed on to tariff affordability.

15.9. From the 3rd TARIFF CYCLE onward, ARSESP shall consider:

15.9.1. The full pass-through to tariff affordability of net revenues (after taxes and charges) from SUPPLEMENTAL ACTIVITIES, net of any additional costs, which shall not be passed on. This pass-through shall be calculated based on the annual average of historical values recorded in the TARIFF CYCLE preceding each PERIODIC TARIFF REVISION;

15.9.2. As a financial component in the ANNUAL ADJUSTMENTS, the difference (whether positive or negative) between the actual amount earned by SABESP from SUPPLEMENTAL REVENUES and K FACTOR REVENUES, and the average amount calculated by ARSESP in the periodic tariff review (PTR), so that the actual annual value is shared with USERS;

15.9.3. The maintenance of the revenue-sharing criteria for ADDITIONAL REVENUES and ASSOCIATED PROJECTS defined for the 2nd TARIFF CYCLE;

15.9.4. The possibility of reducing the pass-through of 100% of the profit from the application of the K FACTOR.

15.10. ARSESP shall regulate the approval/consent process for contracts executed with related parties, whose outcomes qualify as part of the ADDITIONAL REVENUES from ANCILLARY ACTIVITIES, in accordance with the criteria defined in item 19 of this ANNEX.

15.11. SABESP may submit studies to ARSESP demonstrating that the revenue-sharing percentage for ADDITIONAL REVENUES may render the exploitation unviable, in which case a lower percentage, specific to a given ANCILLARY ACTIVITY or ASSOCIATED PROJECT, may be defined by mutual agreement.

15.12. ARSESP shall respond to the request outlined in item 15.11 within 30 (thirty) days of receipt, sending a copy of its response to URAE-1.

15.13. The exploitation of COMPLEMENTARY ACTIVITIES and ANCILLARY ACTIVITIES by SABESP shall also comply with the condition that any contracts entered into by SABESP for such purposes, as referred to in item 15.3, shall not exceed the term of this CONTRACT, unless expressly authorized by ARSESP. SABESP shall take all necessary measures to return the areas and infrastructure involved, free and clear of any assets or rights, including without any residual value, taxes, charges, liabilities, encumbrances, or burdens of any kind to URAE-1, ARSESP, the STATE, or the MUNICIPALITIES.

15.14. The amount of K FACTOR revenue shared during the ANNUAL ADJUSTMENTS of the 1st TARIFF CYCLE, at the time of the RAB and MARKET UPDATE shall equal the revenue collected through application of that Factor in the REFERENCE PERIOD, and shall be fully passed on to tariff affordability.

15.15. Any tax credits effectively obtained by SABESP, resulting from subsidies granted with FAUSP funds under Federal Law 14,789/2023, or any legislation that may replace it, shall be shared with USERS in the proportion of 90%.

15.16. For the purposes of the revenue-sharing mentioned in item 15.15, SABESP shall inform ARSESP by September 30 of the year in which the ADJUSTMENT or PERIODIC TARIFF REVISION is processed of the total tax credits effectively obtained since the date of the previous ADJUSTMENT or PERIODIC TARIFF REVISION.

15.17. The value of the tax credits, for revenue-sharing purposes, shall be adjusted for inflation using the IPCA index up to the base date of each ADJUSTMENT or PERIODIC TARIFF REVISION.

16. Chapter 16 - Methodology for the calculation of the quality incentive factor (Q FACTOR)

16.1. Provided that the sum of the Q FACTOR and the U FACTOR is less than zero, the Q Factor shall be applied annually as either a reduction or an increase to the Tariff Adjustment Index in ADJUSTMENT processes and to the Tariff Repositioning Index in PERIODIC TARIFF REVISION processes, with a positive or negative limit of 2%, in accordance with the provisions of Annex VII.

16.2. The Q Factor determined for the REFERENCE PERIOD must have its effect excluded from the subsequent tariff process, whether it be an adjustment or a periodic revision, and shall therefore not be subject to accumulation or perpetuity.

16.3. The formula for calculating the Q FACTOR, the indicators that comprise it, and their respective weights shall be defined in Annex VII – U FACTOR, Q FACTOR, AND QUALITY INDICATORS.

16.4. At each PERIODIC TARIFF REVISION, ARSESP shall publish the target menu applicable to the indicators for the subsequent TARIFF CYCLE, as well as the rules and deadlines for SABESP to select its targets.

16.5. The data for calculating the Q Factor must be submitted by SABESP to ARSESP by May 31 of the year in which the tariff process for ADJUSTMENT or PERIODIC TARIFF REVISION takes place.

16.6. ARSESP shall:

- (i) be responsible for calculating the Q Factor for each ADJUSTMENT and PERIODIC TARIFF REVISION, starting from the 1st TARIFF CYCLE;
- (ii) assess the data submitted by SABESP by September 30 of the year in which the ADJUSTMENT or PERIODIC TARIFF REVISION is processed.

17. Chapter 17 - Methodology for the calculation of the universalization factor (U FACTOR)

17.1. In the event of noncompliance with the coverage targets, as established in ANNEX VII, Factor U shall be applied annually as a reducing factor to the Tariff Adjustment Index in ADJUSTMENT processes and to the Tariff Repositioning Index in PERIODIC TARIFF REVISION processes.

17.2. The U Factor determined for the REFERENCE PERIOD must have its effect excluded from the subsequent tariff process, whether it be an adjustment or a periodic revision, and shall therefore not be subject to accumulation or perpetuity.

17.3. The formula for calculating the FACTOR and the indicators that comprise it shall be defined in Annex VII – U FACTOR, Q FACTOR, AND QUALITY INDICATORS.

17.4. The data used to calculate the U Factor, specifically those related to the coverage index determined for the REFERENCE PERIOD, with a cut-off date of December 31, must be submitted by SABESP to ARSESP by May 31 of the following year, as part of the tariff ADJUSTMENT or PERIODIC TARIFF REVISION process. 17.5.

17.5. ARSESP shall:

- (i) be responsible for calculating the U Factor in each ADJUSTMENT and PERIODIC TARIFF REVISION process, starting from the 1st TARIFF CYCLE, based on information provided by the INDEPENDENT VERIFIER;
- (ii) assess the data submitted by SABESP by September 30 of the year in which the ADJUSTMENT or PERIODIC TARIFF REVISION is processed.

18. Chapter 18 - Regulatory Accounting

18.1. SABESP shall implement the Regulatory Accounting defined by ARSESP in ARSESP Resolution 1,137 of March 04, 2021, by December 31, 2026. Otherwise:

18.1.1. The penalties provided in ANNEX III – INFRACTIONS AND PENALTIES shall apply; and

18.1.2. Starting from the 2nd TARIFF CYCLE: (i) the sharing percentage for TECHNICAL EFFICIENCY gains, as defined in item 10 of this ANNEX, shall be 75%; and

(ii) the percentage of revenue from ANCILLARY ACTIVITIES shared with USERS shall be 100%, net of charges and taxes.

18.2. After the 1st TARIFF CYCLE, ARSESP shall assess the need to update the Regulatory Accounting Manual. For purposes of monitoring and oversight of the provision of SERVICES, SUPPLEMENTAL ACTIVITIES, ANCILLARY ACTIVITIES, ASSOCIATED PROJECTS, and contracts between RELATED PARTIES, the Manual must include at least:

- (i) Disaggregation of information related to shared costs between SABESP and its subsidiaries;
- (ii) Specification of additional costs, revenues, and assets related to SUPPLEMENTAL ACTIVITIES, ANCILLARY ACTIVITIES, and ASSOCIATED PROJECTS;
- (iii) Separation of accounting entries by cost centers, especially for shared services;
- (iv) Distinction between LINKED ASSETS to the concession—reversible and non-reversible—and NON-LINKED ASSETS.

18.3. Whenever ARSESP revises the Regulatory Accounting Manual and changes or replaces ARSESP Resolution 1,137 of March 04, 2021, SABESP shall have a maximum of two years to implement the modifications. In case of noncompliance with this deadline, the penalties provided for in item 18.1 and in ANNEX III – INFRACTIONS AND PENALTIES shall apply as of the TARIFF CYCLE

following the publication of the new Resolution by ARSESP.

19. Chapter 19 - Related Party Transaction

19.1. Within two months of the EFFECTIVE DATE, SABESP must maintain, develop, publish, and implement a Related Party Transactions Plan or policy, in accordance with the best practices recommended in the Brazilian Corporate Governance Code – Publicly-Held Companies, issued by the Interagency Working Group coordinated by the Brazilian Institute of Corporate Governance, as well as the provisions of the Novo Mercado Regulations, the Brazilian Corporation Law, and applicable CVM regulations, or any future replacement references.

19.2. The Related Party Transactions Plan must be submitted to ARSESP for information, including any amendments.

19.3. The Related Party Transactions Plan must include, at least, the following elements, without prejudice to other elements SABESP may consider necessary:

- (i) Criteria to be observed in transactions between SABESP and its RELATED PARTIES, requiring fair conditions aligned with market practice, equivalent to those that would be obtained in an independent negotiation with an unrelated party;
- (ii) Procedures to identify individual situations that may create conflicts of interest, and to prevent voting by SABESP shareholders or managers in such cases;
- (iii) Procedures and persons responsible for identifying RELATED PARTIES and classifying operations as Related Party transactions;
- (iv) Specification of the approval authorities for transactions with RELATED PARTIES, based on the value involved or other materiality criteria;
- (v) Requirement to conduct competitive bidding processes, as approved by SABESP management, for contracting works and SERVICES with RELATED PARTIES, without prejudice to provisions in the plan allowing RELATED PARTIES preference if they match the best terms obtained in the process;
- (vi) Prohibition of advance payments in contracts with RELATED PARTIES, except for mobilization cost advances customary in similar market contracts; and
- (vii) Obligation for SABESP's management to formalize, in a written document filed at SABESP, the justification for selecting a RELATED PARTY over market alternatives.

19.3.1. The Related Party Transactions Plan must be updated by SABESP whenever necessary, in line with evolving best practices referred to in item 16.3 and the need to include or amend specific provisions that enhance transparency and fairness in such RELATED PARTY transactions.

19.3.2. The related party transaction plan must require SABESP to disclose, on its website and subject to applicable monetary thresholds defined in law or regulation, the following information about any related party contract:

- (i) General information about the RELATED PARTY contracted;
- (ii) Purpose of the contract;
- (iii) Duration of the contract;
- (iv) General payment and price adjustment conditions;
- (v) Description of the negotiation process with the RELATED PARTY and the decision to enter into the transaction; and
- (vi) Justification for contracting with the RELATED PARTY instead of market alternatives.

19.3.3. This disclosure must take place in accordance with current regulations, prior to the commencement of the activities under contract with the RELATED PARTY.

19.3.4. In addition to the provisions of item 19.3.3, SABESP must send ARSESP a copy of all contracts entered into with RELATED PARTIES within the same timeframe.

19.3.5. Unless previously approved by ARSESP, SABESP is prohibited from:

Providing guarantees such as surety, endorsement, or any other form of collateral to its shareholders, RELATED PARTIES, or third parties.

19.3.6. SABESP may receive funds from RELATED PARTIES via loan agreements, provided that repayment of such loans is subordinated to the payment of any amounts due to URAE-1, ARSESP, the STATE, and MUNICIPALITIES—including regulatory fees due to ARSESP—under the CONTRACT and subject to the conditions described in item 19.3.2 applicable to RELATED PARTY contracts, as established in the Related Party Transactions Plan.

19.3.7. SABESP must submit contracts with RELATED PARTIES to ARSESP for prior approval, under procedures to be defined in specific regulations, with the aim of verifying market price compatibility while preserving the confidentiality of strategic and/or sensitive information.