

---

# CONCESSION AGREEMENT

01/2024

---

# CONCESSION AGREEMENT FOR PUBLIC WATER SUPPLY AND SEWAGE SERVICES IN THE MUNICIPALITIES LISTED IN ANNEX I

## CONTENT

TITLE I.	PARTIES AND PREAMBLE .....	5
TITLE II.	DEFINITIONS .....	6
CHAPTER 1.	GLOSSARY .....	6
TITLE III.	PUPPOSE, APPLICABLE LEGISLATION, AND INTERPRETATION .....	12
CHAPTER 2.	PURPOSE .....	12
CHAPTER 3.	APPLICABLE RULES AND LEGAL FRAMEWORK.....	14
TITLE IV.	RIGHTS AND OBLIGATIONS.....	15
CHAPTER 4.	USER RIGHTS AND DUTIES .....	15
CHAPTER 5.	RIGHTS AND OBLIGATIONS OF ARSESP, URAE-1, THE STATE, AND THE MUNICIPALITIES .....	20
	SECTION 1 RIGHTS AND OBLIGATIONS OF ARSESP .....	20
	SECTION 2 RIGHTS AND OBLIGATIONS OF URAE-1, THE STATE, AND THE MUNICIPALITIES 23	
CHAPTER 6.	RIGHTS AND OBLIGATIONS OF SABESP .....	25
	SECTION 3 RIGHTS OF SABESP .....	25
	SECTION 4 OBLIGATIONS OF SABESP .....	26
	SECTION 5 INSURANCE .....	33
	SECTION 6 PERFORMANCE GUARANTEE .....	36
TITLE V.	SERVICES .....	40
CHAPTER 7.	EXPANSION AND QUALITY.....	40
	SECTION 7 PLANNING .....	40
	SECTION 8 EXPROPRIATIONS .....	42
CHAPTER 8.	EXECUTION OF SERVICES .....	45
	SECTION 9 WATER SUPPLY AND SEWAGE SERVICES.....	45
	SECTION 10 OPERATIONAL AND CORPORATE MANAGEMENT OF SABESP.....	47
	SECTION 3 COMPLIANCE AND INTEGRITY PLAN OF SABESP.....	50
CHAPTER 9.	LINKED AND NON-LINKED ASSETS.....	51

CHAPTER 10.	FINANCING AND GUARANTEES FOR THE FUNDERS.....	53
TITLE VI.	ECONOMIC AND FINANCIAL REGIME.....	54
CHAPTER 11.	SERVICE EXPLOITATION REGIME.....	54
CHAPTER 12.	REVENUES .....	54
	SECTION 11 TARIFF REVENUE AND SUPPLEMENTAL ACTIVITIES .....	54
	SECTION 12 ADJUSTMENT .....	55
CHAPTER 13.	RISK ALLOCATION AND ECONOMIC-FINANCIAL BALANCE .....	55
	SECTION 13 RISK ALLOCATION.....	55
	SECTION 14 ECONOMIC-FINANCIAL BALANCE .....	61
	SECTION 15 PERIODIC TARIFF REVISIONS .....	62
	SECTION 16 MONITORING THE EVOLUTION OF INVESTMENTS AND AMORTIZATION .....	63
TITLE VII.	CONTRACT MANAGEMENT .....	63
CHAPTER 14.	SOCIAL CONTROL .....	63
CHAPTER 15.	INSPECTIONS .....	63
CHAPTER 16.	PERFORMANCE INDICATORS .....	67
CHAPTER 17.	VIOLATIONS AND PENTALTIES .....	69
CHAPTER 18.	INTERVENTION .....	69
TITLE VIII.	CONTRACTUAL VALIDITY AND EXTINGUISHMENT .....	71
CHAPTER 19.	VALIDITY.....	71
CHAPTER 20.	ADMINISTRATIVE PROCEDURE CONTRACTUAL EXTINGUISHMENT .....	72
	SECTION 17 SITUATIONS AND CONSEQUENCES FOR EXTINGUISHMENT .....	72
	SECTION 18 INITIATION OF THE CONTRACTUAL TERM.....	73
	SECTION 19 EXPROPRIATION .....	73
	SECTION 20 NULLITY.....	75
	SECTION 21 TERMINATION.....	76
	SECTION 22 ANNULMENT .....	78
	SECTION 23 BANKRUPTCY, JUDICIAL REORGANIZATION, LIQUIDATION AND EXTINCTION OF SABESP .....	78
CHAPTER 21.	ASSET REVERSAL .....	79
CHAPTER 22.	INDEMNIFICATION DUE .....	79
TITLE IX.	RESOLUTION OF DISPUTES .....	81
CHAPTER 23.	GENERAL PROVISIONS .....	81

CHAPTER 24.	NEGOTIATIONS.....	82
CHAPTER 25.	MEDIATION .....	83
CHAPTER 26.	ARBITRATION .....	84
CHAPTER 27.	JURISDICTION .....	89
TITLE X.	FINAL PROVISIONS .....	89
CHAPTER 28.	GENERAL PROVISIONS .....	89
CHAPTER 29.	CALCULATING DEADLINES.....	90
CHAPTER 30.	PUBLICATIONS AND REGISTRIES.....	90
CHAPTER 31.	COMMUNICATIONS .....	90

## TITLE I. PARTIES AND PREAMBLE

By means of this instrument, the PARTIES, namely the

**(1) REGIONAL UNIT FOR SUPPLY OF DRINKING WATER AND**

**SEWAGE SERVICES – URAE 1 - SOUTHEAST**, established by State Law 17,383/2021, as amended, herein represented by Mrs. **NATÁLIA RESENDE A. ÁVILA**, Coordinator of the Deliberative Council of URAE 1;

**(2) COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO**, herein

represented by its Chief Executive Officer, Mr. **ANDRÉ GUSTAVO SALCEDO TEIXEIRA MENDES** and its Regulation and New Business Officer, Mr. **BRUNO MAGALHÃES D'ABADIA**, pursuant to its Bylaws, headquartered at Rua Costa Carvalho, 300, Pinheiros, São Paulo/SP, CEP 05429-900, hereinafter referred to as **SABESP**, and

As Consenting and Intervening Party, the

**(3) REGULATORY AGENCY FOR PUBLIC SERVICES OF THE STATE OF SÃO PAULO -**

**ARSESP**, established by State Complementary Law 1,025/2007, herein represented by its President Mr. **THIAGO MESQUITA NUNES**, under the terms of article 14, item VI, subitem a, and article 17 of the aforementioned constitution law, and the convention to be signed with URAE 1- SOUTHEAST, headquartered at Rua Cristiano Viana, 428, Cerqueira César, São Paulo/SP, CEP 05411-902;

### CONSIDERING THAT:

(A) the establishing of the Regional Unit for Supply of Drinking Water Supply and Sewage Services 1 – Southeast through State Law 17,383/2021 and its amendments, pursuant to article 3, item VI, subitem "b", of Federal Law 11,445/2007, hereinafter referred to as URAE-1;

(B) the voluntary adherence of the MUNICIPALITIES to URAE-1, under the provisions of State Decree 66,289/2021, as amended by State Decree 67,880/2023, aimed at exercising the joint ownership and regionalized water supply and sanitation services;

(C) the approval by the Deliberative Council of URAE-1, through RESOLUTION CD URAE 1 – SOUTHEAST 03, of May 20, 2024, for ARSESP to be responsible for the regulation and inspection of the SERVICES;

(D) the need to ensure the adequate provision of SERVICES, as well as achieve universalization under Federal Law 11,445/2007, through goals and obligations established in this CONTRACT and its ANNEXES;

(E) that State Law 17,853/2023 authorized the sale of the controlling interest in SABESP, pursuant to article 47, item XV, of the Constitution of the State of São Paulo;

(F) that Federal Law 14,026/2020 provides that the sale of the controlling interest in the state sanitation company gives rise to the substitution and standardization of current contracts by means of replacing the concession agreement, whose new terms were approved by the Deliberative Council of URAE-1 on May 20, 2024;

(G) that this CONTRACT has its effectiveness conditioned to the conclusion of the privatization process of Companhia de Saneamento Básico do Estado de São Paulo - SABESP, under the terms

authorized by State Law 17,853/2023, through the settlement of the offering and the transfer of SABESP's shares;

(H) which, as a premise for the SABESP privatization process, assumes (i) meeting the universalization goals for the supplying water and sanitation services in all municipalities of the STATE served by SABESP, including rural areas and informal urban centers; (ii) the universalization of water supply and sewage treatment and collection services by December 31, 2029 in the SERVICE AREA, under the terms of the CONTRACT; (iii) tariff reduction, preferably to the most vulnerable population, under the provisions of article 23 of Federal Law 11,445, of January 5, 2007, and article 2, item III and sole paragraph of Law 17,853/2023; (iv) the creation of mechanisms to monitor compliance with the universalization goals, indicating investment needs for the coming years; and (v) providing SERVICES aimed at improving the quality of treated water and reducing its loss, as well as improving the quality of sewage collection and treatment; and

(I) the need to coordinate SERVICES with policies related to urban development, drainage, housing, fight against poverty, social, environmental and health, both state and municipal, reflected in the REGIONAL SANITATION PLAN as an instrument of regional public policy;

The PARTIES resolve, under APPLICABLE LEGISLATION, to sign this CONTRACT for the execution of SERVICES in the SERVICE AREA, formed by the following Clauses and conditions and the ANNEXES that are an integral part of this document for all legal purposes, as listed below:

- ANNEX I (MUNICIPALITIES SERVED)
- ANNEX II (TECHNICAL ANNEX OF EACH MUNICIPALITY)
- ANNEX III (VIOLATIONS AND PENALTIES)
- ANNEX IV (TARIFFS)
- ANNEX V (REGULATORY MODEL)
- ANNEX VI (PERFORMANCE GUIDELINES FOR THE VALUATION COMPANY AND INDEPENDENT VERIFIER)
- ANNEX VII (U FACTOR, Q FACTOR, AND QUALITY INDICATORS)
- ANNEX VIII (THE INITIAL TARIFF FORMATION)

## **TITLE II. DEFINITIONS**

### **CHAPTER 1. GLOSSARY**

Clause 1. For the purposes of this CONTRACT, the following definitions apply:

- (a) ANNEXES: documents that are an integral part of the CONTRACT, listed in Title I;
- (b) SERVICE AREA: the area defined in ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY, including contours in urban, rural areas and urban centers, consolidated informal areas and informal areas that can be subject to Urban Land Regularization (Reurb), under the provisions of Federal Law

13,465/2017, except those considered ineligible, pursuant to ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY, and the respective vegetation growth, which will be served by the CONCESSIONAIRE, in compliance with this CONTRACT;

(c) OPERATIONAL INSTALLATION AREA: properties, public walkways, streets and/or aerial or underground passages, including those located in rural areas, where the equipment and buildings required for the execution of SERVICES are installed;

(d) ANCILLIARY ACTIVITIES: the activities that are not essential for the execution of SERVICES to USERS, but which may be related to the exploitation of SERVICES;

(e) SUPPLEMENTAL ACTIVITIES: auxiliary, supplemental and other activities related to the SERVICES, contracted optionally by USERS and remunerated as OTHER PRICES, whose list has been initially included in ANNEX V – REGULATORY MODEL;

(f) RAB UPDATE: as defined in ANNEX V – REGULATORY MODEL;

(g) REGULATORY IMPACT ASSESSMENT: a regulatory tool that examines and evaluates the likeliness of benefits, costs and effects arising from new or altered regulations, providing decision-makers with important data to assess available options and consequences of their decisions;

(h) SHARED ASSETS: LINKED ASSETS whose operation results in providing SERVICES to more than one MUNICIPALITY served by SABESP;

(i) LINKED ASSETS: the sum of REVERSIBLE ASSETS and NON-REVERSIBLE ASSETS for the purpose of the CONTRACT, as recognized by ARSESP, and that make up the Regulatory Remuneration Base (RRB), including those related to individual solutions implemented by SABESP on the USER's property;

(j) REVERSIBLE ASSETS: refer to LINKED ASSETS relating to the operation and essential for the continuity of SERVICES, including SHARED ASSETS, consisting of the sum of movable and fixed assets assumed, acquired and/or constructed by the CONCESSIONAIRE, and which will revert to the owners of the SERVICES when the CONTRACT is terminated;

(k) NON-REVERSIBLE ASSETS: refer to the LINKED ASSETS that are useful to provide SERVICES, whose functional characteristic consist of being a common good capable of meeting demands for other services after the end of the CONTRACT;

(l) NON-LINKED ASSETS: a set of exclusively private assets belonging to SABESP and not used to provide SERVICES, also not included in the RRB composition;

(m) REGULATORY REMUNERATION BASE (RRB): as defined in ANNEX V – REGULATORY MODEL;

(n) SINGLE REGISTRY (CADÚNICO): a registry maintained by the Federal Government, consisting of low-income families in Brazil;

(o) CERTIFICATION: as defined in ANNEX V – REGULATORY MODEL;

(p) TARIFF CYCLE: as defined in ANNEX V – REGULATORY MODEL;

- (q) **AFFILIATED COMPANY:** a company subject to significant influence from another company, characterized by holding or exercising the decision-making powers on the financial or operational policies of the investee, without controlling it. Significant influence is presumed when there is ownership of 20% (twenty percent) or more of the voting capital of the investee, without controlling it;
- (r) **CONCESSIONAIRE:** a company who has been delegated the right to operate the SERVICES covered by this CONTRACT;
- (s) **FREE MOVEMENT ACCOUNT:** a bank account owned by SABESP that can be freely moved and burdened by SABESP, under the terms of this CONTRACT and APPENDIX I to ANNEX V – REGULATORY MODEL;
- (t) **LINKED ACCOUNT 1:** as defined in APPENDIX I to ANNEX V – REGULATORY MODEL
- (u) **LINKED ACCOUNT 2:** as defined in APPENDIX I to ANNEX V – REGULATORY MODEL
- (v) **CONTRACT:** this adjustment instrument, including its ANNEXES;
- (w) **CONTROLLED COMPANY:** any legal entity or investment fund whose CONTROL is exercised by another person or investment fund, understood as such the company in which the CONTROLLER, directly or through CONTROLLED COMPANIES, holds shareholder rights that permanently ensure its predominance in corporate decisions and the power to elect the majority of the CONTROLLED COMPANY's directors, pursuant to article 116 and 243, paragraph 2, of Federal Law 6,404/1976.
- (x) **CONTROLLER:** any person or investment fund that exercises CONTROL over another person or investment fund;
- (y) **CONTROL:** the power held by a person or group of persons bound by a voting agreement or under common control, who, directly or indirectly, solely or jointly, and in compliance with article 116 of Federal Law 6,404/1976: (i) permanently exercise rights that ensure the majority of votes in corporate decisions and elect the majority of directors or management of another person, investment fund or supplementary private pension institution, as applicable; and/or (ii) effectively directs the corporate activities and guides the operation of bodies of another person, investment fund or supplementary pension institution;
- (z) **CONVENTION:** an instrument signed between URAE-1 and ARSESP, based on article 23, paragraph 1, of Federal Law 11,445/2007, to assign ARSESP the activities of regulating and monitoring the SERVICES provided;
- (aa) **EFFECTIVE DATE:** the date on which the transaction for the sale of the controlling interest in SABESP is concluded under State Law 17,853/2023;
- (bb) **DEPRECIATED REPLACEMENT COST:**  
as defined in ANNEX V – REGULATORY MODEL;
- (cc) **VALUATION COMPANY:** a legal entity that will certify the INVESTMENTS, pursuant to the REGULATION, in particular ARSESP Resolution 1,488, of January 12, 2024, and its amendments, as well as the terms defined in ANNEX V – REGULATORY MODEL and ANNEX



VI - PERFORMANCE GUIDELINES FOR THE VALUATION COMPANY AND INDEPENDENT VERIFIER;

(dd) STATE: the São Paulo State;

(ee) DESEQUILIBRIUM EVENT: as defined in ANNEX V – REGULATORY MODEL;

(ff) FAUSP: the Support Fund for Universal Sanitation in the State of São Paulo, created by State Law 17,853/2023, to receive and manage the funds required to carry out basic sanitation actions, including tariff affordability;

(gg) MUNICIPAL FUNDS (FMSB or FMSAI): funds established by the MUNICIPALITIES listed in ANNEX I – MUNICIPALITIES SERVED, pursuant to article 13 of Federal Law 11,445/2007, who are transferred a percentage of the TARIFF REVENUE earned by the CONCESSIONAIRE for providing SERVICES in the respective MUNICIPALITIES, pursuant to the REGULATION and acts that govern the calculation basis for the transfer;

(hh) PERFORMANCE GUARANTEE: a guarantee on the fulfillment of the obligations of the CONTRACT, to be provided and maintained in force, by SABESP, in favor of ARSESP, in the amounts and under the terms defined in the CONTRACT;

(ii) INDICATORS AND GOALS FOR COVERAGE AND LOSSES: a set of parameters that measure compliance with universalization goals and water loss, as established in ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY and ANNEX VII – U FACTOR, Q FACTOR AND QUALITY INDICATORS,

whose results may impact the value of the TARIFF and will contribute to defining the Q Factor and the U Factor;

(jj) INVESTEEs: legal entities in which SABESP owns a majority or minority shareholding, and which carry out activities related or of a different nature to the SERVICES;

(kk) INVESTMENTS: a set of investments, including MANDATORY INVESTMENTS and those implemented by SABESP to meet the INDICATORS AND GOALS FOR COVERAGE AND LOSSES;

(ll) MANDATORY INVESTMENTS: the investments defined in ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY obligated to be carried out by SABESP and linked to compliance with the INDICATORS AND GOALS FOR COVERAGE AND LOSSES, subject to alterations arising from the review of the CONTRACT;

(mm) ASSET VALUATION REPORT: as defined in ANNEX V – REGULATORY MODEL;

(nn) APPLICABLE LEGISLATION: notwithstanding other applicable legal and regulatory provisions, the Federal Constitution; the State Constitution; Decree-Law 4,657, of September 4, 1942 (Introduction Law to the Rules of the Brazilian Law); Federal Law 13,709, of August 14, 2018; Federal Law 13,460, of June 26, 2017; Federal Law 14,133, of April 1, 2021; Federal Law 8,987, of February 13, 1995; Federal Law 9,074, of July 7, 1995; Federal Law 11,445, of January 5, 2007; Federal Law 14,026/2020; Federal Law 13,089, of January 12, 2015; Federal Law 6,404, of December 15, 1976; Federal Law 6,385, of December 7, 1976; State Law 7,835, of May 8, 1992; State Law 10,177, of December 30, 1998; State Complementary Law 1,025, of December 7, 2007; State Law 17,383, of July 5, 2021; State Law 17,853/2023; State Decree 41,446, of December 16, 1996, as amended and applicable; State Decree 52,455, of December 7, 2007; State Decree 66,289, of December 2, 2021; and State Decree 67,880, of August 15, 2023;

(oo) LGPD or the GENERAL DATA PROTECTION LAW: Federal Law 13,709/2018, as amended;

- (pp) MUNICIPALITY(IES): municipal entities that are part of URAE-1, served by SABESP and listed in ANNEX I – MUNICIPALITIES SERVED;
- (qq) OTHER PRICES: prices of SUPPLEMENTAL ACTIVITIES;
- (rr) RELATED PARTY: any CONTROLLING COMPANY, AFFILIATED COMPANY or CONTROLLED COMPANY in relation to SABESP, as well as those considered as such by current accounting standards;
- (ss) PARTIES: jointly, URAE-1 and SABESP;
- (tt) REFERENCE PERIOD: as defined in ANNEX V – REGULATORY MODEL;
- (uu) COMPLIANCE AND INTEGRITY PLAN: a document to be elaborated by SABESP informing the integrity mechanisms to be adopted for the execution of the SERVICES;
- (vv) DATA PROTECTION PLAN: a document to be elaborated by SABESP, pursuant to Clause 4, informing the guidelines to be adopted for the storage, management and treatment of USERS' personal data, in compliance with current legislation, the REGULATION and this CONTRACT;
- (ww) REGIONAL SANITATION PLAN: document for planning and executing SERVICES within the scope of the SERVICE AREA, pursuant to article 17, paragraph 3, of Federal Law 11,445/2007, and the provisions of article 19 of Federal Law 14,026/2020;
- (xx) GRANTING AUTHORITY: the STATE and MUNICIPALITIES part of URAE-1, in the joint exercise of ownership of the SERVICES contained in this CONTRACT, as provided by article 8 of Federal Law 11,445/2007;
- (yy) REGIONALIZED SERVICES: the SERVICES provided within the scope of URAE-1;
- (zz) PRIVATIZATION PROCESS: the public offering of SABESP's shares conducted by the STATE for the sale of its equity interest, authorized by State Law 17,853/2023;
- (aaa) ASSOCIATED PROJECTS: those not essential for the SERVICES provided to USERS and not related, even indirectly, to the exploitation of SERVICES, in which the revenue sharing arising from these project are subject to the rules foreseen for ADDITIONAL REVENUE;
- (bbb) ADJUSTMENT: as defined in ANNEX V – REGULATORY MODEL;
- (ccc) ADDITIONAL REVENUE: the revenue arising from ANCILLARY ACTIVITIES;
- (ddd) SUPPLEMENTAL REVENUE: the revenue resulting from the application of OTHER PRICES when carrying out SUPPLEMENTAL ACTIVITIES;
- (eee) REQUIRED REVENUE: as defined in ANNEX V – REGULATORY MODEL;
- (fff) TARIFF REVENUE: as defined in ANNEX V – REGULATORY MODEL;

(ggg) REGULATION: activities carried out by the REGULATORY AGENCY FOR PUBLIC SERVICES OF THE STATE OF SÃO PAULO – ARSESP, in particular: (i) final decisions in the administrative sphere on aspects related to the CONTRACT, under APPLICABLE LEGISLATION and the CONTRACT; and (ii) elaboration of normative technical, economic and social matters, as supplementary to APPLICABLE LEGISLATION and the rules that govern the CONTRACT;

(hhh) REGULATION OF SERVICES: refers to ARSESP Resolution 106/2009, as amended, as well as other ARSESP regulations that address these SERVICES;

(xx) REPRESENTATIVE OF THE GRANTING AUTHORITY: the Regional Unit for Supply of Drinking Water and Sanitation Services (URAE 1), through its Internal Regiment act as representative of the group of federative entities qualified as the GRANTING AUTHORITY;

(jjj) REVERSAL: the transfer REVERSALBE ASSETS to the holders of the SERVICES upon termination of the CONTRACT, pursuant to the REGULATION and CURRENT LEGISLATION;

(kkk) EXTRAORDINARY REVISION: as defined in ANNEX V – REGULATORY MODEL;

(III) PERIODIC TARIFF REVISION: as defined in ANNEX V – REGULATORY MODEL;

(mmm) SERVICES: supply of public water and sanitation services in the SERVICE AREA, including the activities mentioned in paragraph of Clause 2 of this CONTRACT;

(nnn) ADEQUATE SERVICE: a service that meets the standards of regularity, continuousness, efficiency, safety, timeliness, generality and courteousness, in addition to affordable TARIFFS, under the terms of the CONTRACT, REGULATION and APPLICABLE LEGISLATION, in particular the provisions established in article 40 of Federal Law 11,445, of January 5, 2007, which defines the conditions in which services can be interrupted;

(ooo) SYSTEMS: a set of assets, installations, equipment, machines, devices, buildings and accessories that are part of the collective water and sewage systems, which are the purpose of the CONTRACT and required to provide the SERVICES, including the collection systems, distribution systems, production systems and treatment systems that make up the LINKED ASSETS, which will be reverted to the STATE and/or MUNICIPALITIES upon termination of the CONTRACT;

(ppp) INDIVIDUAL SOLUTION SYSTEM FOR SUPPLY OF DRINKING WATER AND/OR SEWAGE: any and all suitable alternative basic sanitation solutions that serve only one consumption unit.

(qqq) TARIFFS: as defined in ANNEX V – REGULATORY MODEL;

(rrr) APPLICATION TARIFF: as defined in ANNEX V – REGULATORY MODEL;

(sss) EQUILIBRIUM TARIFF: as defined in ANNEX V – REGULATORY MODEL;

(ttt) SOCIAL TARIFF: a benefit granted to eligible USERS in the “social residential” and “vulnerable residential” categories established in ANNEX IV – TARIFF ANNEX, based on the CADÚNICO registry and in accordance with ARSESP regulations;

(uuu) UNIVERSALIZATION: as defined in the terms and conditions of ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY, the gradual and progressive promotion of SERVICES to USERS located in occupied residences within the SERVICE AREA foreseen in the CONTRACT;

(vvv) URAE-1: the Regional Unit for Supply of Drinking Water Supply and Sewage Services, established through by State Law 17,383/2021, as amended, acting as the REPRESENTATIVE OF THE GRANTING AUTHORITY;

(www) USERS: all individuals and legal entities located in the SERVICE AREA who are served, or will be served, by the SERVICES provided by SABESP; and

(xxx) INDEPENDENT VERIFIER: a company specialized in verifying compliance with the INDICATORS AND GOALS FOR COVERAGE AND LOSSES established in ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY, in ANNEX VII – U FACTOR, Q FACTOR AND QUALITY INDICATORS, and in ANNEX VI – PERFORMANCE GUIDELINES FOR THE VALUATION COMPANY AND INDEPENDENT VERIFIER.

### **TITLE III. PURPOSE, APPLICABLE LEGISLATION, AND INTERPRETATION**

#### **CHAPTER 2. PURPOSE**

Clause 2. By this instrument, URAE-1 guarantees SABESP the right to explore the provision of SERVICES exclusively in the SERVICE AREA, under the REGIONALIZED SERVICE regime and structure and during the term of this CONTRACT.

**Paragraph 1.** The SERVICES referred to in the caput of this Clause include, entirely or partially, the following activities:

- (a) reservation, collection, supply and treatment of raw water;
- (b) supply, storage and distribution of treated water;
- (c) collection, removal, transportation, treatment and final disposal of sewage and sludge originating from the operation of environmentally appropriate collection units or individual treatment units, including septic tanks.

**Paragraph 2.** This CONTRACT is intended to ensure the universalization of SERVICES, by December 31, 2029, in the SERVICE AREA.

**Paragraph 3.** ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY establishes the areas to be served by SABESP, and SERVICES must be provided under the provisions of this CONTRACT and the REGIONAL SANITATION PLAN.

**Paragraph 4.** Terms of the REGIONAL SANITATION PLAN:

- (a) must be approved by the Deliberative Council of URAE-1, with revisions and updates appreciated by ARSESP during the PERIODIC TARIFF REVISIONS, including to reflect the possible entry or exit of MUNICIPALITIES from URAE-1;
- (b) must identify the gradual and progressive steps towards achieving the universalization goals of the SERVICES, in agreement with the criteria and limits established by current legislation and in this CONTRACT; and

- (c) must be fully complied by ARSESP, URAE-1 and SABESP, ensuring the economic and financial balance of the CONTRACT in the event of changes and updates, under the terms of this CONTRACT, the ANNEXES and the REGULATION.

**Paragraph 5.** The SERVICE AREA described in ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY

may be changed in the following situations:

- (a) due to PERIODIC TARIFF REVISIONS, to reflect:
- i. changes in the list of municipalities contained in ANNEX I – MUNICIPALITIES SERVED, in compliance with APPLICABLE LEGISLATION; or
  - ii. changes in the SERVICE AREA, also due to the alterations in geographical boundaries of rural and urban areas established in ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY;
- (b) due to an EXTRAORDINARY REVISION, exclusively in cases where:
- i. it is not possible to wait for the TARIFF CYCLE to be concluded nor and the following PERIODIC TARIFF REVISION, in the situations provided for in ANNEX V – REGULATORY MODEL; and
  - ii. changes to the list contained in Annex I – MUNICIPALITIES SERVED, under APPLICABLE LEGISLATION, impacts the economic-financial balance of the services, making it necessary to change the terms and conditions applicable to the MANDATORY INVESTMENTS or the INDICATORS AND GOALS FOR COVERAGE AND LOSSES of URAE-1 in its entirety and its territorial divisions.

**Paragraph 6.** Changes to the SERVICE AREA shall be formalized by means of an amendment to this CONTRACT, with the inclusion or exclusion of the corresponding information in ANNEX I – MUNICIPALITIES SERVED and in ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY.

**Paragraph 7.** The SERVICES must be provided in compliance with the specifications contained in this CONTRACT and its ANNEXES, as well as legislation in force at the time of its execution, all complementary standards and regulations, and under the operational procedures established by ARSESP, within the scope of the REGULATION.

**Paragraph 8.** SABESP, at its own risk, may contract third parties to carry out activities that are part of the SERVICES.

**Paragraph 9.** The SERVICES provided must comply with the provisions of the SERVICE REGULATION, as amended.

**Paragraph 10.** Until changes occur to the SERVICE REGULATION, the PARTIES and ARSESP must observe the following terms for SERVICES to USERS located in rural areas:

- (a) The conditions for providing SERVICES by SABESP in rural areas must comply with the terms of this CONTRACT;

(b) The provision of SUPPLEMENTAL ACTIVITIES in rural areas, other than those established in ARSESP Resolution 790/2018, must be approved by ARSESP; and

(c) The provisions contained in the SERVICE REGULATION, which are not specific to USERS located in urban areas, shall apply to USERS located in rural areas.

### **CHAPTER 3. APPLICABLE RULES AND LEGAL FRAMEWORK**

Chapter 3. This CONTRACT shall be governed by its provisions and its ANNEXES, as well as APPLICABLE LEGISLATION and the REGULATION.

**Paragraph 1.** The legal regime of this CONTRACT gives the GRANTING AUTHORITY, through URAE-1, the prerogatives of:

- (a) the unilateral right to make changes aimed at better adapting it for the purposes of public interest, maintaining the economic and financial balance of the CONTRACT; and
- (b) promote its extinction under the situations and forms provided for in this CONTRACT.

**Paragraph 2.** The SERVICES must be carried out in compliance with current environmental standards, the terms of this CONTRACT and its risk allocation, as well as the provisions of APPLICABLE LEGISLATION, in particular Federal Law 11,445/2007, aiming to progressively achieve the standards established by environmental legislation and the REGIONAL BASIC SANITATION PLAN, based on the initial service and coverage levels established in ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY, and with the achievement of the UNIVERSALIZATION goals defined in this CONTRACT.

**Paragraph 3.** In the event of discrepancies between the provisions of the CONTRACT and the ANNEXES, the provisions set forth in the CONTRACT shall prevail, with the exception of ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY and ANNEX V – REGULATORY MODEL, which, in what they expressly establish, shall prevail over the CONTRACT and the remaining ANNEXES.

**Paragraph 4.** In the event of any discrepancies between the provisions of ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY and ANNEX V – REGULATORY MODEL, the provisions of ANNEX V – REGULATORY MODEL shall prevail, except for the MANDATORY INVESTMENTS and the INDICATORS AND GOALS FOR COVERAGE AND LOSSES established in ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY.

**Paragraph 5.** The contractual provisions are understood to:

- (a) Maintain coherence with the socioeconomic function of the CONTRACT, to the detriment of the literal meaning of the language;
- (b) Prioritize the search for an equitable result for the PARTIES from an economic and financial point of view;
- (c) Observe the regulatory model contained in ANNEX V – REGULATORY MODEL and the initial risk allocation;
- (d) Value the context in which the CONTRACT was signed and the purposes



sought by the PARTIES;

(e) Consider the set of contractual provisions, rather than the sole interpretation of specific Clauses; and

(f) Prioritize objective good faith and the spirit of collaboration between PARTIES.

## **TITLE IV. RIGHTS AND OBLIGATIONS**

### **CHAPTER 4. USER RIGHTS AND DUTIES**

Clause 4. The USERS of the water supply and sewage system that is implemented, operated and maintained by SABESP in the SERVICE AREA had the rights and duties, in addition to those already established or to be established by APPLICABLE LEGISLATION, in the REGULATION and in the following paragraphs, notwithstanding the provisions of the SERVICE REGULATION:

- (a) have their property connected to the SYSTEMS and receive ADEQUATE SERVICE and, as applicable, right to the treatment established in Clause 19;
- (b) pay the APPLICATION TARIFFS charged by SABESP for the SERVICES in a timely manner, as well as OTHER PRICES arising from SUPPLEMENTAL ACTIVITIES, subject to the consequences established in current legislation and in the REGULATION in the event of default;
- (c) pay SABESP the amounts due arising from the late payment of the TARIFF;
- (d) be informed, in advance, regarding changes in the values of the APPLICATION FEES and OTHER PRICES charged arising from SUPPLEMENTAL ACTIVITIES;
- (e) receive permanent and appropriate information about the SERVICES and their efficient use aimed at reducing loss;
- (f) have their requests and complaints made to SABESP answered according to the form and deadlines established by the REGULATION;
- (g) have customer services available 24 hours a day, by means of telephone services, digital applications for mobile phones, and websites, for emergency occurrences, notwithstanding other means of communication established in the REGULATION;
- (h) be informed, as applicable, when their conversations with the attendant will be recorded;
- (i) receive the protocol or service order number, along with the deadlines for the services requested;
- (j) be informed, pursuant to the SERVICE REGULATION, about the measures adopted for their requests, consultations, information or complaints;
- (k) be able to choose one of the dates made available by SABESP for the invoice due date, pursuant to the SERVICE REGULATION;
- (l) receive the invoice within the minimum days in advance of the due date, as established in the SERVICE REGULATION;

- (m) be informed regarding overdue and unpaid invoices, and the consequences of recurring lack of payment, such as suspension in the supply of services, pursuant to the SERVICES REGULATION;
- (n) receive, expressly in invoices, information about APPLICATION TARIFFS and OTHER PRICES charged, including existing programs and discounts, notwithstanding information provided through communication vehicles, as established in the REGULATION;
- (o) consult SABESP, prior to installing internal pipes, where water distribution and sewage collection points are located;
- (p) authorize SABESP employees, duly accredited and identified as established in CURRENT LEGISLATION and the REGULATION, to enter the properties under their ownership so that equipment can be installed or needed repairs can be made for SERVICES to be regularly provided;
- (q) maintain water tanks, pipes and connections always clean and in adequate conservation and hygienic conditions;
- (r) not tamper with or damage SABESP's equipment, in particular water meters, water easels and the measuring box;
- (s) check for any water leaks inside the property and repairing them immediately;
- (t) not discharge sewage into the rainwater network or rainwater into the sewage network;
- (u) maintain their registration information updated with SABESP and immediately inform any changes to their data;
- (v) directly inform SABESP their right to the SOCIAL TARIFF, by means of the official document issued by CADÚNICO, if their social status classifies them as an eligible user and they are not listed in the current annual list published by SABESP;
- (w) receive, from URAE-1, SABESP and ARSESP, all information necessary for the defense of individual and collective interests, under the terms provided by Federal Law 12,527/2011 and its regulations;
- (x) receive, from SABESP, the necessary information about having access and using the SERVICES, which must be made available, and in accessible language, in the adhesion contract and on the SABESP website;
- (y) have access to the user manual, which must be available, and in accessible language, at SABESP's service agencies and on its website;
- (z) report to the ombudsman office provided by ARSESP or SABESP any illegal or irregular acts committed by SABESP, its employees, subcontractors, suppliers or third parties when executing the SERVICES;
- (aa) contribute in maintaining the facilities, infrastructure and LINKED ASSETS under good conditions, which are used to provide the SERVICES;



- (bb) make use of structures adapted for people with special needs and reduced mobility, including the elderly, at all SABESP's service agencies, under the terms provided for in current legislation;
- (cc) respond, under provisions set forth by law, to SABESP for material or personal damage caused due to the misuse of its facilities, infrastructure and equipment;
- (dd) maintain their property(ies) permanently connected to SABESP's networks or alternative individual or collective solutions, being responsible for its integrity;
- (ee) receive equal treatment, in which any type of discrimination is prohibited;
- (ff) have adequate protection and treatment of their personal data, in compliance with the terms of Federal Law 13,709/2018, and paragraphs 3 to 20 of this Clause 4;
- (gg) collaborate with the adequate provision of SERVICES;
- (hh) provide information relating to the SERVICES, when requested by SABESP, ARSESP or URAE-1; and
- (ii) obtain accurate information, which must be easily accessed, located, and available in accessible language, on all of SABESP's communication channels, through active transparency and disclosure measures regarding relevant data for the SERVICES.

**Paragraph 1.** Any omissions or doubts arising from the relationship with USERS, due to the application of the conditions set out in this CONTRACT, shall be resolved by ARSESP.

**Paragraph 2.** SABESP must comply with State Law 10,294/1999, amended by State Law 12,806/2008, which establishes the terms for the protection and defense of users of public services in the State of São Paulo, also ensuring compliance with the basic protection and defense standards for said USERS, as well as Federal Law 13,460/2017, which provides for the participation, protection and defense of the rights of users of public services provided by Public Administration.

**Paragraph 3.** When executing the purpose of this CONTRACT, SABESP shall be classified, under the LGPD, as the controller or operator of personal data, depending if the treatment of personal data falls within the provisions of item VI or item VII of article 5 of Federal Law 13,709/2018, respectively, and must also comply with Federal Law 13,709/2018, observing, but not limited to, the obligations and guidelines of this CONTRACT, the REGULATION and the DATA PROTECTION PLAN.

- (a) As the entity responsible for the USERS' personal data, SABESP must elaborate, within 6 (six) months from the EFFECTIVE DATE, the DATA PROTECTION PLAN to be approved by ARSESP.

**Paragraph 4.** Personal data must be maintained by SABESP in a format that is structured and ensures interoperability, making it available to the holders of personal data upon request on the provided website, and the holders of personal data shall be guaranteed:

- (a) Easy and free consultation regarding the form and duration of the treatment of their personal data, as well as its integrity;

(b) Accuracy, clarity, relevance and updating of personal data, as required to fulfill the purpose for its treatment, and being entitled to request the correction of incomplete, inaccurate or outdated data, and request anonymity, blocking or elimination of unnecessary and excessive data or data that is not treatment in compliance with the purpose of this CONTRACT and with Federal Law 13,709/2018; and

(c) Obtain clear, precise and easily accessible information about the treatment of their personal data and the respective treatment agents, observing commercial and industrial secrecy.

**Paragraph 5.** SABESP is obligated to train and prepare its employees so that personal data is treated appropriately, through a training and awareness plan.

**Paragraph 6.** SABESP employees who handle the treatment of personal data must sign confidentiality, secrecy and usage terms.

**Paragraph 7.** The DATA PROTECTION PLAN elaborated by SABESP must observe, at least, the following parameters:

(a) provide specifications on which personal data SABESP can and/or must process, indicating the purpose for this treatment, under the terms of article 6, item I, of Law 13,709/2018;

(b) describe how the treatment of personal data is carried out by SABESP, specifying the respective operations involved, processes and scope, including but not limited to the indication of when the information can be shared and under what conditions, under the terms of article 7 of Law 13,709/2018;

(c) describe how the holders of personal data will be served when they choose to exercise the rights provided for by Law 13,709/2018;

(d) map and describe the risks, measures, safeguards and mitigation mechanisms adopted, jointly with SABESP's governance and compliance rules; and

(e) provide a safety plan for the disposal of data and information for when the treatment of personal data ends, except when such data and information must be kept due to legal, regulatory or contractual obligations.

**Paragraph 8.** Within 30 (thirty) days of receipt, ARSESP shall verify if the DATA PROTECTION PLAN elaborated by SABESP contains all the information required in paragraph 7.

(a) Within this period, ARSESP will notify SABESP on the inadmissibility of the DATA PROTECTION PLAN, by means of a communication containing such reason due to lack of information required for its assessment.

(b) In the event SABESP receives a notification informing of said inadmissibility, it must resubmit the DATA PROTECTION PLAN to ARSESP within 15 (fifteen) days, which will undergo a new admissibility stage.

(c) If the DATA PROTECTION PLAN is admissible, ARSESP must assess its content within 30 (thirty) days.

**Paragraph 9.** The assessment by ARSESP must follow the obligations set forth in the CONTRACT and the REGULATION, in addition to Law 13,709/2018, concluding if the plan complies with contractual or legal provisions and, in the event of non-compliance, it will decide if the plan will be rejected or if it will need to undergo changes.

(a) Until the DATA PROTECTION PLAN presented by SABESP is approved by ARSESP, the procedure currently applied by SABESP will remain in force.

**Paragraph 10.** SABESP is obligated to indicate the person in charge and is allowed to hire a third party to perform the functions.

**Paragraph 11.** In the event changes are made to the DATA PROTECTION PLAN, SABESP must notify ARSESP in advance so it can analyze the feasibility of the intended changes, under the procedure established in paragraph 8.

(a) If changes are made to the DATA PROTECTION PLAN, the holders of personal data must be notified by means of publication on the website referred to in paragraph 4.

**Paragraph 12.** SABESP is responsible for any damage caused to URAE-1, ARSESP, the STATE, the MUNICIPALITIES and the holders of personal data arising from the treatment of personal data that is in disagreement with Law 13,709/2018, this CONTRACT, the REGULATION, the parameters contained in the DATA PROTECTION PLAN, or for purposes that are not related to the purpose of the concession.

**Paragraph 13.** SABESP is prohibited from transferring and/or sharing personal data with third parties to which it has access due to this CONTRACT, except when this is required for the execution of the CONTRACT.

(a) If the transfer and/or sharing of personal data with third parties is needed for the execution of the CONTRACT, SABESP must request prior consent from ARSESP, in addition to informing the holders of the personal data.

**Paragraph 14.** SABESP is responsible for preparing, when needed, a report on the impact to the protection of personal data established in Law 13,709/2018, as well as to comply with any other applicable legal obligations relating to the protection of personal data.

**Paragraph 15.** Considering the principles set forth in the caput of article 6 of Law 13,709/2018, SABESP must adopt technical and administrative security measures that are capable of protecting personal data and information from unauthorized access and accidental or unlawful situations of destruction, loss, changes, communication or any form of inadequate or unlawful treatment.

**Paragraph 16.** SABESP must immediately notify ARSESP if a security breach related to personal data occurs, also informing mitigation and repair measures taken.

**Paragraph 17.** SABESP must make available to ARSESP and URAE-1, upon requested, all information related to the execution of the object of this CONTRACT that is required for ARSESP or URAE-1 to comply with the obligations established in Law 13,709/2018.

**Paragraph 18.** The transferring personal data is prohibited, by SABESP, outside the Brazilian territory in disagreement with the security and protection requirements of the LGPD, without prior consent, in writing, from ARSESP, and SABESP must demonstrate the adequate protection of these personal data, subject to compliance with all data protection and privacy legislation of other country(s), as applicable.

**Paragraph 19.** At the end of the term of this CONTRACT, the personal data to which SABESP has gained access, including any copies of personal data treated outside the scope of this CONTRACT, shall be made entirely and immediately available to ARSESP or URAE-1 or, if duly justified, within up to 30 (thirty) days after its termination and SABESP cannot remain, under any circumstances, in power of these personal data, submitting a written statement, to ARSESP, confirming fulfillment with this obligation.

**Paragraph 20.** The possible use of personal data for the exploration of SUPPLEMENTAL ACTIVITIES or ANCILLARY ACTIVITIES, even if this does not cause a burden, is subject to prior approval and must not be denied by ARSESP.

## **CHAPTER 5. RIGHTS AND OBLIGATIONS OF ARSESP, URAE-1, THE STATE, AND THE MUNICIPALITIES**

### **SECTION 1 RIGHTS AND OBLIGATIONS OF ARSESP**

Clause 5. ARSESP, notwithstanding other rights and obligations established in this CONTRACT, in APPLICABLE LEGISLATION and the REGULATION, for the purpose of the activities arising from the SERVICES, has the following rights and obligations, aimed at ensuring the application of the terms of the CONTRACT and its ANNEXES:

- (a) stimulating the efficiency of SERVICES;
- (b) making, not excluding SABESP's responsibility, its best efforts to collaborate in obtaining the necessary licenses and authorizations for SABESP, so that it can comply with the purpose of this CONTRACT, including providing any institutional support that may be necessary;
- (c) inspecting compliance with standards and regulations relating to the execution of the purpose of the CONTRACT;
- (d) inspecting the execution of SERVICES, ensuring their good quality and preserving their rights and the rights of SABESP and URAE-1, including receiving and investigating complaints and claims from USERS and third parties affected by the SERVICES, in addition to applying, as applicable, the appropriate measures, notwithstanding other prerogatives relating to

regulation, inspection and the monitoring established in the terms and conditions of the CONTRACT, in APPLICABLE LEGISLATION and the REGULATION;

- (e) carrying out periodic inspections of SABESP's accounts and records, including compliance with accounting, economic and financial obligations, to prevent the occurrence of situations that may compromise the provision of SERVICES, and may be assisted by a specialized auditing firm;
- (f) having access to the facilities used by SABESP for routine inspection of SERVICES;
- (g) inspecting the conduct, by SABESP, of processes for expropriation, temporary occupations or easements, including lawsuits and agreements signed for this purpose;
- (h) duly substantiating its decisions, authorizations, approvals, requests or other acts performed under this CONTRACT;
- (i) monitoring the quality and performance of SABESP in providing SERVICES, including through an annual USER satisfaction survey;
- (j) determining and inspecting the execution and implementation of INVESTMENTS by SABESP, as well as compliance with INDICATORS AND GOALS FOR COVERAGE AND LOSSES, under the terms established in the CONTRACT;
- (k) ensuring the preservation of the economic and financial balance of the CONTRACT, pursuant to ANNEX V – REGULATORY MODEL;
- (l) applying legal and regulatory penalties, as provided for in the CONTRACT, the REGULATION and its ANNEXES;
- (m) periodically inspecting the conservation status of the LINKED ASSETS to the provision of SERVICES;
- (n) notifying SABESP, setting a deadline for it to correct defects or irregularities identified in the execution of works and SERVICES, regardless if corresponding administrative sanctioning process have been initiated, pursuant to ANNEX III – VIOLATIONS AND PENALTIES;
- (o) conducting PERIODIC TARIFF REVISIONS, as well as other activities under its responsibility, in addition to conducting EXTRAORDINARY REVISIONS for the situations established in this CONTRACT, fully observing the provisions of ANNEX V – REGULATORY MODEL to achieve this purpose;
- (p) notifying SABESP, in writing, regarding the application of any penalty, after regular administrative proceedings, ensuring the right to defense under the terms of this CONTRACT and the REGULATION;
- (q) formally indicating SABESP the team(s) capable of supervising the SERVICES;
- (r) collaborating, within the limits of its institutional attributions, with SABESP's financing entities by providing information and clarifications that contribute with the financing feasibility of the INVESTMENTS, thus enabling the full execution the CONTRACT's purpose;

- (s) defining, in the PERIODIC TARIFF REVISIONS and, exceptionally, in the EXTRAORDINARY REVISIONS, the value of the EQUILIBRIUM TARIFF applicable to the following TARIFF CYCLE, as well as its distribution among the many USER categories, in compliance with the rules established in this CONTRACT and its ANNEXES and, subsidiarily, in the REGULATION;
- (t) promoting annual TARIFF ADJUSTMENTS, under the criteria and deadlines established in the CONTRACT and its ANNEXES;
- (u) providing to SABESP, at most once a year until the ADJUSTMENT or PERIODIC TARIFF REVISION occurs, an updated list of USERS eligible for the SOCIAL TARIFF, until a decision has been made by ARSESP on the matter;
- (v) monitoring the work carried out by the VALUATION COMPANY and INDEPENDENT VERIFIER, under the terms of ANNEX VI - PERFORMANCE GUIDELINES FOR THE VALUATION COMPANY AND INDEPENDENT VERIFIER; and
- (w) providing institutional support for the necessary agreements, jointly with other public bodies when the execution of services under their responsibility interferes with the activities established in the CONTRACT, without causing any changes to the risks assumed by each of the PARTIES, under the terms of this CONTRACT, in particular relating to the intermediation of relations with Public Administration bodies, observing the risk allocation in this CONTRACT.

**Paragraph 1.** Any need for support from public security forces within the scope of the activities provided by SABESP must be evaluated, for each specific situation, jointly with the relevant STATE bodies and the bodies of the MUNICIPALITIES involved.

**Paragraph 2.** The CERTIFICATION of INVESTMENTS and inspection by ARSESP regarding SABESP's compliance with the INDICATORS AND GOALS FOR COVERAGE AND LOSSES, directly or through subcontractors, suppliers, third parties, service providers and/or any other natural person or legal entity related to the execution of the CONTRACT, does not bring any responsibility to URAE-1, the MUNICIPALITIES, and the STATE, nor does it exempt SABESP, totally or partially, from its obligations arising from the CONTRACT or relevant legal or regulatory provisions.

**Paragraph 3.** SABESP may not deny URAE-1 and ARSESP any exception or means of defense to exempt itself, entirely or partially, from the contractual obligations referring to the execution of INVESTMENTS and compliance with the INDICATORS AND GOALS FOR COVERAGE AND LOSSES based on facts that result from contractual relationships established with subcontractors, suppliers, third parties, service providers and/or any other natural person or legal entity related to the execution of the CONTRACT, even if such contracts, facts or conditions have been notified to URAE-1 or ARSESP.

**Paragraph 4.** The hiring of third parties may not cause detriment to the quality or safety of the SERVICES or in the transfer of the concessionaire's position in the CONTRACT, and SABESP must remain responsible for managing the SERVICES provided.



**Paragraph 5.** Sub-concession situations may only be allowed if previously authorized by the GRANTING AUTHORITY.

**Paragraph 6.** The sub-concession must always be preceded by a bidding process, and will transfer all of SABESP's rights and obligations to the sub-concessionaire, within the limits of applicable legislation.

## **SECTION 2 RIGHTS AND OBLIGATIONS OF URAE-1, THE STATE, AND THE MUNICIPALITIES**

Clause 6. URAE-1, the STATE and the MUNICIPALITIES, notwithstanding other rights and obligations established in this CONTRACT and in APPLICABLE LEGISLATION, for the purpose of the activities arising from the SERVICES, shall have the following rights and obligations:

- (a) transferring, for SABESP's operation and maintenance, the infrastructure related to the SERVICES that have been implemented by entrepreneurs responsible for land subdivisions and real estate developments of any nature, until the effective reversal of this infrastructure has been made to the MUNICIPALITY and/or the STATE, upon termination of the CONTRACT;
- (b) transferring to SABESP all established administrative and passage easements whose exploration is necessary for the SERVICES provided, without any burden and during the term in which this CONTRACT is in effect;
- (c) supporting SABESP in its environmental licensing processes, making efforts to ensure that the licenses required for the execution of INVESTMENTS are issued as quickly as possible, within the scope of ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY;
- (d) formally communicating to ARSESP, by means of technical committees established within the scope of URAE-1, the identification of any irregularity practiced by SABESP in the provision of the SERVICES that are in disagreement with this CONTRACT, the REGULATION or current legislation, and request the adoption of the appropriate administrative measures;
- (e) transferring to SABESP possession of the areas necessary to implement the SERVICES;
- (f) performing administrative acts, as well as exercising the necessary police force to enable SERVICES to be provided in the SERVICE AREA;
- (g) performing the necessary administrative acts within its attributions to prevent the release of rainwater and drainage water into the collection and sewage system, and vice-versa;
- (h) demanding, under the terms of article 45, paragraphs 6 and 7 of Federal Law 11,445/2007, that permanent urban buildings, including those in areas previously classified as rural areas, connect to the SYSTEMS as available and technically feasible, under the terms of the SERVICE REGULATION;
- (i) monitoring the measures adopted by ARSESP to comply with this CONTRACT for the reversal of REVERSIBLE ASSETS, upon termination of the CONTRACT;
- (j) promoting and complying with the acts, within its attributions, that are necessary for the actions carried out by SABESP aimed at reducing default, preventing water theft, and connecting USERS to the available networks, as well as to individual solutions, as applicable;

- (k) establishing administrative limits and authorizing temporary occupations of fixed assets, aimed at ensuring the performance of services and works under the responsibility of SABESP, as well as the conservation of LINKED ASSETS;
- (l) monitoring and assessing, with the support of technical committees established within the scope of URAE-1, the coverage goals and the REGIONAL SANITATION PLAN;
- (m) promoting the coordination between SABESP and regulatory bodies, in particular those responsible for water resources and environmental protection, public health and urban planning;
- (n) acting jointly, pursuant to ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY, with the competent environmental authority and basin committees to ensure observance with the parameters established in the CONTRACT, aimed at the quality of effluents from sewage treatment units and sludge generated in water treatment processes to maintain the quality of water bodies, considering the payment capacity of USERS, as well as the INDICATORS AND GOALS FOR COVERAGE AND LOSSES;
- (o) issuing, in a timely manner, the public utility statement for properties that must be expropriated by SABESP for the execution of INVESTMENTS; and
- (p) pay the TARIFFS charged by SABESP for the SERVICES in a timely manner, as well as OTHER PRICES arising from SUPPLEMENTAL ACTIVITIES, subject to the consequences established in current legislation and in the REGULATION in the event of default.

**Paragraph 1.** URAE-1 must designate, in accordance with its Internal Regulations, the person(s) responsible for managing this CONTRACT, notifying this information to ARSESP.

**Paragraph 2.** The STATE must adopt the necessary measures to allocate FAUSP the resources for TARIFF affordability, as defined by FAUSP's deliberative bodies and in compliance with the relevant ARSESP REGULATION.

Clause 7. The MUNICIPALITIES shall be responsible for:

- (a) authorizing, pursuant to current legislation, requests for land subdivision, under the forms of dismemberment or condominium, only deciding on the conformity of the projects for their respective water supply and sewage networks after prior approval by SABESP, carried out under the terms of the SERVICE REGULATION;
- (b) notifying, charging and applying fines, under local legislation, to USERS who, despite the availability of collection networks, and after being notified, do not adopt the necessary measures to connect their properties to the public sewage network, as well as due to the inadequacy of alternative solutions in rural areas; and
- (c) collaborating, within the limits of their powers, with the execution and/or progress of works necessary for the SERVICES, refraining from acts that may constitute an undue or unjustified obstacle to the execution of the activities provided for in this CONTRACT, including those intended for REGIONALIZED SERVICES, as well as making the best efforts to maintain the applicable tax relief policy for the CONTRACT, both for the SERVICES provided and the LINKED ASSETS.



## CHAPTER 6. RIGHTS AND OBLIGATIONS OF SABESP

### SECTION 3 RIGHTS OF SABESP

Clause 8. SABESP's rights include:

- (a) receiving through the transfer from the STATE and/or MUNICIPALITIES all administrative and passage easements already established, without any burden and during the term in which this CONTRACT is in effect;
- (b) using public roads, highways, walkways and land owned by the GRANTING AUTHORITY to provide the SERVICES, including for the installation of general infrastructure, subject to prior communication and authorization by the MUNICIPALITIES for urban roads, as applicable;
- (c) regulating, in compliance with the technical standards of ARSESP, ABNT and APPLICABLE LEGISLATION, the implementation of water and sewage installations;
- (d) failing to perform the SERVICES or interrupt them, whenever it considers the respective facilities, entirely or partially, are irregular, inadequate or inappropriate, pursuant to the SERVICE REGULATION, notwithstanding its responsibility for the conservation and maintenance of the LINKED ASSETS;
- (e) conditioning the SERVICES provided, when assuming possession of infrastructure that is not already operated by SABESP, to prior verification if the facilities comply with the standards established by ABNT and/or other competent authorities;
- (f) requiring the pre-treatment of sewage that does not comply with current legislation, at the exclusive cost and expense of non-residential USERS, prior to when this sewage is received by the public collection network and sewage treatment plant, pursuant to the environmental standards of the competent control and inspection bodies;
- (g) signing contractual instruments with third parties for providing the SERVICES covered by this CONTRACT, in compliance with the relevant legislation, in particular article 25, paragraph 1 of Federal Law 8,987/1995, provided that contractors meet all standards applicable to the SERVICES;
- (h) receiving updated information from competent bodies on changes to the registration of the served properties within a timeframe compatible with the timeframe of each PERIODIC TARIFF REVISION;
- (i) receiving from STATE and MUNICIPAL representatives, according to their competence, the definition of investments under the responsibility of said entities and whose implementation interferes with the SERVICES;
- (j) entering public or private properties, with duly accredited and identified agents as defined in CURRENT LEGISLATION and the REGULATION, to install equipment or carry out needed repairs so SERVICES can be regularly provided, acting to obtain the authorization;

- (k) demanding that ARSESP carries out and makes public, in the required cases, a REGULATORY IMPACT ASSESSMENT prior to changing the REGULATION and elaborates the mandatory standards for SABESP;
- (l) carrying out, under applicable legislation, the expropriations and evictions, establishing administrative easements and temporary occupations when needed to carry out the INVESTMENTS and SERVICES, including their ancillary facilities, in accordance with the provisions of this CONTRACT;
- (m) collecting the APPLICATION TARIFF from USERS due to the provision of a public water supply and sewage network, regardless of the effective connection to these networks, under the terms of article 45, caput, and paragraph 4, of Federal Law 11,445/2007, under the regulations to be issued by ARSESP; and
- (n) identifying the USERS who use the INDIVIDUAL SOLUTION SYSTEM FOR SUPPLY OF DRINKING WATER AND/OR SEWAGE and notifying ARSESP, URAE 1- SOUTHEAST and the respective MUNICIPALITY where the property is located, so that the universalization data of the SERVICES can be computed, including for these locations, always considering the SERVICE AREA and the USERS who must be included under the terms of ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY.

#### **SECTION 4 OBLIGATIONS OF SABESP**

Clause 9. SABESP undertakes to, notwithstanding other obligations established in this CONTRACT or APPLICABLE LEGISLATION:

- (a) ensure the universalization of SERVICES, by December 31, 2029, in the SERVICE AREA;
- (b) meet the goals to expand services, reduce losses in the distribution of treated water, ensure the quality of services provided, ensure the efficient and rational use of water, energy and other natural resources, and ensure that sewage effluents and rainwater are reused, in observance of ANNEX II – TECHNICAL ANNEX FOR EACH MUNICIPALITY and ANNEX VII – U FACTOR, Q FACTOR AND QUALITY INDICATORS, as well as ARSESP's regulations on the matter, as applicable;
- (c) ensure, pursuant to the CONTRACT and ANNEXES, services to any and all USERS, current and future, for all residential, commercial, industrial, public and rural categories, among others, including land subdivisions and real estate developments of any nature in the SERVICE AREA, including any changes thereto, in compliance with APPLICABLE LEGISLATION and the REGULATION;
- (d) provide ADEQUATE SERVICES, executed in compliance with the provisions of ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY and ANNEX VII – U FACTOR, Q FACTOR AND QUALITY INDICATORS, complying with legal and regulatory provisions, as well determined by URAE-1 and ARSESP;
- (e) propose guidelines, analyze and approve expansion projects to be carried out by third parties within the scope of land subdivision and real estate developments of any nature that impact the SERVICES provided, in accordance with the SERVICE REGULATION, in addition to verifying compliance of the projects carried out by the respective developers, as a condition for connecting to the water and sewage network,

elaborating and signing terms of receipt for the transfer of the respective assets and other INVESTMENTS made;

(f) not transfer to third parties, in any form, the exploitation rights under this CONTRACT without the prior and express authorization by ARSESP and the GRANTING AUTHORITY through URAE-1, except for the situations previously approved in this CONTRACT;

(g) respect USER rights;

(h) maintain, during the term of the CONTRACT, an ombudsman office to take care of USERS' relationships with the SERVICES;

(i) forward to URAE-1 and ARSESP, within 180 days after the end of the fiscal year, an annual management report on the CONTRACT's performance, including contractual goals, performance indicators, operational information and the economic-financial results of each of the MUNICIPALITIES;

(j) appoint managers for this CONTRACT within 30 (thirty) days from the EFFECTIVE DATE, communicating any changes to the PARTIES and ARSESP by at least 10 (ten) days in advance;

(k) meet the INDICATORS AND GOALS FOR COVERAGE AND LOSSES, in accordance with the provisions contained in this CONTRACT;

(l) elaborate and implement regulatory accounting by December 31, 2026, pursuant to the REGULATION issued by ARSESP, submitting it to ARSESP's assessment and observing the rules and criteria of ANNEX V – REGULATORY MODEL;

(m) present ARSESP all information related to the costs of events that have impacted the economic-financial balance of the CONTRACT;

(n) forward to ARSESP's assessment, on a yearly basis, the ASSET VALUATION REPORT, according to the criteria and deadlines defined in ANNEX V – REGULATORY MODEL;

(o) adopt preventive and/or corrective measures related to the environment and water resources whenever affected by the SERVICES provided, under the terms of this CONTRACT and in compliance with the risk matrix;

(p) restore, under the rules established in ANNEX VII - U FACTOR, Q FACTOR AND QUALITY INDICATORS, the walkways and pavement of public spaces, in accordance with the applicable technical standards and the urban legislation of the MUNICIPALITY involved, whenever they are damaged due to interventions carried out by SABESP in the SYSTEMS and in the building water and sewage branches;

(q) contract and maintain, throughout the term of this CONTRACT, the insurance and guarantees required in this CONTRACT and in current legislation, hiring the policies that are compatible with the specific scope established in ANNEX – TECHNICAL ANNEX OF EACH MUNICIPALITY and the SERVICE AREA, notwithstanding any other that may be required by ARSESP in the REGULATION;

(r) elaborate and present, by December 31, 2025, the LICENSING, PERMITS AND AUTHORIZATIONS PLAN, in accordance with ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY,

even proposing revisions to the LICENSING, PERMITS AND AUTHORIZATIONS PLAN to ARSESP during the PERIODIC TARIFF REVISIONS;

(s) obtain, in a timely and regular manner, as well as maintain and renew all licenses, permits and authorizations necessary for the execution of works and services to fulfill the goals and objectives of the CONTRACT, including environmental licenses and grants for water usage, in addition to respecting, complying, and implementing any current Programs or Terms of Conduct Adjustment, including their obligations and conditions, signed with competent authorities;

(t) maintain an accounting system compatible with the REGULATION to allow the recording and demonstrating, separately, the costs and revenues of each service in each of the MUNICIPALITIES, observing the applicable rules and criteria established in ANNEX V – REGULATORY MODEL and the REGULATION;

(u) redo, adapt or correct, directly or indirectly and without any burden to URAE-1, the USERS or the SERVICES, any and all work or service under its responsibility that has been carried out improperly or that does not comply with the quality standards established in this CONTRACT and its ANNEXES, observing the deadlines defined by ARSESP;

(v) ensure integrity and carry out preventive and corrective maintenance measures for the LINKED ASSETS, repairing any and all damage caused to such LINKED ASSETS or to third party assets arising from the SERVICES provided, observing the exclusion of its responsibilities in the event the damage is caused by flaw or intent of URAE-1, the MUNICIPALITIES, the STATE or ARSESP;

(w) carry out, through its own means or by hiring third parties, the MANDATORY INVESTMENTS aimed at achieving compliance with the INDICATORS AND GOALS FOR COVERAGE AND LOSSES, observing the deadline and quality requirements established in the CONTRACT and its ANNEXES;

(x) revert, at the end of the concession and under the terms of ARSESP Resolution 1,143/2021, as amended, to the filings kept by URAE-1, the STATE, the MUNICIPALITIES and ARSESP, all projects, plans, blueprints and other documents, of any nature, resulting from the SERVICES provided and which have been specifically acquired or created in the development of the activities covered by this CONTRACT;

(y) take on the responsibility for any delays in the implementation of the INVESTMENTS, relating to what is established in this CONTRACT, unless they arise from a risk factor or responsibility of URAE-1, the MUNICIPALITIES, the STATE or ARSESP, in compliance with the risk allocation provided for in this CONTRACT;

(z) comply with legal requirements relating to labor, social security, safety and occupational health legislation for its employees, being responsible, as the sole employer, for all social, labor and social security charges applicable to the cost of labor employed in operational and maintenance activities, in addition to other activities under the CONTRACT, as well as for legal requirements relating to insurance and work accidents;

(aa) maintain all professionals properly identified and, when executing external operations, also properly uniformed. Identification badges must contain SABESP's name, the employee's name, position/function, identification number (RG, CPF, CNH, Professional Council Card) and a recent photograph of the employee;

(bb) cooperate and support the development of ARSESP's monitoring and inspection activities, under the terms of this CONTRACT and its ANNEXES;

(cc) provide ARSESP with documents and information that are relevant for the CONTRACT, including subcontracts and agreements of any nature signed with third parties, granting access to inspection and audits under the terms of the REGULATION;

(dd) provide ARESP, within 3 (three) months from the EFFECTIVE DATE, access, under the terms defined by it, in which the implementation costs will be transferred to the TARIFFS, all data on RELATED GOODS, INVESTMENTS, and operational characteristics of the SERVICES, in electronic format that allows the data to be inserted into a freely accessed platform by the GRANTING AUTHORITY, as REGULATION, including information on the geolocation of infrastructure, on the INDICATORS AND GOALS 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, notwithstanding other data that may be required in the REGULATION;

(ee) elaborate and maintain an updated inventory of LINKED ASSETS, as well as regularly record their accounting books and organize files, documents and annotations to allow inspection, at any time, by those responsible for inspection activities;

(ff) promptly provide all information requested by ARSESP or other authorities, including municipal authorities, within the deadline determined by them or, in the lack thereof, within the deadline established in the SERVICE REGULATION, complying with applicable procedures, excluding exceptional situations that are duly justified to ARSESP and, as the case may be, to the requesting authorities;

(gg) not sign agreements with third parties whose object or execution is incompatible with the terms of the CONTRACT, except in situations expressly provided for in this CONTRACT;

(hh) maintain, for all activities related to engineering works and services, appropriate regularity with the regulatory bodies for these professions, requiring the same from contracted third parties;

(ii) adopt the necessary measures to recover environmental liabilities, according to the risk matrix of this CONTRACT;

(jj) meet the requirements made by competent bodies to obtain the licenses, authorizations and permits required to execute the CONTRACT, including environmental and those aimed at the protection of historical and cultural heritage;

(kk) obtain, apply and manage all financial resources necessary to carry out the activities and INVESTMENTS provided within the scope of this CONTRACT;

(ll) collect taxes levied on its activities and comply with tax legislation, including those related to the exploration of SUPPLEMENTARY ACTIVITIES or ANCILLARY ACTIVITIES;

(mm) forward to ARSESP, on an annual basis, proof of regularity for the INSS and FGTS contributions, which must also be sent to the Federal, State and Municipal Treasuries;

(nn) adopt the best practices defined by Federal Law 12,846/2013, including the ones for implementing the integrity mechanisms established in this CONTRACT, under the COMPLIANCE AND INTEGRITY PLAN;

(oo) adopt management and operational monitoring systems that allow ARSESP to carry out the corresponding integration;

(pp) respond, for itself or through its management, employees, agents, subcontractors, suppliers, outsourced parties, service providers and/or any other natural person or legal entity related to the execution of the CONTRACT, before URAE-1, ARSESP, the STATE, MUNICIPALITIES and third parties, for any and all damage caused by illegal acts or omission, by SABESP, whenever they arise from the execution of investments, construction works, and the SERVICES, directly or indirectly, without excluding or reducing this responsibility from SABESP and ARSESP in supervising or monitoring the CONTRACT;

(qq) provide for the liability of its agents for damage they cause to third parties, URAE-1, ARSESP, the STATE or MUNICIPALITIES, ensuring the right of recourse against the responsible party for situations of intent or negligence;

(rr) inform ARSESP, within 5 (five) business days of being notified, when subpoenaed or summoned for any lawsuit or administrative procedure that may impact the continuity of the SERVICES;

(ss) take on the responsibility for installing and operating the construction site, accesses and other support areas for the works and operational structures relevant to carry out INVESTMENTS, under applicable regulatory requirements

(tt) accept and cooperate, under best efforts and the provisions of applicable legislation and regulations, with the use of LINKED ASSETS by concessionaires, licensees or authorized parties, providing services that require the installation or regularization of electricity, natural gas or telecommunications networks;

(uu) adequately disclose to the general public, particularly the USERS, when special procedures are adopted for exceptional situations, in accordance with the SERVICE REGULATION;

(x) adhere to educational, informative, operational and other campaigns, in line with the guidelines issued by URAE-1 and ARSESP, required to transmit information to USERS concerning the SERVICES, and such costs shall be considered in the TARIFFS defined in the terms of ANNEX V – REGULATORY MODEL;

(ww) immediately communicate ARSESP and other competent bodies whenever materials or objects of historical, archaeological, paleological or other interest are discovered



as well as incidents of an environmental nature or that interfere with other public service concessionaires;

(xx) deliver ARSESP a copy of the insurance policies and proof of premium payments, including renewals under the terms of this CONTRACT;

(yy) maintain a documental collection that complies with the provisions of Federal Law 8,159/1991, and other applicable regulations;

(zz) identify, in the instruments forwarded to ARSESP, if this is determined, the priority to pay any indemnification directly to SABESP's funders, as well as any rules that govern the funders' right to take control over SABESP (step-in rights);

(aaa) transfer to the STATE and/or MUNICIPALITIES the ownership of the expropriated areas, at the end of the judicial and/or administrative proceedings that address expropriations and administrative easements, necessary for the execution of the SERVICES, at its own expense and responsibility, complying with the provisions of the applicable legislation and recognizing the areas as LINKED ASSETS;

(bbb) present to the INDEPENDENT VERIFIER, the VALUATION COMPANY and ARSESP the data and information required for the elaboration of the ASSET EVALUATION REPORT and to verify the INDICATORS AND GOALS FOR COVERAGE AND LOSSES;

(ccc) notify the competent authorities, as soon as it gains awareness and as quickly as possible, any occurrences in the exercise of its activities that put at risk the environmental integrity of areas involved for providing the SERVICES;

(ddd) comply with the measures determined by responsible and vested authorities in the event of accidents or uncommon routine situations;

(eee) present, within the period requested by ARSESP, the licenses, authorizations, permissions, certificates, approvals and permits, on behalf of SABESP, that are required for the execution of the CONTRACT;

(uu) pay regulation, oversight and inspection fees calculated under State Complementary Law 1,025/2007 and the terms of the CONVENTION;

(ggg) maintain updated registries of USERS connected to the SYSTEMS and/or served by alternative solutions implemented and/or operated by SABESP, in accordance with the terms of Clause 19;

(hhh) conduct an annual customer satisfaction survey, making it widely publicized, mainly on its website, by March 15 of the fiscal year following the survey period, informing the trend of the results obtained in the last three years;

(iii) inform on its website, and at all its service agencies, how USERS can verify their eligibility to the SOCIAL TARIFF, which must be updated by 15 (fifteen) business days after receiving the updated list from ARSESP;

(jjj) maintain the registration of USERS eligible for the SOCIAL TARIFF updated, through the list provided by ARSESP or valid documentation provided

by the USER at one of SABESP's service agencies, to guarantee that the SOCIAL TARIFF is charged in the first invoice to be issued after proof of eligibility;

(kkk) meet the goals for efficiency and rational use of natural resources, reuse of sanitary effluents and use of rainwater, under the terms resolved by ARSESP;

(lll) carry out, by December 31, 2026, a data collection of the USERS located in rural areas, to be submitted for approval by the STATE, after appreciated by ARSESP and under the terms of paragraph 4, Clause 19 of this CONTRACT;

(mmm) implement the long-term water supply plan agreed with ARSESP and prepare a specific contingency plan for events of water resource scarcity, to be submitted for approval by ARSESP, after appreciation by the water resources management body, within 180 (one hundred and eighty) days from the EFFECTIVE DATE, containing the measures and protocols (i) to avoid the water resources management body identifies an alert situation for water availability in the bodies that supply the SERVICE AREA, according to the water security index, and (ii) to be activated in the event the water resources management body identifies an alert situation in the bodies that supply the SERVICE AREA;

(nnn) inform on its website, in a specific location highlighted on the landing page, information on the amounts transferred by the State of São Paulo for tariff reduction compared to the amount that would be determined if the privatization measures provided for in Law 17,853/2023 were not applied;

(ooo) inform on the water and sewage bill the specific location of the website referred to in the previous paragraph, explanation this transparency measure regarding the amounts transferred by the State of São Paulo for tariff reduction compared to the amount that would be determined if the privatization measures provided for in Law 17,853/2023 were not applied;

(ppp) request approval with the Federal Revenue Service, in a timely and diligent manner, taking all efforts and adequately complying with all requirements formulated in the process, to effectively obtain tax credits arising from subsidies received through FAUSP funds, under the terms of Federal Law 14,789/2023, as amended, safeguarding the risk allocation under the terms of this CONTRACT;

(qqq) maintain strategic areas to ensure (i) the retention of essential knowledge or providing SERVICES and (ii) efficient and expedited service to USERS and for the operation and maintenance of SYSTEMS during critical and emergency situations, comprised of teams that are formed preferably by professionals with at least ten years of proven experience in the sanitation sector; and

(rrr) carry out protection measures for Conservation Units, in compliance with its status as a company responsible for water supply and that uses water resources, whenever this benefits from the protection provided by a Conservation Unit, based on work plans prepared jointly with the respective management bodies.



**Paragraph 1.** Failure to obtain environmental licenses or grants that entitle the right to use water resources in a timely manner, including those under the terms of the LICENSING, PERMITS AND AUTHORIZATIONS PLAN, when duly approved by ARSESP, as well as delays in expropriations, easements or temporary leases, when SABESP is not responsible for causing these situations and has submitted all necessary documentation within the deadlines and containing the minimum content for its assessment established by the competent body, excludes SABESP's liability for the purposes of applying penalties and possible reductions in EQUILIBRIUM TARRIFS, under the terms of ANNEX II - TECHNICAL ANNEX OF EACH MUNICIPALITY, ANNEX V - REGULATORY MODEL, and ANNEX III - INFRACTIONS AND PENALTIES.

## SECTION 5 INSURANCE

Clause 10. SABESP, during the term of this CONTRACT, must maintain effective coverage of the insurable risks inherent in the execution of activities related to the SERVICES, as well as all insurance required by current legislation and the REGULATION.

**Paragraph 1.** SABESP must hire insurance coverage in compliance with the regulations issued by the Superintendence of Private Insurance – SUSEP, whose main objective is to provide coverage for the scope assumed in this CONTRACT, pursuant to ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY, thus ensuring the unequivocal identification of the hired coverage.

**Paragraph 2.** The insurance policies required under this CONTRACT or endorsements of current policies must be presented to ARSESP within 90 (ninety) days from the EFFECTIVE DATE.

**Paragraph 3.** Insurance must be hired and maintained in effect with insurance companies authorized to operate in Brazil, who size are compatible with the insured object, according to the insurance plan that must be elaborated by SABESP and presented to ARSESP within 90 (ninety) days from the EFFECTIVE DATE, which must also be maintained updated on a permanent basis and observe the following guidelines:

- (a) The insurance plan must indicate all insurance coverage that SABESP intends to hire, including, at least, the mandatory insurance coverage listed in paragraph 4 of this Clause, as well as the coverage limits provided for each policy and the most insurance deductible amount for the risk.
- (b) The insurance plan may be reviewed periodically, at least within the scope of the PERIODIC TARIFF REVISIONS, making necessary adjustments based on expected changes in MANDATORY INVESTMENTS and the INDICATORS AND GOALS FOR COVERAGE AND LOSSES, in compliance with the regulations of the federal insurance standardization and inspection bodies in Brazil and prohibiting the imposition and/or delay of additional payment procedures of the ensured amounts.

**Paragraph 4.** SABESP must hire, at least, the insurance policies defined below, according to their availability in the Brazilian market:

- (a) Engineering Risk Insurance to cover material damage that may be caused by construction works and/or installation and assembly

needed to fulfill the purpose of the CONTRACT, which are not classified as maintenance and conservation;

(b) "All Risks" type Concession Operational Risk Insurance, including the following coverage:

(i) Material damage covering the loss, destruction or damage to all LINKED ASSETS, including additional coverage for expert fees, engineering risks for small works and low voltage equipment; and

(c) General Civil Liability Insurance, including the following coverage:

(i) Employer civil liability;

(ii) Contingent civil liability;

(iii) Cross-civil liability; and

(iv) Civil liability for civil construction works.

(d) Environmental Risk Insurance, designed to ensure SABESP's liability for damage arising from environmental pollution conditions, arising from the SERVICES provided or the execution of works necessary to implement INVESTMENTS.

**Paragraph 5.** Civil Liability insurance for civil construction works may be hired separately from the General Civil Liability insurance.

**Paragraph 6.** SABESP will inform ARSESP of the stipulated coverage, insured amounts and the most appropriate insurance deductible levels for the risks involved.

**Paragraph 7.** ARSESP may recommend changes to coverage and insurance deductible amounts, as well as to the conditions of the hired insurance policies to ensure adequate coverage, and the economic and financial impacts of these changes will be transferred to the TARRIFS during the PERIODIC TARIFF REVISION.

**Paragraph 8.** SABESP may change coverage and insurance deductible amounts, as well as any conditions of the hired policies, notifying ARSESP.

**Paragraph 9.** Once the hired insurance policies have been fully or partially executed, SABESP must enable the insured amounts to be received by 10 (ten) business days, including for the Civil Liability Section, in compliance with the regulations of the federal insurance standardization and inspection bodies in Brazil, unless this coverage is not available in the insurance market, which must be confirmed by letter sent to ARSESP and signed by the reinsurance company.

- (a) In the event a coverage does not exist, and/or the amounts of the insurance policy can not be paid or are unconditional, and/or an event triggers the insurance policy's clause regarding cap coverage limits, ARSESP may demand alternative solutions to ensure SABESP continues to execute its assumed obligations, which may be structured by means of a contract signed between SABESP and third parties containing provisions defined by ARSESP, or suggested by SABESP and approved by ARSESP.

- (b) The impossibility of receiving automatic and unconditional payment, under the terms of paragraph (a) above, excludes SABESP's liability for the purposes of applying any penalty for not complying with an obligation that is linked to receiving insurance payment referred to in this paragraph.

**Paragraph 10.** When hiring insurance policies covered by the CONTRACT, the following guidelines must be followed:

- (a) All insurance policies must be valid for at least 12 (twelve) months, except for policies relating to insurance linked to the execution of INVESTMENTS, which shall be valid according to the deadline for executing each work;
- (b) Insurance coverage required by SABESP must be within limits capable of fully reimbursing all losses that may be incurred by SABESP, ARSESP, the GRANTING AUTHORITY, or third parties arising from activities carried out by SABESP and within the limits of the responsibilities of each PARTY and ARSESP;
- (c) SABESP must provide ARSESP, up to 10 (ten) days prior to the respective expiration dates, with certificates issued by the insurance company(ies), confirming that the insurance policies provided for in the CONTRACT were renewed, or that new policies were hired, if this is necessary for the continuity of the insured activity;
- (d) SABESP must include in the insurance policies the insurance company's obligation to inform, in writing and at least 30 (thirty) days in advance, SABESP and ARSESP of any facts that may imply in the cancellation, in full or partially, of the insurance hired, as well as events that cause reduction in coverage, increase in insurance deductible amounts, or reduction of insured amounts, observing the situations provided for by law;
- (e) Insurance policies must include coverage for damages caused by force majeure or unforeseeable circumstances, when insurable, under the risk matrix contained in this CONTRACT;
- (f) Any differences between the hired amounts and the indemnifications or claims paid will not give rise to the right to the economic-financial rebalancing of the CONTRACT, nor will they eliminate SABESP's obligation to provide the SERVICES and carry out the planned INVESTMENTS, including INVESTMENTS that are proven necessary due to claim occurrence and whose amounts have not been fully covered by the policies;

**Paragraph 11.** In the event of losses not covered by the hired insurance, provided that the generating event is insurable in Brazil by at least two insurance companies, and considering a period of one year prior to the event date, as registered with the Superintendence of Private Insurance (SUSEP), and if the obligation to insure is included in the insurance plan, SABESP will be fully liable for any damage and losses that may be caused to the STATE, the MUNICIPALITY, URAE-1, ARSESP, or third parties arising from the SERVICES provided, incurring the burden of compensating for such damage and losses exclusively at its own expense.

**Paragraph 12.** The policies issued may not contain obligations, restrictions or provisions that contravene the terms of the CONTRACT or sector regulations and must contain an express statement from the insurance company that it is fully aware of the CONTRACT, including the limits of SABESP's rights.

**Paragraph 13.** In the event SABESP lacks to comply with the obligation to hire and maintain insurance policies valid, URAE-1 may, regardless of its right to decree the intervention or declare the CONTRACT'S nullity, proceed with the hiring and direct payment of the respective insurance premiums, with all costs burdens falling on SABESP, which must reimburse URAE-1, as applicable, within 15 (fifteen) business days from its notification, charging interest on arrears corresponding to the variation *pro rata temporis* of the SELIC rate between the payment date for the insurance premiums by URAE-1 and the actual reimbursement date, notwithstanding other applicable penalties.

## **SECTION 6    PERFORMANE GUARANTEE**

Clause 11. The full and timely fulfillment of the obligations assumed by SABESP with URAE-1 and ARSESP shall be ensured, under the terms, amounts, and conditions set forth in this Clause, by a PERFORMANCE GUARANTEE.

**Paragraph 1.** SABESP must provide, within 30 (thirty) days of the EFFECTIVE DATE, and maintain in favor of ARSESP, throughout the entire term of the CONTRACT, a PERFORMANCE GUARANTEE that covers compliance with operational, maintenance and investment obligations, as well as the payment of any amounts due to URAE-1, ARSESP, the STATE or the MUNICIPALITIES, in the minimum amount of:

- (a) R\$ 200,000,000.00 (two hundred million reais), from the EFFECTIVE DATE of the CONTRACT, adjusted annually by the IPCA/IBGE price index; and
- (b) R\$ 500,000,000.00 (five hundred million reais), particularly in the last 2 (two) years of the CONTRACT, adjusted by the IPCA/IBGE price index, aimed at ensuring the adequate reversal of the REVERSIBLE ASSETS, whose amount may be reduced if ARSESP expresses itself in favor of considering a lower value, adopting it as a parameter to ensure the adequate reversal of the REVERSIBLE ASSETS, pursuant to clauses 51 and 59 of this CONTRACT, and considering the information contained in the inventory prepared by SABESP, in compliance with the provisions of clause 9 (ee) of this CONTRACT and the REGULATION.

**Paragraph 2.** The PERFORMANCE GUARANTEE may have its amounts revised during the PERIODIC TARIFF REVISIONS and EXTRAORDINARY REVISIONS, in which case the investments and their respective execution schedules will be considered, in the event that they are changed.

**Paragraph 3.** The PERFORMANCE GUARANTEE is intended to compensate and reimburse costs and expenses incurred by URAE-1 or ARSESP, in the event SABESP fails to comply with assumed obligations, and must also be executed for paying fines that are applied to SABESP, or to pay other amounts owed by SABESP to URAE-1 or ARSESP, which have not been duly paid.

**Paragraph 4.** SABESP will remain fully responsible for fulfilling the purpose of this CONTRACT, even if the PERFORMANCE GUARANTEE is fully executed, as well as responsible for other obligations inherent thereto, including the payment of fines, indemnifications and other penalties that may be applied to the Company, and which have not met with the full or partial execution of the PERFORMANCE GUARANTEE.

**Paragraph 5.** If the PERFORMANCE GUARANTEE is not sufficient to meet the obligations set forth in paragraph 3, SABESP will be liable for the difference.

**Paragraph 6.** The documents that effectively formalize the PERFORMANCE GUARANTEE must be previously approved by ARSESP, under the terms of this CONTRACT, including any changes, replacements and renewals that may be required, and SABESP shall be responsible, in any event, for the risks related to not hiring or inadequately or insufficiently hiring the PERFORMANCE GUARANTEE.

**Paragraph 7.** The PERFORMANCE GUARANTEE may be offered and/or replaced, with prior and express consent from ARSESP, in one of the following ways, in accordance with article 96, paragraph 1, of Federal Law 14,133/2021:

- (a) Security deposit in national currency;
- (b) Security deposit in public debt securities of the National Treasury;
- (c) Surety bond;
- (d) Bank guarantee;
- (e) Premium bonds, funded by a single payment and redemption for the full amount; or
- (f) Combining two or more of these modalities contained in this paragraph 7.

**Paragraph 8.** The PERFORMANCE GUARANTEE offered may not contain any reservations that may hinder or prevent its execution, or that may raise concerns as to its feasibility, in compliance with the regulations of the federal insurance standardization and inspection bodies in Brazil, if offered in this modality.

**Paragraph 9.** SABESP shall be solely responsible for the expenses relating to the provision of the PERFORMANCE GUARANTEE, in accordance with the REGULATION.

**Paragraph 10.** SABESP shall be solely responsible for ensuring the maintenance and sufficiency of the PERFORMANCE GUARANTEE provided in this CONTRACT.

**Paragraph 11.** The PERFORMANCE GUARANTEE, if provided in national currency, must be deposited in a current account held by URAE-1, to be indicated as requested by SABESP, presenting proof of deposit, or through an administrative check from a national financial institution.

**Paragraph 12.** The PERFORMANCE GUARANTEE, if provided through public debt securities of the National Treasury, must be taken out for the nominal value of the securities, and these cannot be encumbered with non-attachability, non-alienability, non-transferability or mandatory acquisition clauses.

**Paragraph 13.** Securities offered must be issued in book value, registered in a centralized settlement and custody system authorized by the Central Bank of Brazil, with market quotation and accompanied by proof of their current validity in terms of liquidity and value.

**Paragraph 14.** Only the following securities shall be accepted:

- (a) National Treasury Bills – LTN;

- (b) Financial Treasury Bills – LFT;
- (c) National Treasury Notes Series B Principal – NTN-B Principal;
- (d) National Treasury Notes Series B – NTN-B;
- (e) National Treasury Notes Series C – NTN-C; and
- (f) National Treasury Notes Series F – NTN-F;

**Paragraph 15.** The PERFORMANCE GUARANTEE, if presented in the form of a surety bond, will be proven by the presentation of the surety bond policy, accompanied by proof of payment for the premium, as applicable, as well as a Certificate of Operational Regularity, issued by SUSEP, on behalf of the insurance company issuing the policy, with a minimum validity of 12 (twelve) months.

**Paragraph 16.** Relating to the surety bond modality, the policy must be issued by an insurance company authorized to operate in Brazil and must be accompanied by proof of a hired reinsurance policy, pursuant to legislation in effect at the time of presentation, with a minimum validity of 12 (twelve) months.

**Paragraph 17.** The policy must comply with SUSEP Circular 662/2022, as amended, and may not include any Clause exempting SABESP or the insurance company from liability, not even through special or particular conditions other than those arising from legal or regulatory requirements.

**Paragraph 18.** Only liability exclusion arising from an unavoidable requirement by law or regulation shall be considered valid. Liability exclusions that are merely admitted by the regulator will not be considered valid.

**Paragraph 19.** The special conditions or particular conditions of the respective policy must expressly state coverages for all events described in paragraphs 3 and 31, or, exceptionally, must be accompanied by a statement, signed by the insurance company who issued the policy, certifying that the performance guarantee presented covers all the events described in paragraphs 3 and 31.

**Paragraph 20.** The PERFORMANCE GUARANTEE, when presented as a surety bond, must cover all events that occurred during its validity, even if a claim is reported by URAE-1 or ARSESP after the final validity of the PERFORMANCE GUARANTEE has expired, respecting its prescriptive term and covering the events provided for in SUSEP Circular No. 662/2022, as amended, as well as SABESP's lack of compliance with its obligation, provided for in Clause 9, item (pp), to indemnify URAE-1 or ARSESP if they are held unduly responsible for any act or fact resulting from SABESP's actions or the actions of its employees or subcontractors, including, but not limited to, environmental damage, civil, tax and labor liability, regulatory penalties, among others.

**Paragraph 21.** The PERFORMANCE GUARANTEE, if presented in the form of a bank guarantee, must: (i) be issued by a financial institution duly constituted and authorized to operate in Brazil; (ii) have its value expressed in Brazilian Reais; (iii) be presented in its original form



; (iv) include a waiver for benefit of privilege; and (v) and be accompanied by proof of the representation powers of the person responsible for signing the document.

**Paragraph 22.** The PERFORMANCE GUARANTEE, in the form of a bank guarantee, must be valid for a minimum of 1 (one) year from the hiring date, and SABESP is fully responsible for carrying out the necessary renewals and updates, also notifying ARSESP of any renewals and updates, under penalty of applicable sanctions.

**Paragraph 23.** SABESP must submit to ARSESP a document proving the renewal and update of the PERFORMANCE GUARANTEE, at least 30 (thirty) days prior to the end of its validity.

**Paragraph 24.** SABESP must promote the renewal, in a timely manner, of the PERFORMANCE GUARANTEE to ensure its continuity, as well as proceed with its replacement, if executed, and periodic adjustment, regardless of prior notification from ARSESP establishing the delays.

**Paragraph 25.** The PERFORMANCE GUARANTEE, provided in any of the forms listed in this Clause, may not have provisions that exclude any liabilities incurred by SABESP in relation to the execution of this CONTRACT, nor contain any type of reservations or conditions that may hinder or prevent its execution, or that may generate concerns as to the robustness of the guarantee offered, other than the reservations or exclusionary clauses resulting from legal or regulatory requirements.

**Paragraph 26.** The PERFORMANCE GUARANTEE will only be released when this CONTRACT is terminated and the definitive term of return for the SERVICES has been issued, after proof that SABESP has paid and settled any and all amounts due to URAE-1 or ARSESP.

The reduction in PERFORMANCE GUARANTEE, or its termination, may only be carried out with the prior and express authorization by ARSESP.

**Paragraph 27.** Whenever the PERFORMANCE GUARANTEE is executed, in full or partially, SABESP will be obliged to replace its full value within 10 (ten) business days from being notified by ARSESP.

**Paragraph 28.** If said replacement does not occur within the period established in paragraph 27, ARSESP may retain existing credits on behalf of SABESP, in the same value as the replacement, until the PERFORMANCE GUARANTEE amount has been reestablished, with no monetary restatement applicable over the retained credits when they are returned to SABESP, after the PERFORMANCE GUARANTEE has been replaced, notwithstanding the application of penalty to SABESP.

**Paragraph 29.** If SABESP continues to fail in replacing the PERFORMANCE GUARANTEE amount, URAE-1 may declare the CONTRACT's nullity.

**Paragraph 30.** The insurance policies defined in clause 10 must be activated with priority by SABESP to repair losses directly covered by the insurance plan, and it is understood that the PERFORMANCE GUARANTEE will not be activated directly to cover damages from such events.

**Paragraph 31.** Notwithstanding other events provided for in this CONTRACT or legislation, the PERFORMANCE GUARANTEE may be executed, in full or partially, by URAE-1 or

ARSESP, to pay amounts owed by SABESP to URAE-1 or ARSESP that have not been paid spontaneously after investigated in regular administrative processes, due to:

- (a) failure to perform any obligation provided for in this CONTRACT or in any amendments signed by both PARTIES, or arising from the inadequate execution of the purpose of the CONTRACT, in disagreement with the defined specifications and deadlines without being duly justified and refusing or failing to correct the flaws identified by ARSESP under the terms established in this CONTRACT;
- (b) failure to pay amounts due relating to fines, indemnifications or other penalties applied to SABESP, under this CONTRACT and within the established deadlines;
- (c) failure to carry out INVESTMENTS or take the necessary measures to achieve the INDICATORS AND GOALS FOR COVERAGE AND LOSSES, and refusing or failing to correct the flaws identified by ARSESP under the terms established in this CONTRACT;
- (d) failure to pay regulation, oversight and inspection fees calculated under State Complementary Law 1,025/2007 and the terms of the CONVENTION;
- (e) failure to deliver the LINKED ASSETS to the STATE and/or MUNICIPALITIES, or to a third party indicated by them, upon termination of the CONTRACT, in full technical and operational functionality, also considering the specifications of this CONTRACT, including failures to correct the flaws identified by ARSESP under the terms established in this CONTRACT;
- (f) failure to hire the required insurance under this CONTRACT; and
- (g) failure to indemnify the amounts spent by URAE-1 or ARSESP, if they are held unduly responsible for any act or fact resulting from SABESP's actions or the actions of its employees or subcontractors, including, but not limited to, environmental damage, civil, tax and labor liability, regulatory penalties, among others.

## **TITLE V. SERVICES**

### **CHAPTER 7. EXPANSION AND QUALITY**

#### **SECTION 7 PLANNING**

Clause 12. SERVICES and INVESTMENTS are planned through the governance bodies of URAE-1, the STATE, and MUNICIPALITIES, within the scope of their attributions, ensuring that the plans are implemented in adherence to the REGIONAL SANITATION PLAN.

**Paragraph 1.** URAE-1 shall be responsible for the integration of sanitation services, notwithstanding the obligation of the STATE and MUNICIPALITIES to adopt, through their bodies and



competent entities, all necessary measures to enable the adequate provision of SERVICES.

**Paragraph 2.** SABESP's duty in enabling compliance with the INDICATORS AND GOALS FOR COVERAGE AND LOSSES does not exempt the MUNICIPALITIES and the STATE, as applicable, of their responsibility to carry out administrative acts within their attributions, as well as to exercise police force that may eventually be necessary to regularize locations within the SERVICE AREA.

**Paragraph 3.** Water supply systems must be planned to ensure their normal supply, even in adverse water conditions, pursuant to the terms of ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY and ANNEX VII – U FACTOR, Q FACTOR AND QUALITY INDICATORS, in compliance with the provisions of Clause 37, item "n".

**Paragraph 4.** The temporary idleness of structures built for the SYSTEM's normal services, including during favorable water conditions, will be treated according to the utilization index methodology mentioned in ANNEX V – REGULATORY MODEL.

**Paragraph 5.** Investments in LINKED ASSETS must be included in the RRB, under the guidelines defined in ANNEX V – REGULATORY MODEL.

Clause 13. The INVESTMENT plans and projects to be considered by SABESP during the execution of the CONTRACT must reflect the provisions of ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY, aimed at:

- (a) ensuring the universalization of services, by December 31, 2029, in the SERVICE AREA;
- (b) a gradual and progressive improvement of coverage and compliance for the SERVICES to meet the INDICATORS AND GOALS FOR COVERAGE AND LOSSES, including for the revision of the REGIONAL SANITATION PLAN; and
- (c) a continuous improvement of the quality of the SERVICES provided, as well as environmental health, as established in this CONTRACT.

**Paragraph 1.** The investment projections defined by URAE-1 must be compatible with the ones required to meet the MANDATORY INVESTMENTS and INDICATORS AND GOALS FOR COVERAGE AND LOSSES, which may be changed in the PERIODIC TARIFF REVISIONS and EXTRAORDINARY REVISIONS to reflect revisions to the REGIONAL SANITATION PLAN.

**Paragraph 2.** SABESP is prohibited to distribute profits and dividends in the event of non-compliance with the goals and schedules set forth in this CONTRACT for the UNIVERSALIZATION, to be determined in a regular administrative process and resolved in a final decision issued by ARSESP.

- (a) For the purposes of paragraph 2, the non-compliance with the goals and schedules set forth in this CONTRACT for the UNIVERSALIZATION shall be considered characterized when SABESP, for its own reasons, reaches annually and in compliance with clause 43 of this CONTRACT, the maximum levels of the U Factor measured under the terms of ANNEX VII – U FACTOR, Q FACTOR AND QUALITY INDICATORS, non-cumulatively every year during the contractual execution.

- (b) Once the breach referred to in this paragraph has been remedied, SABESP will be authorized to distribute its profits and dividends.

Clause 14. As established in article 17, paragraph 4, and article 19, paragraph 4, of Federal Law 11,445/2007, the REGIONAL SANITATION PLAN will be reviewed and submitted to approval by URAE-1 and incorporated by ARSESP, jointly with the PERIODIC TARIFF REVISION.

**Paragraph 1.** The planning review may be based on diagnoses and studies hired by SABESP, which must be approved by URAE-1 in accordance with this Clause, and forwarded to ARSESP by at least 210 (two hundred and ten) days prior to the start date of the PERIODIC TARIFF REVISION.

**Paragraph 2.** SABESP may hire specialized consultants to work on the review of the REGIONAL SANITATION PLAN, pursuant to article 17, paragraph 4, of Federal Law 11,445/2007, and the review costs must be incorporated into the TARIFFS by ARSESP.

**Paragraph 3.** SABESP must forward to URAE-1, and ensure its receipt, a list of three companies that may be hired to review the REGIONAL SANITATION PLAN by the end of the first quarter of the calendar year preceding the year in which the PERIODIC TARIFF REVISION was carried out.

**Paragraph 4.** URAE-1, in accordance with its governance rules, must forward its preference to SABESP, and ensure its receipt, within 30 (thirty) days of the communication containing the triple list referred to in paragraph 3.

**Paragraph 5.** URAE-1, after receiving the new version of the REGIONAL SANITATION PLAN, must evaluate it, under its governance rules, and, as applicable, request changes based on technical requirements so that SABESP can promote them within 30 (thirty) days.

**Paragraph 6.** The revised version of the REGIONAL SANITATION PLAN must be resolved by URAE-1 within 30 (thirty) days of when it was forwarded by SABESP, always observing compliance with the deadline provided for in paragraph 1.

**Paragraph 7.** If URAE-1 does not approve the review of the REGIONAL SANITATION PLAN presented by SABESP, defined in paragraph 6, it may prepare a separate document, directly or through entities and service providers authorized under the terms of article 17, paragraph 4 of Federal Law 11,445/2007, and approve it with the necessary advance notice to ensure it is sent to ARSESP within the deadline provided for in paragraph 1 of this clause.

## SECTION 8 EXPROPRIATIONS

Clause 15. The STATE and/or the MUNICIPALITY, as requested by SABESP, must:

- (a) declare properties for public use, as a matter of urgency, for the purposes of expropriation or establishing administrative easement, including properties for temporary usage;
- (b) establishing administrative limits and authorizing temporary occupations of fixed assets, aimed at ensuring the performance of services and works, as well as the conservation assets related to the SERVICES;

Clause 16. To comply with obligations concerning expropriations or establishing administrative easements, SABESP must:

- (a) present to the GRANTING AUTHORITY, in a timely manner, all the elements and documents required to declare the public use of properties to be expropriated or where administrative easements will be instituted, pursuant to current legislation;
- (b) conduct expropriation processes or establish administrative easements, being responsible for all costs incurred thereto, including those for acquiring properties and paying indemnifications, or any other compensation due from the expropriation or establishing of easements, as well as other related burdens or charges, including for lawsuits filed by expropriated parties or occupants of private properties requesting indemnifications, also for the temporary use of properties or the relocation of assets or individuals, as well as expenses with legal costs, attorney's fees and fees for reports issued by experts.

**Paragraph 1.** SABESP will notify ARSESP every six months, from the signature date of this CONTRACT, regarding the progress of administrative or judicial proceedings related to expropriations, including information on indemnities paid to the expropriated parties through agreements or legal rulings.

**Paragraph 2.** ARSESP must incorporate into the TARIFFS:

- (a) the full amount of indemnification determined by the courts, excluding costs relating to legal advisory, fees, court costs, notary fees, registration and property appraisal reports; and
- (b) for the purpose of establishing parameters for efficient costs, include the indemnification amounts established for amicable expropriation, limited to the value established in the property appraisal report, prepared under applicable technical standards by a qualified expert.

**Paragraph 3.** ARSESP and URAE-1 may, notwithstanding SABESP's responsibility for the timeliness and completeness of the information provided, under the terms of the LICENSING, PERMITS AND AUTHORIZATIONS PLAN, participate in the institutional management and monitoring of the process for issuing and publishing declarations of properties for public use.

**Paragraph 4.** For the purpose of issuing declarations of public use, SABESP must submit the following documents to the GRANTING AUTHORITY:

- (a) Description and survey of the areas to be expropriated;
- (b) Identification of the respective owners;
- (c) Indication of the purpose of the properties;
- (d) Designation of the STATE or MUNICIPALITY as the winning bidder and of SABESP as responsible for conducting the expropriation process;
- (e) Rules for assuming expenses related to the expropriation of properties;
- (f) Indication of applicable legal provisions;
- (g) Blueprint (or drawing) signed by the responsible party;

- (h) A Macro Assessment Report and individualized report, by property registration number, accompanied by the annexes that have been mentioned, including improvements, based on field observation, with estimated values obtained through real estate research and detailed a photographic report, signed by the responsible party and dated;
- (i) Declaration, signed by the responsible party at SABESP stating (a) there is no incidence of municipal, state or federal area in the areas to be expropriated and (b) the respective area does not overlap with any other area included in other public use decrees;
- (j) Individualized descriptive reports of the areas to be expropriated, dated and signed by the responsible party at SABESP; and
- (k) Updated copy(ies) of registry(ies), or transcription of records by the competent registry office, as applicable.

**Paragraph 5.** If the period of 180 (one hundred and eighty) days has elapsed since the information referred to in paragraph 4 was forwarded, without the corresponding declaration of public use having been issued, URAE-1 shall assume the risks arising from such delay, unless it is proven that SABESP did not submit, or inadequately submitted, the information required in paragraph 4.

**Paragraph 6.** Once the declaration of public use has been published, SABESP must:

- (a) Within 30 (thirty) days, proceed with the physical registration of the property at the notary's office, obtaining the respective registration data, description of the property and its physical evaluation and/or prior identification with the Municipality;
- (b) Within 60 (sixty) days, propose and prove to ARSESP the filing of the relevant lawsuits for the expropriations, administrative easements or temporary occupations, with SABESP required to conduct such legal proceedings with diligence, or adopt the necessary measures to obtain extrajudicial agreements with the parties responsible for the areas.

**Paragraph 7.** For actions involving expropriations, administrative easement or temporary occupations, SABESP must make efforts to find a solution that minimizes the economic impact of the expropriation, considering social aspects and proposals that are technically feasible and make the best use of the lands listed in the public use declaration, aimed at balancing the execution of INVESTMENTS with the population at these locations, prioritizing temporary occupation and administrative easement over expropriation.

**Paragraph 8.** SABESP is prohibited from:

- (a) Expropriating, temporarily occupying or establishing administrative easements of areas that are not necessary for the provision of SERVICES, except for additional areas whose expropriation is determined by law, thus recognized by judicial decisions; and
- (b) Use, enjoy and dispose of the properties that were expropriated, temporarily occupied or subject to administrative easement, for purposes other than the ones necessary to provide SERVICES or to execute the INVESTMENTS.

**Paragraph 9.** If the remaining areas of the expropriated region are not affected by the purpose of the CONTRACT and there is an intension for its sale or use for a purpose other than that initially foreseen, SABESP's intention must be submitted in advance to ARSESP.

**Paragraph 10.** If the preference right is exercised by the expropriated party or if the property's sale is approved by SABESP, the proceeds of the sale will be considered as credit in the following PERIODIC TARIFF REVISION, at the market value of the property sold.

**Paragraph 11.** SABESP must request, within 30 (thirty) days from the issuance of the letter of award over the property that has been expropriated or received administrative easement, or from the conclusion of the amicable expropriation process or negotiated acquisition, at its own expense, registration of the property at the Real Estate Registry Office, on behalf of the STATE or MUNICIPALITY, as guided by ARSESP.

**Paragraph 12.** SABESP shall be responsible for vacating properties and resettling its occupants, and/or offering temporary rent, in the event of disasters or emergency works in the water and sewage infrastructure in which the Civil Defense authority declares that the vacating of adjacent properties is required.

## **CHAPTER 8. EXECUTION OF SERVICES**

### **SECTION 9 WATER SUPPLY AND SEWAGE SERVICES**

Clause 17. The SERVICES must be offered in a way that meets the conditions of regularity, continuousness, efficiency, safety, timeliness, generality and courteousness, in addition to affordable TARIFFS, under the terms of ANNEX II - TECHNICAL ANNEX OF EACH MUNICIPALITY and ANNEX VII – U FACTOR, Q FACTOR AND QUALITY INDICATORS.

**Paragraph 1.** The SERVICES may be interrupted by SABESP, with or without prior notice to ARSESP and USERS, so long as they comply with the SERVICE REGULATIONS.

**Paragraph 2.** In any of the cases related to this Clause, SABESP must adopt the appropriate measures to reduce the interruption of SERVICES to what is strictly necessary.

Clause 18. The STATE and/or the MUNICIPALITY, under their respective legal authorities, must take the appropriate measures to oblige permanent urban buildings to be connected to the public water supply and sewage collection networks, pursuant to article 45 of Federal Law 11,445/07.

Clause 19. SABESP may adopt alternative solutions, individual or collective, considering the peculiarities of USERS, within the SERVICE AREA, for a single USER or for a group of USERS located in areas where traditional sanitation systems are not feasible, particularly in rural areas and informal urban centers, under the terms of this CONTRACT, to enable SERVICES to be provided, if these measures are technically compatible with:

- (a) the licensing conditions issued by the environmental agency; and
- (b) the terms and standards issued by ARSESP on the matter.

**Paragraph 1.** Coverage goals for rural areas and informal urban centers will be required under the terms of ANNEX II – TECHNICAL ANNEX FOR EACH MUNICIPALITY.

**Paragraph 2.** SABESP must serve, under the terms of this CONTRACT, USERS located in rural areas as of the EFFECTIVE DATE.

**Paragraph 3.** SABESP must serve, under the terms of this CONTRACT and ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY, USERS located in rural areas, according to data collected for rural areas prepared under the terms established in paragraph 4, as well as update USER registries in rural areas and informal urban centers and obtain, in writing under the terms of the REGULATION, confirmation from each of these USERS regarding their interest allowing SABESP to implement and/or operation the individual alternative solution, with USERS signing the term of responsibility regarding their decision.

**Paragraph 4.** SABESP must promote the hiring of a company or consortium of companies to prepare a data collection of the rural area referred to in paragraph 3, observing, as applicable, the procedure and conditions provided for in ANNEX VI – PERFORMANCE GUIDELINES FOR THE VALUATION COMPANY AND INDEPENDENT VERIFIER, also following the following specific provisions:

- (a) The STATE, after ARSESP's appreciation, must make available to SABESP, by December 31, 2024, the terms of reference, containing, at least, the scope of the data collection and the qualification requirements that must be met by the hired company;
- (b) SABESP must, within 30 (thirty) days from receipt of the terms of reference, prepare a list containing at least 3 (three) companies or consortiums of companies that meet the minimum hiring conditions, to be approved by ARSESP;
- (c) If at least 3 (three) companies or consortiums of companies are approved, including any additional recommendations that may be necessary, ARSESP must, at the time of approval, draw lots to select one of the companies or consortium of companies to be hired by SABESP; and
- (d) SABESP must formalize the hiring of the company or consortium of companies that won the draw, within 10 (ten) days from the ARSESP's statement and also submit, by December 31, 2026, the data collection produced by the hired company to be approved by the STATE, after ARSESP's appreciation, which must include the list of USERS visited and their respective decisions to allow SABESP to implement and/or operate the individual alternative solution.

**Paragraph 5.** USERS who have refused SABESP's actions, under the terms of aforementioned paragraph 2, will be responsible for the adequacy of the alternative solution adopted, under penalty of applicable sanctions, according to APPLICABLE LEGISLATION, and will be treated accordingly for the purpose of achieving the annual goals, under the terms provided for in ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY.

**Paragraph 6.** Equipment and assets of any nature intended for individual solutions, when implemented by SABESP, with or without the provision of COMPLEMENTARY ACTIVITIES, must form part of SABESP's RRB.



**Paragraph 7.** For the purpose of meeting partial goals, any deviation in the initial parameters of the goals established for rural areas and informal urban centers provided for in ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY may give rise to an EXTRAORDINARY REVISION under the terms of ANNEX V – REGULATORY MODEL, previously justified in accordance with applicable technical standards and approved by ARSESP.

**Paragraph 8.** In relation to USERS located in rural areas and informal urban centers:

- (a) SABESP is obligated to facilitate the implementation of necessary infrastructure for USERS served by collective solutions and, in the event such service is not possible and is requested by the USER, through an INDIVIDUAL SOLUTION SYSTEM FOR SUPPLY OF DRINKING WATER AND/OR SEWAGE;
- (b) the remuneration for infrastructure implementation and adaptation services, as well as maintenance and cleaning services for individual solutions of these USERS who have subscribed to receive the SERVICES provided by SABESP, as well as collective solutions, will be carried out through TARIFFS;
- (c) the MUNICIPALITIES and competent environmental agencies are responsible for monitoring the adequacy of the individual solution adopted by USERS who have chosen not to allow SABESP to provide SERVICES, in accordance with paragraph 3 of this clause; and
- (d) the scope mentioned in items (a) and (b) of this paragraph 8 does not apply to non-residential sewage services for USERS located in rural areas, which will be regulated by ARSESP.

## **SECTION 10 OPERATIONAL AND CORPORATE MANAGEMENT OF SABESP**

Clause 20. URAE-1 hereby authorizes the creation of a wholly owned subsidiary by SABESP, in the form of a special purpose company, whose purpose is:

- (a) to assume SABESP's shareholding in INVESTEEs; or
- (b) to provide SERVICES and assume this CONTRACT, in all rights, duties and obligations, provided that the transferee company has sufficient subscribed and paid-in share capital to fulfill the scope of the CONTRACT, and proves, to ARSESP, that the transferee company has available human and material resources to provide the SERVICES.

**Paragraph 1.** Once the corporate reorganization has been implemented, the CONCESSIONAIRE will automatically promote the succession for all purposes, rights, duties and obligations established in this CONTRACT.

**Paragraph 2.** The activities developed and provided by SABESP, after signing this CONTRACT, outside the SERVICE AREA and not related to the SERVICES, will not be considered ANCILLARY ACTIVITIES, given that cost sharing is proven to not exist, under regulatory accounting, whose exploration by SABESP must be conducted through the creation of an investment vehicle.



**Paragraph 3.** SABESP's accounting and financial information and statements must be audited by a specialized, independent, reputable auditing firm with renowned specialization, which has audited companies that are publicly traded on B3 in the last two fiscal years.

**Paragraph 4.** Information regarding shared costs between SABESP and its subsidiaries must be included in SABESP's regulatory accounting and must comply with ARSESP regulations, in particular regarding its implementation until the maximum deadline of December 31, 2026, pursuant to ANNEX V – REGULATORY MODEL.

**Paragraph 5.** The specialized auditing firm must also verify compliance with the provisions concerning RELATED PARTIES, regardless of SABESP's accounting or governance regime.

Clause 21. SABESP may explore, regardless of prior authorization, the SUPPLEMENTAL ACTIVITIES listed in ANNEX V – REGULATORY MODEL by practicing OTHER PRICES that will be adjusted in accordance with the ADJUSTMENT rule of this CONTRACT.

**Paragraph 1.** The exploration of SUPPLEMENTAL ACTIVITIES other than the ones listed in ANNEX V – REGULATORY MODEL must be previously approved by ARSESP, notwithstanding the possibility of reviewing the list contained in ANNEX V – REGULATORY MODEL within the scope of PERIODIC TARIFF REVISIONS or EXTRAORDINARY REVISIONS, to incorporate SUPPLEMENTAL ACTIVITIES whose exploration must be previously authorized.

**Paragraph 2.** The sharing, for the purpose of tariff affordability, of the amounts earned by SABESP as ADDITIONAL REVENUE and revenues from ASSOCIATED PROJECTS and OTHER PRICES will follow the system set out in ANNEX V – REGULATORY MODEL.

Clause 22. Provided the conditions required in SABESP's corporate documents are met, as well as in APPLICABLE LEGISLATION, in particular State Law 17,853/2023, if possible, any consolidation or transfer of a direct CONTROL of SABESP shall depend on prior approval by ARSESP.

**Paragraph 1.** The prior consent required in Clause 22, under penalty of nullity, includes acts that imply the transfer of a direct CONTROL of SABESP, even when indirect control remains under the same economic group.

**Paragraph 2.** For the purpose of this CONTRACT, the direct holder of CONTROL power over SABESP is understood to be the natural or legal person, or a group of parties linked by a voting agreement, or under common control, part of SABESP's direct shareholding structure meeting the conditions provided for in this CONTRACT.

**Paragraph 3.** Modifications in SABESP's shareholding structure do not require prior consent and approval by ARSESP if the parties originally holding direct CONTROL of SABESP maintain a sufficient shareholding position to continue exercising the power of CONTROL of the Company, without including third parties who were not part of SABESP's controlling block prior to the modification.

**Paragraph 4.** The transfer referred to in this clause will only be authorized by ARSESP if it does not hamper or jeopardize the execution of the CONTRACT and cannot be denied by ARSESP without being duly justified.

**Paragraph 5.** The indirect transfer of CONTROL referred to in this aforementioned clause is not subject to prior consent by ARSESP.

**Paragraph 6.** In the event an intermediate corporate structure is created between SABESP and its CONTROLLER, any change in the controlling power of said intermediate corporate structure shall be considered a transfer of direct CONTROL of SABESP.

**Paragraph 7.** For the purpose set out in this Clause, the following must be submitted to ARSESP:

- (a) Proof of economic and financial capacity to comply with the INDICATORS AND GOALS FOR COVERAGE AND LOSSES, using a methodology defined by ARSESP;
- (b) Investment Plan to be approved upon instruction from ARSESP;
- (c) Legal qualification documents, through current articles of incorporation, including for the manger and administrator of investment funds, under the terms of the current regulations, including the presentation of;
- (d) Corporate taxpayer ID card (*cartão CNPJ*), including for the manger and administrator of investment funds;
- (e) A complete corporate organizational chart, indicating the proposed corporate structure after the desired corporate transaction has been completed;
- (f) Documents related to the desired corporate transaction, such as a draft of the shareholders' agreement, copies of minutes of SABESP shareholders' or partners' meeting, correspondence, audit reports and financial statements;
- (g) Certificate of regularity with the Severance Pay Guarantee Fund (FGTS) valid for the period stated therein. For investment funds, the required document must be presented on behalf of the administrator and/or manager, under applicable regulations;
- (h) Proof of tax compliance with the National Treasury, by means of a Debt Clearance Certificate (or Positive Clearance Certificate with the same effect) relating to federal taxes and the outstanding debt with the Federal Government. For investment funds, the required document must be presented on behalf of the administrator and/or manager, under applicable regulations;
- (i) Proof of tax compliance with state and municipal treasuries (referring to property and real estate taxes), from the interested party's domicile or headquarters, dated no longer than 180 (one hundred and eighty) days prior to its presentation. For investment funds, the required document must be presented on behalf of the administrator and/or manager, under applicable regulations;
- (j) Debt Clearance Statement for labor debts, pursuant to Law 12,440, of July 7, 2011. For investment funds, the required document

must be presented on behalf of the administrator and/or manager, under applicable regulations; and

(k) A compliance statement for job positions held by people with disabilities and those rehabilitated by Social Security, as provided for by law and other specific regulations.

**Paragraph 8.** The requirements set forth in items (a) and (b) of aforementioned paragraph 7, shall only be enforceable in the event of non-compliance with the INDICATORS AND GOALS FOR COVERAGE AND LOSSES that have not been remedied at the time of submitting the request referred to in this clause.

**Paragraph 9.** ARSESP must decide on the request provided for in the caput within 30 (thirty) days, which can be extended once for the same length of time.

**Paragraph 10.** ARSESP may request additional information, granting a deadline compatible with said requested so the interested party may present it. The request for presenting additional information by ARSESP suspends the analysis period provided for in aforementioned paragraph 9.

**Paragraph 11.** The change referred to in this Clause, without prior consent by ARSESP, before the transaction has been formalized, shall result in the application of the sanctions provided for in this CONTRACT and its ANNEXES, and ARSESP may, in addition to the application of penalties:

- (a) Determine, when subsequent approval is possible, that the proponent presents the relevant documentation and resolves any pending issues, even if extemporaneously;
- (b) Determine that SABESP returns to the *status quo ante*, either through actions carried out by SABESP itself, undoing the corporate change or performing corporate acts that return the share capital to the company who originally held the shares, or through an act carried out by URAE-1 itself or ARSESP, seeking the annulment of the corporate change, under the provisions of article 35, item I, of Federal Law No. 8,934/1994; and
- (c) If it is not possible to overcome the change in the shareholding structure for SABESP or its CONTROLLERS, recommending that URAE-1 chooses to declare the concession void, implying in the consequences provided for in this CONTRACT.

**Paragraph 12.** The transfer referred to in this clause will not change the obligations of SABESP and its CONTROLLERS with ARSESP and URAE-1.

### **SECTION 3 SABESP'S COMPLIANCE AND INTEGRITY PLAN**

Clause 23. SABESP must have a COMPLIANCE AND INTEGRITY PLAN, in accordance with APPLICABLE LEGISLATION and REGULATION, containing, among other purposes and objectives:

- (a) Internal mechanisms and procedures, with rules of integrity, auditing and encouragement to report irregularities; and
- (b) Codes of ethics and conduct, as well as policies and guidelines, aimed at detecting and correcting deviations, fraud, irregularities and illegal acts committed

against the Public Administration, all in compliance with Federal Law 12,846/13 and state Decree 67,301/2022.

**Paragraph 1.** The COMPLIANCE AND INTEGRITY PLAN must provide that one of SABESP's areas shall be responsible for applying, managing and monitoring the activities provided for therein, under the principles of autonomy, independence and impartiality to coordinate control activities and also having sufficient material, human and financial resources for its regular operations.

**Paragraph 2.** The COMPLIANCE AND INTEGRITY PLAN, as well as the codes of ethics and conduct must be reviewed in periods no longer than 2 (two) years, and, if necessary, updated to ensure their effectiveness.

## **CHAPTER 9. LINKED AND NON-LINKED ASSETS**

Clause 24. LINKED ASSETS held by SABESP when signing this CONTRACT must be continuously inventoried, pursuant to the terms of the Asset Control Manual published by ARSESP, and this inventory must follow the RAB UPDATE and maintained updated within the scope of each PERIODIC TARIFF REVISION, after being validated by ARSESP.

Clause 25. SABESP will ensure the integrity of the LINKED ASSETS and NON-LINKED ASSETS related to the SERVICES provided.

Clause 26. The LINKED ASSETS to the SERVICES provided must be duly registered in accordance with ANNEX V – REGULATORY MODEL, to be identified and undergo asset evaluation, which are periodically audited and approved by ARSESP.

Clause 27. SABESP must hire and pay a VALUATION COMPANY and INDEPENDENT VERIFIER, in accordance with ANNEX V – REGULATORY MODEL.

**Paragraph 1.** The VALUATION COMPANY and INDEPENDENT VERIFIER will be hired and act in accordance with ANNEX VI – PERFORMANCE GUIDELINES FOR THE VALUATION COMPANY AND INDEPENDENT VERIFIER and may be the same legal entity.

Clause 28. Assets related to private projects resulting from urban land subdivisions and others, will be assumed by SABESP for their operation and maintenance, provided that the respective projects are duly approved, which must be accounted for, reimbursed, in the cases of article 18-A, sole paragraph, of Federal Law 11,445/2007, and reversed in accordance with the SERVICE REGULATION.

Clause 29. The following need to receive previous authorization by ARSESP to be sold, assigned, encumbered, given as a loan or as a guarantee, seized, pledged, or expropriated in any way, observing the exceptions provided for in this CONTRACT:

- (a) LINKED ASSETS, during the term of the CONTRACT; and
- (b) fixed NON-LINKED ASSETS until the UNIVERSALIZATION has been achieved by SABESP.

**Paragraph 1.** From the signing of this CONTRACT, SABESP shall be responsible the possession, custody, maintenance and surveillance of LINKED ASSETS, and the Company may not refuse to receive any assets that fall within the definition of LINKED ASSETS, set forth in Clause 1, even if it considers them to be useless for the provision of SERVICES, except if in consensus with URAE-1.

**Paragraph 2.** All LINKED ASSETS must be kept fully operational by SABESP, except for those that have been deactivated, and in good condition during the entire term of the CONTRACT, and SABESP must carry out, at its own expense, repairs, renovations and adaptations necessary for the good performance of the SERVICES, under the terms provided for in this CONTRACT.

**Paragraph 3.** SABESP is expressly authorized to propose, on its own behalf, legal measures to secure or recover possession of the LINKED ASSETS.

**Paragraph 4.** LINKED ASSETS must be duly registered in SABESP's accounting records, so as to allow their easy identification by ARSESP, including their distinction between NON-LINKED ASSETS, in compliance with current accounting standards and the Regulatory Accounting defined by ARSESP.

**Paragraph 5.** Any form of disposal of fixed NON-LINKED ASSETS and fixed LINKED ASSETS is subject to prior approval, by ARSESP, based on an independent appraisal report of the asset, prepared in accordance with applicable technical standards, being understood that 50% (fifty percent) of the net value of the sale, assignment or transfer of any nature of these assets must be shared for the purpose of reasonable tariff.

**Paragraph 6.** Authorization for any form of disposal of LINKED ASSETS is subject to:

- (a) a formalization, by ARSESP, to unlink the asset with SERVICES assets after such request has been made by SABESP; and
- (b) a replacement, by SABESP, of the assets with others that ensure the continuity and perfect provision of the SERVICES, without interruption, under the terms of this CONTRACT, which must be informed to ARSESP, within 15 (fifteen) days, for the UPDATE OF THE RRB.

**Paragraph 7.** ARSESP will comment on requests for the disposal of:

- (a) LINKED ASSETS, within a period compatible with the complexity of the situation, not exceeding 60 (sixty) days from the receipt of the request for prior consent, accompanied by all necessary documentation, by SABESP; and
- (b) fixed NON-LINKED ASSETS, within a period of up to 30 (sixty) days, which can be extended once for the same length of time, from the receipt of the request for prior consent, accompanied by all necessary documentation, by SABESP.

**Paragraph 8.** SABESP must immediately replace LINKED ASSETS at the end of their useful life with new and similar assets, of equal or superior quality, when necessary for the continuity of the SERVICES provided and in compliance with the purpose of this CONTRACT, particularly to meet the INDICATORS AND GOALS FOR COVERAGE AND LOSSES, in compliance with applicable contractual provisions.

**Paragraph 9.** The replacement of LINKED ASSETS during the term of the CONTRACT, even if qualified as a mere common replacement, will be considered, must comply with the REGULATION and ANNEX V – REGULATORY MODEL for the purposes of establishing TARIFFS.

**Paragraph 10.** ARSESP may, during the term of the CONTRACT, communicate SABESP on situations in which the prior consent referred to in this clause is waived, provided the provisions of this CONTRACT are observed and the requirements established in said communication are met.

**Paragraph 11.** URAE-1, through the technical committees created in accordance with its governance rules, and ARSESP may carry out inspections of LINKED ASSETS, aimed at assessing their operational conditions.

**Paragraph 12.** LINKED ASSETS, including movable or fixed asset acquired by SABESP, in any way for the performance of the SERVICES, affected by the operation, will be considered non-commercial assets and may not, under any circumstances, be transferred, alienated, encumbered, leased, given as a loan or guarantee, or in any other way be permitted to be occupied, seized, pledged or any measure of the same nature, except if provided for in this CONTRACT.

**Paragraph 13.** All legal transactions between SABESP and third parties involving LINKED ASSETS must expressly mention their connection to the concession, observing, in the cases provided for in this CONTRACT, the need for ARSESP's consent prior to signing the legal transaction.

**Paragraph 14.** Other assets employed or used by SABESP, which qualify as NON-LINKED ASSETS, shall be considered exclusively as private assets and will not form the RBB, and may be freely used and transferred by SABESP, notwithstanding its responsibility to comply with the INDICATORS AND GOALS FOR COVERAGE AND LOSSES and other provisions of this CONTRACT.

- (a) Specifically for movable NON-LINKED ASSETS, the amounts earned by SABESP from the sale, assignment or transfer of any kind will be considered, for all purposes, as ADDITIONAL REVENUE.

## **CHAPTER 10. FINANCING AND GUARANTEES FOR THE FUNDERS**

Clause 30. SABESP is solely and exclusively responsible for obtaining the financing necessary for the normal course of the SERVICES and to fully execute the purpose of CONTRACT, so as to fully and timely fulfill all obligations assumed in this CONTRACT.

**Paragraph 1.** SABESP may not claim any provision, clause or condition of the financing contract(s), or any delay in the disbursement of funds, to exempt itself, entirely or partially, from the obligations assumed in this CONTRACT, whose terms must be fully known by the funders.

**Paragraph 2.** SABESP may, after prior consent from ARSESP, grant the rights arising from this CONTRACT as collateral to its funders, under the terms provided by law, if the funding operation: (i) is directly related to this CONTRACT; and (ii) does not compromise the continuity and adequacy of the SERVICES provided.

**Paragraph 3.** SABESP may, after prior consent from ARSESP, offer emerging rights arising from the SERVICES as collateral in funding operations of SERVICES, including raising funds on the market, debt operations or similar, through assignment, including fiduciary, usufruct, pledge or fiduciary disposal, titles, securities and their respective income, related to SABESP.



**Paragraph 4.** The collateral referred to in paragraph 2 may be offered in contracts that are ancillary or complementary to financing contracts, when intended to ensure the ability for the concession to finance itself or to mitigate risks assumed by SABESP, such as contracts intended to grant real guarantees or surety bonds, to raise funds on the market, to obtain insurance or to protect SABESP against changes in the price of an asset (hedge).

**Paragraph 5.** Any and all rights, revenues and receivables from the concession, including TARIFFS, ADDITIONAL REVENUES and SUPPLEMENTAL REVENUES, are considered rights arising from the CONTRACT.

**Paragraph 6.** SABESP's shareholders are hereby authorized to assign, transfer or put liens on the shares they hold in SABESP, notwithstanding the need for prior consent from ARSESP for operations that may result in a change in SABESP's corporate control.

**Paragraph 7.** Any payments due by URAE-1, the STATE or MUNICIPALITIES to SABESP, as compensation and indemnities, may be paid directly to the funders, in compliance with the terms set forth in the guarantee instruments signed within the scope of the financing.

(a) In the event of direct payments made to the funders, such payments will settle the obligations held by SABESP, in the amount actually disbursed to the funders.

**Paragraph 8.** The prior consent required in paragraphs 2 and 3 of this Clause is limited to instruments signed by SABESP as of EFFECTIVE DATE and is not applicable to instruments that came into effect prior to the signing of this CONTRACT.

## **TITLE VI. ECONOMIC AND FINANCIAL REGIME**

### **CHAPTER 11. SERVICE EXPLOITATION REGIME**

Clause 31. The SERVICES provided by SABESP shall be remunerated by the receipt of EQUILIBRIUM TARIFFS, the SUPPLEMENTAL ACTIVITIES shall be remunerated through OTHER PRICES, and the ANCILLARY ACTIVITIES by ADDITIONAL REVENUE, in compliance with the provisions of this CONTRACT, ANNEX V – REGULATORY MODEL, in LEGISLATION and the REGULATION.

### **CHAPTER 12. REVENUES**

#### **SECTION 11 TARIFF REVENUE AND SUPPLEMENTAL ACTIVITIES**

Clause 32. The TARIFF REVENUE shall comply with the provisions of APPLICABLE LEGISLATION, the REGULATION and this CONTRACT.

Clause 33. It will be up to ARSESP to define the value of the TARIFFS and approve the table for OTHER PRICES proposed by SABESP, according to ANNEX V – REGULATORY MODEL, in compliance with



guidelines of Federal Law 11,445/07, State Decree 41,446/1996, in APPLICABLE LEGISLATION, the REGULATION, the ANNEXES, and this CONTRACT.

Clause 34. The tariff structure and TARIFFS established in this CONTRACT must ensure both the economic and financial balance of the CONTRACT signed with SABESP for the SERVICES, as well as the tariff affordability, which will occur under the provisions of ANNEX VIII – INITIAL TARIFF FORMATION and ANNEX V – REGULATORY MODEL.

**Paragraph 1.** The TARIFFS must be sufficient to guarantee the UNIVERSALIZATION, in particular for low-income populations and locations, under the terms of this CONTRACT and its ANNEXES.

**Paragraph 2.** Any differences between the billing in the effective market for the APPLICATION TARIFF and what would be billed considering the EQUILIBRIUM TARIFF must be determined according to APPENDIX I to ANNEX V – REGULATORY MODEL.

**Paragraph 3.** Any positive balance existing under the terms of aforementioned paragraph 2 must be capitalized under the terms of APPENDIX I to ANNEX V – REGULATORY MODEL and must be used to ensure the remuneration due to SABESP when the APPLICATION TARIFF is lower than the EQUILIBRIUM TARIFF, always prior to using FAUSP funds.

**Paragraph 4.** The use of the positive balance for the purposes of aforementioned paragraph 3, must be comply with APPENDIX I to ANNEX V – REGULATORY MODEL.

## **SECTION 12 ADJUSTMENT**

Clause 35. The procedures for the ADJUSTMENT will be carried out annually in accordance with ANNEX V – REGULATORY MODEL

## **CHAPTER 13. RISK ALLOCATION AND ECONOMIC-FINANCIAL BALANCE**

### **SECTION 13 RISK ALLOCATION**

Clause 36. For each PERIODIC TARIFF REVISION or EXTRAORDINARY REVISION process triggered in the specific cases and terms provided for in ANNEX V – REGULATORY MODEL, ARSESP must consider, for the purpose of establishing TARIFFS, that SABESP assumes responsibility, burdens and impacts, including in the Q FACTOR and U FACTOR, arising from the following events:

- (a) Flaws, errors, and omissions in the engineering projects necessary for the execution of the INVESTMENTS, including the execution methodology and/or technology used by SABESP, or in the data collection that supported them;
- (b) Losses arising from flaws or errors in the SERVICES provided or in the execution of INVESTMENTS, flaws, errors or omissions in INVESTMENTS, regardless if accepted by ARSESP, as well as flaws in equipment and errors caused by subcontractors, suppliers, third parties, service providers and/or any other natural person or legal entity related to the execution of the purpose of the CONTRACT;

- (c) Costs arising from obsolescence, instability and malfunction of the technology used by SABESP in the SERVICES;
- (d) Costs arising from lawsuits, arbitration proceedings or administrative proceedings filed against SABESP, except if the facts are attributable or risks are allocated to URAE-1, ARSESP, the STATE or MUNICIPALITIES;
- (e) Court decisions that suspend or jeopardize investments or the SERVICES provided, or that interrupt, suspend or reduce the collection of the TARIFF, as well as, in any case, its adjustment or review, provided that, in any case, SABESP has caused the decision, by action or omission, incompatible with the obligations provided for in this CONTRACT;
- (f) Problems, delays, inconsistencies, suspension, interruption or intermittency in the supply of public utilities, including water, electricity, gas and internet, for which SABESP has been the cause;
- (g) Theft, robbery, destruction, loss or damage to construction sites or LINKED ASSETS, which have been materialized not due an act or fact attributable to URAE-1, ARSESP, the STATE or MUNICIPALITIES, or due to a risk allocated to URAE-1;
- (h) Frustration or variation in collecting TARIFFS, OTHER PRICES, revenues from ASSOCIATED PROJECTS and ADDITIONAL REVENUES, in relation to those established by ARSESP in ADJUSTMENTS, PERIODIC TARIFF REVISIONS and EXTRAORDINARY REVISIONS, under ANNEX V – REGULATORY MODEL;
- (i) Impacts to ANCILLARY ACTIVITIES, even with variations in collecting OTHER PRICES, revenue from ASSOCIATED PROJECTS and ADDITIONAL REVENUE, due to the creation and/or extinction of taxes or changes in tax legislation or regulation;
- (j) Creation, extinction or alteration in taxes, legal charges or tax regulations that:
  - i. are levied on income; or
  - ii. have, as a triggering event, activities carried out by subcontractors, suppliers, outsourced parties and service providers or any other natural person or legal entity linked to SABESP, when such activity could not, under reasonable market circumstances, be carried out directly by SABESP itself;
- (k) Risks related to the hiring of mandatory insurance, respecting the deadlines, limits and rules established in this CONTRACT, including the risk of eventual difficulty or unfeasibility of executing insurance and guarantees by URAE-1 or ARSESP, that would result in the right to their execution, requiring more costly measures to meet the credit for URAE-1 or ARSESP;
- (l) Costs and delays resulting from lateness in obtaining licenses, authorizations and/or permissions, including environmental ones, necessary to execute the purpose of the CONTRACT, including the construction, implementation or operation of activities, resulting from non-compliance, by

SABESP, with the terms and conditions contained in the LICENSING, PERMITS AND AUTHORIZATIONS PLAN approved by ARSESP;

- (m) Adaptation to the current regulation exercised by URAE-1, ARSESP, the STATE, MUNICIPALITIES, and other agents, bodies or supervisory entities whose attributions includes the activities under the purpose of this CONTRACT;
- (n) SABESP's business, financial, economic, accounting and tax planning;
- (o) Technological updates and other measures required to maintain the INDICATORS AND GOALS FOR COVERAGE AND LOSSES established in the CONTRACT;
- (p) Possible loss of LINKED ASSETS not covered by insurance policies available in Brazil and hired by SABESP or by the manufacturer's warranty;
- (q) Negligence, incompetence or recklessness of people working for SABESP, whether they are employees, outsourced or subcontractors, suppliers, outsourced and service providers or any other natural person or legal entity linked to SABESP;
- (r) Inefficiencies or economic losses resulting from flaws, negligence, incompetence, or omission, by SABESP, in fulfilling the purpose of this CONTRACT;
- (s) Any problems, of any nature, arising from the relationship between SABESP and its contractors.

**Paragraph 1.** The following events are considered to be acts of unforeseeable nature force majeure, with the consequences established in this CONTRACT, as defined in civil law and which have a direct impact on the course of concession activities, including:

- (a) National or international wars that directly affect the execution of contracts;
- (b) Acts of terrorism;
- (c) Nuclear, chemical or biological contamination, including epidemics and pandemics, as declared by national health authorities or the World Health Organization, and which produce relevant effects on SABESP's activities, except if these acts are caused by SABESP;
- (d) Trade embargo by a foreign nation; and
- (e) Natural events, such as earthquakes, hurricanes or floods, when their impacts cannot be avoided or mitigated by preventive measures reasonably required by SABESP.

**Paragraph 2.** Failure to comply with contractual obligations, including those relating to the achievement of milestones, demonstrably resulting from unforeseeable circumstances or force majeure, under the terms of this CONTRACT and ANNEXES, shall not be subject to penalty.

**Paragraph 3.** The PARTY who cannot fulfill its obligations due to an unforeseeable event or force majeure must notify the other PARTY of such event, within 48 (forty-eight) hours.

**Paragraph 4.** An event characterized as an unforeseeable event or force majeure shall not be considered, for the purpose of restoring the economic-financial balance of the CONTRACT if, at the time of its occurrence, it corresponds to an event that has been covered by the insurance market for at least

6 (six) months, regardless if SABESP has hired said insurance, up to the limit of the average indemnification values under normal market practices, observing the distribution of risks established in this CONTRACT, notwithstanding the when the cost of hiring the insurance when incorporated into the TARIFFS.

**Paragraph 5.** In the event of an act of unforeseeable nature or force majeure, unless ARSESP gives other instructions in writing, SABESP shall continue to fulfill its obligations arising from the CONTRACT, to the extent reasonably possible, and will seek, by all available means, to fulfill those obligations not prevented by said event of unforeseeable nature or force majeure, being URAE-1 responsible, in the same way, for fulfilling its obligations not prevented by the event of unforeseeable nature or force majeure.

**Paragraph 6.** In the event of a proven act of unforeseeable nature or force majeure, the financial repercussions on the INDICATORS AND GOALS FOR COVERAGE AND LOSSES that have been impacted by the occurrence will be suspended, until the situation is normalized, and its effects have ceased.

**Paragraph 7.** The PARTIES and ARSESP undertake to employ all necessary measures and actions in order to minimize the effects arising from events of unforeseeable nature and force majeure.

Clause 37. For each PERIODIC TARIFF REVISION or EXTRAORDINARY REVISION process triggered in the specific situations and terms provided for in ANNEX V – REGULATORY MODEL, ARSESP must consider the risks arising from the following events are allocated to URAE-1:

- (a) Judicial or administrative decisions that suspend or harm the execution of INVESTMENTS, or the SERVICES provided, or that interrupt, suspend or reduce the collection of TARIFFS, as well as, in any case, their adjustment or review, except in events where SABESP has caused the decision or if this CONTRACT provides for the allocation of the associated risk to SABESP;
- (b) Delays or failure to perform SABESP's obligations caused by the delay or omission of URAE-1, the STATE, the MUNICIPALITIES or ARSESP in carrying out the activities and obligations assigned to them in this CONTRACT;
- (c) Changes to the REGIONAL SANITATION PLAN that impact the SERVICES, except when the change is a risk that has been allocated to SABESP;
- (d) Delays, stoppages, losses, costs or additional investments resulting from events of unforeseeable nature or force majeure that have incalculable consequences, or that, under normal market conditions, cannot be the purpose for hiring insurance coverage offered in Brazil, for at least 6 (six) months, by at least 2 (two) insurance companies, or in the event the amounts corresponding to the portion that exceeds the average of the amounts indemnifiable by policies under normal market practices, regardless, in the latter case, if SABESP has hired them;
- (e) Delays resulting from delays in obtaining licenses, authorizations and/or permissions, including environmental ones, necessary to execute the purpose of the CONTRACT, including construction, implementation or operational activities, when demonstrably resulting from non-compliance with legal and regulatory deadlines by the administrative authorities, the terms of the LICENSING, PERMITS AND AUTHORIZATIONS PLAN approved by ARSESP, unless SABESP has not taken all appropriate measures to avoid the delay, or has contributed negligently or intentionally to its causing;

(f) Creation, extinction or alteration of taxes, legal charges or tax regulations that are not related to the creation, extinction or alteration of taxes or contributions levied on income, and:

- i. have a direct impact on the TARIFFS or expenses related to the payment of tax obligations for which SABESP is the taxable entity, under the terms of article 121 of the National Tax Code, in particular those related to the execution of the purpose of this CONTRACT; or
- ii. have, as a triggering event, activities carried out by subcontractors, suppliers, outsourced parties and service providers or any other natural person or legal related to the execution of this CONTRACT, when such activity cannot, under reasonable market circumstances, be carried out directly by SABESP itself;
- iii. For the purposes of the risk described in this paragraph, the effective implementation of Constitutional Amendment 132, of December 20, 2023, shall be considered as the creation, extinction or alteration of taxes, and SABESP must include, as a contractual premise, the tax levied without the modifications introduced by the amendment;
- iv. The risk described in this paragraph shall not be assumed by the GRANTING AUTHORITY regarding the exploitation of ADDITIONAL REVENUE, SUPPLEMENTAL REVENUE and revenue from ASSOCIATED PROJECTS, which will be carried out and explored under SABESPs sole responsibility, with the tax risk being attributed to it;

(g) Impacts arising from the creation, revocation or revision of standards issued by ANA, URAE-1, ARSESP, the STATE or MUNICIPALITIES, including in relation to MUNICIPAL FUNDS, on the activities that are under the purpose of this CONTRACT, except for those that are merely for procedural and standardization purposes;

(h) Unilateral modification, imposed by URAE-1 or ARSESP, regarding the conditions for executing the CONTRACT, including changes in ANNEX II – TECHNICAL ANNEX OF EACH MUNICIPALITY on the goals established in this CONTRACT;

(i) Change in the volume of funds transferred by FAUSP or any other budgetary mechanism, which was not considered when defining the TARIFFS;

(j) An act carried out by the STATE that effectively burdens the execution of the CONTRACT, except when such act or fact characterizes a risk that has already been specifically and expressly attributed to SABESP in this CONTRACT;

(k) Additional costs and/or deadlines for construction, operation and/or maintenance resulting from actions or omissions by URAE-1, ARSESP, the STATE or MUNICIPALITIES, as well as failure to comply with the obligations established in this CONTRACT;

- (l) Costs or delays related to the prospecting and recovery of historical, archaeological or paleological discoveries found at the properties needed for the execution of the INVESTMENTS;
- (m) Strikes by employees of URAE-1, the STATE, MUNICIPALITIES or ARSESP that demonstrably impact the provision of SERVICES;
- (n) Critical situations of scarcity in water resources in the water bodies that supply the SERVICE AREA, being this extraordinary and beyond the usual operational control of SABESP, and provided that (i) it is demonstrably the result of extreme and unpredictable climate events; (ii) it has been declared by the respective water resources management body; (iii) it has been determined under the ISH - Water Security Index disclosed by ARSESP, based on the assumption and criteria established in the National Water Security Plan - PNSH published in 2019 by ANA - National Water and Basic Sanitation Agency and further updates; (iv) SABESP is in compliance with the long-term water supply planning agreed with ARSESP and (v) SABESP has implemented the specific contingency plan for events relating to water scarcity previously approved by ARSESP;
- (o) Impacts resulting from the removal of interferences that harm or impede the execution of the CONTRACT, understood as the infrastructures required to provide other public services that have already been implemented, and provided it is proven that (i) the interferences are not available in records or publicly accessible databases, in the City Halls of the MUNICIPALITIES and in the concessionaires providing public services; and (ii) SABESP has adopted all measures within its reach, at administrative and judicial levels, making its best efforts to anticipate and avoid any impacts on the fulfillment of its obligations;
- (p) The effective disbursement, or court deposit, of amounts for collecting the Urban Property and Land Tax, a municipal tax levied on properties ("IPTU") or the Rural Land Property Tax ("ITR"), levied on part or all of the SERVICE AREA and which are no longer subject to payment by SABESP until the EFFECTIVE DATE of this CONTRACT, including for changes in tax classification by applicable municipal legislation;
- (q) Unavailability of electricity to provide the SERVICES, when SABESP has adopted all necessary measures required under the terms of this CONTRACT, ANNEXES and REGULATION, to ensure the continuity of the SERVICES; and
- (r) The lack of obtaining tax credits effectively from the subsidies granted with FAUSP funds, under Federal Law 14,789/2023, as amended.

Paragraph 1. Regardless of the risk allocation provided for in this Section 13, investments not made by SABESP may not be recognized in the RRB, nor will any financial losses be considered from the lack of increase in the RRB due to unrealized investments.

Paragraph 2. Failure to meet the INDICATORS AND GOALS FOR COVERAGE AND LOSSES demonstrably due to failure by MUNICIPALITIES or the STATE in executing administrative acts, including police force, constitutes an exclusion of liability for



SABESP for the purpose of applying penalties and eventual reductions in the EQUILIBRIUM TARIFF, under the terms of ANNEX II – TECHNICAL ANNEX FOR EACH MUNICIPALITY, ANNEX V – REGULATORY MODEL and ANNEX VI – U FACTOR, Q FACTOR AND QUALITY INDICATORS, being that

unrealized investments cannot be recognized in the RRB, nor will any financial losses incurred be considered for the purposes of TARIFF REVENUE, including within the scope of the PERIODIC TARIFF ADJUSTMENT or TARIFF REVISION.

## **SECTION 14 ECONOMIC-FINANCIAL BALANCE**

Clause 38. ARSESP shall be responsible for ensuring the economic and financial balance of this CONTRACT, which must be maintained whenever the TARIFF of each TARIFF CYCLE, as applicable, is sufficient to meet the obligations assigned to SABESP, the costs and investments due, as well as to remunerate the capital employed, meeting the conditions of the CONTRACT and its ANNEXES, as established in ANNEX V – REGULATORY MODEL, and respecting the risk allocation of this CONTRACT.

Paragraph 1. In the event of an EXTRAORDINARY REVISION, the new TARIFFS or OTHER PRICES should be preferentially be aimed at restoring the economic-financial balance, under the provisions of ANNEX V – REGULATORY MODEL, and URAE-1 may, alternatively, upon prior and substantiated recommendation from ARSESP, exceptionally choose the following modalities, always seeking to ensure the continuity of the SERVICES provided and to preserve the payment capacity of the financing contracts signed by SABESP for the execution of the purpose of the CONTRACT:

- (a) reimbursement or compensation to SABESP, through funds from FAUSP, the STATE or the MUNICIPALITY(IES), in compliance with the provisions of paragraph 3, and the regulatory terms of URAE 1 - SOUTHEAST;
- (b) alteration, anticipation or postponement of INVESTMENTS, provided that such measure does not impact the UNIVERSALIZATION by December 31, 2029;
- (c) change in the sharing rate of ADDITIONAL or SUPPLEMENTAL REVENUE;
- (d) alteration, anticipation or postponement of deadlines included in this CONTRACT and its ANNEXES, provided that such measure does not impact the UNIVERSALIZATION by December 31, 2029; and
- (e) the combination of the previous modalities.

Paragraph 2. In addition to the methods listed in aforementioned paragraph 1, the restoration of the economic-financial balance of the CONTRACT through the EXTRAORDINARY REVISION may also be carried out under the following methods, which are subject to prior agreement by SABESP:

- (a) payment, in kind, for assets and/or transfer of property income;
- (b) assumption by URAE-1, the STATE or the MUNICIPALITIES, of costs attributed by the CONTRACT to SABESP, in compliance with the provisions of the regulatory terms of URAE 1-SOUTHEAST; and
- (c) the combination of the previous modalities or others approved by legislation.



Paragraph 3. When choosing the means to restoration of the economic and financial balance of the CONTRACT through the EXTRAORDINARY REVISION, URAE-1 shall consider:

- (a) the frequency and value of payments due and payable, by SABESP, relating to financing contracts signed by SABESP to execute the purpose of the CONTRACT;
- (b) the importance of avoiding mechanisms that, even if they generate balance in the long term, may create a cash flow fragility for SABESP; and
- (c) the payment capacity of FAUSP, considering the short- and long-term availability of the funds provided for in article 5 of State Law 17,853/2023, as well as under the powers provided for in article 7 and the need to comply with the provisions of the sole paragraph of article 2, both of State Law 17,853/2023 and related to regulatory standards.

## SECTION 15 PERIODIC TARIFF REVISIONS

Clause 39. ARSESP must define, in the PERIODIC TARIFF REVISION, the TARIFF for the following TARIFF CYCLE, establishing the REQUIRED REVENUE based on the amounts necessary to remunerate the costs incurred in providing the SERVICES, under the regime of efficiency, and the INVESTMENTS made in a careful manner, under the terms and conditions of ANNEX V – REGULATORY MODEL.

**Paragraph 1.** The PERIODIC TARIFF REVISIONS are aimed at simultaneously seeking to:

- (a) ensure the maintenance of the economic and financial balance of the CONTRACT by setting the EQUILIBRIUM TARIFFS for the following TARIFF CYCLE, under the assumptions, calculation methodology and other rules set forth in ANNEX V – REGULATORY MODEL; and
- (b) ensure tariff affordability, under the terms of the CONTRACT, including and this ANNEX, including through the distribution of technological efficiency gains via X FACTOR, operational efficiency gains, and the results obtained from ADDITIONAL REVENUES and SUPPLEMENTAL REVENUES, under the assumptions, calculation methodology and other rules set forth in ANNEX V – REGULATORY MODEL.

**Paragraph 2.** The assumptions and methodology for determining the REQUIRED REVENUE and TARIFFS for the following TARIFF CYCLE, to comply with the provisions of this Clause, as well as any procedures and limits for their periodic assessment for social control purposes, as applicable, are established in ANNEX V – REGULATORY MODEL.

**Paragraph 3.** ARSESP's actions must observe the assumptions, calculation methodologies and other rules established in ANNEX V – REGULATORY MODEL for carrying out ADJUSTMENTS, RAB UPDATES, PERIODIC TARIFF REVISIONS and EXTRAORDINARY REVISIONS.

## **SECTION 16 MONITORING THE EVOLUTION OF INVESTMENTS AND AMORTIZATION**

Clause 40. ARSESP shall be responsible, supported by the VALUATION COMPANY, for monitoring the evolution of INVESTMENTS as well as their amortization or depreciation, for the purposes of the RAB UPDATE, in accordance with ANNEX V – REGULATORY MODEL and ANNEX VI – PERFORMANCE GUIDELINES FOR THE VALUATION COMPANY AND INDEPENDENT VERIFIER.

## **TITLE VII. CONTRACT MANAGEMENT**

### **CHAPTER 14. SOCIAL CONTROL**

Clause 41. URAE-1 shall be responsible for establishing the mechanisms for social control of the SERVICES, notwithstanding others provided for in ARSESP regulations.

**Sole paragraph.** Under the Law, the exercise of social control may include representatives from MUNICIPALITIES, the STATE, ARSESP, SABESP and civil society.

### **CHAPTER 15. INSPECTIONS**

Clause 42. ARSESP shall exercise broad, complete and unrestricted inspections of SABESP's compliance with the obligations set forth in this CONTRACT, as well as its performance, having guaranteed free access, at any time, to the areas, facilities and locations related to the concession, the LINKED ASSETS, the books and documents related to SABESP and the concession, to records and documents related to the SERVICES, to data related to SABESP's management, accounting and technical, economic and financial resources, and may request clarifications or modifications, if it understands there are non-conformities with the obligations set forth in the CONTRACT, in particular regarding SABESP's conduct to comply with the INDICATORS AND GOALS FOR COVERAGE AND LOSSES and the quality parameters established in this CONTRACT and its ANNEXES:

**Paragraph 1.** SABESP must provide, in a timely manner, any clarifications that are formally requested.

**Paragraph 2.** The inspection carried out by ARSESP does not exclude inspections carried out by other federal, state and municipal public bodies and entities, within their respective attributions and under current legislation.

**Paragraph 3.** The determinations related to the SERVICES in which defects, flaws and/or inaccuracies are identified, issued within the scope of the inspection, shall be immediately applicable and will bind SABESP, notwithstanding other contractually foreseen consequences and provisions regarding the right to appeal and resolution of disputes established in this CONTRACT.

**Paragraph 4.** ARSESP will monitor the performance, in accordance with ANNEX V – REGULATORY MODEL, of the INDEPENDENT VERIFIER, in measuring the INDICATORS AND GOALS FOR COVERAGE AND LOSSES, and of the VALUATION COMPANY, in the CERTIFICATION, elaboration of the ASSET EVALUATION REPORT and RAB UPDATE, issuing final decisions, at an administrative level, on these matters.

**Paragraph 5.** In its role as the inspecting agent, ARSESP must monitor and supervise the SERVICES provided, as well as the conservation of LINKED ASSETS, applying, as needed, the sanctions and penalties provided for in this CONTRACT, and may also:

- (a) propose to URAE-1 to intervene in SERVICES provided, as needed, to ensure their regularity and compliance with this CONTRACT and the applicable legal standards;
- (b) verify the progress or resolution of specific events, at any time and under any circumstances; and
- (c) determine, in a justified manner, that activities and obligations under the purpose of this CONTRACT be redone, at no cost to URAE-1, if the ones already performed have not been satisfactory.

**Paragraph 6.** ARSESP's inspections will record, in a specific registry, the occurrences found during the inspections on the SERVICES provided and at SABESP, forwarding an inspection report to SABESP to correct the flaws or defects identified, notwithstanding the immediate application of the inspection result for the purposes of this CONTRACT.

- (a) The administrative sanctioning process shall comply with ANNEX III – VIOLATIONS AND PENALTIES.
- (b) The correction of flaws indicated in the inspection report does not eliminate the non-compliance that occurred and, consequently, the application of the corresponding penalty, after prior administrative proceedings, ensuring the right to a full defense and the right to appeal.
- (c) SABESP may comment on the content of the inspection report to present the measures it will adopt or request a new assessment of the points it considers to be unfounded.

**Paragraph 7.** The inspection may also monitor the work of the INDEPENDENT VERIFIER in determining SABESP's compliance with the INDICATORS AND GOALS FOR COVERAGE AND LOSSES.

**Paragraph 8.** ARSESP may request clarifications and determine changes if it understands there is non-compliance with the obligations set forth in the CONTRACT, in particular compliance with the INDICATORS AND GOALS FOR COVERAGE AND LOSSES and established quality parameters.

**Paragraph 9.** Notwithstanding the incidence of any type of penalty, the impacts on the INDICATORS AND GOALS FOR COVERAGE AND LOSSES and the elaboration of the inspection report, SABESP is obliged to repair, correct or replace, at its own expense and within the deadline established by ARSESP, the SERVICES related to the concession in which defects, flaws and/or inaccuracies have been identified.

**Paragraph 10.** ARSESP may require SABESP to present an action plan aimed at repairing, correcting, interrupting, suspending or replacing any service provided under flaws, defective and/or incorrect manners, related to the purpose of this CONTRACT, within a deadline to be

established by ARSESP, always compatible with the magnitude of the scope to be carried out by SABESP.

**Paragraph 11.** In the event SABESP fails to comply with ARSESP's determinations, URAE-1 shall be authorized to correct the situation, remedy the identified flaws, defects and/or inaccuracies, or fulfill the unrealized investment obligations, directly or through a third party, including by offsetting amounts owed to SABESP by URAE-1, and these costs shall be assumed by SABESP.

**Paragraph 12.** For the proper exercise of contractual inspection and monitoring by ARSESP, notwithstanding the other obligations to provide information established in this CONTRACT, in APPLICABLE LEGISLATION or the REGULATION, SABESP undertakes to:

- (a) Publish, under law, its financial statements and maintain accounting records of all operations in accordance with fundamental accounting principles and the Brazilian technical accounting standards approved by the Federal Accounting Council;
- (b) Submit, within 30 (thirty) days from the end of each calendar quarter, the accounting statements in accordance with corporate legislation, as well as the monthly closing balance sheets, duly signed by the responsible accountant;
- (c) Submit, within the deadline established by ARSESP, other additional or complementary information formally request;
- (d) Comply with all ARSESP's determinations, under the REGULATION and subject to application of the penalties established in this CONTRACT, ensuring SABESP's right to expressly oppose, which shall be analyzed by ARSESP as provided for in applicable regulations; and
- (e) Present, on a quarterly basis, a report with the measures adopted to resolve USER complaints submitted to the communication channels made available by SABESP, under the guidelines of this CONTRACT and period required for its implementation.

**Paragraph 13.** The accounting statements referred to in item (a) of paragraph 12 must be submitted to an independent auditing firm duly registered with the Brazilian Securities and Exchange Commission - CVM.

**Paragraph 14.** ARSESP, when inspecting the activities carried out by SABESP, including on the execution of INVESTMENTS, shall be supported by the VALUATION COMPANY and the INDEPENDENT VERIFIER, within the limits of their attributions, as defined in this CONTRACT and its ANNEXES.

**Paragraph 15.** The following acts eventually practiced by SABESP are subject to prior consent from ARSESP, notwithstanding other events provided for in this CONTRACT, in APPLICABLE LEGISLATION and the REGULATION, under penalty of application of the sanctions established in this CONTRACT and in its ANNEXES, including the possibility of declaring the CONTRACT's nullity:

(a) Merger, incorporation, spin-off, transformation or any form of corporate restructuring that may eventually, in the situations permitted by APPLICABLE LEGISLATION and Clause 22, jointly or separately, characterize a change in shareholder CONTROL, such as:

- i. Signing of shareholders' agreement; and
- ii. Issuance of securities convertible into shares.

(b) Creation of subsidiaries, including for the management of business associations of different natures, which may constitute a source of additional income;

(c) Providing loans and financing, guarantees or any other form of collateral, by SABESP, to its shareholders, RELATED PARTIES, or third parties.

(d) Hiring of financings, issuing securities and bonds, and any and all debt operations hired by SABESP which, in any circumstance, offers the rights arising from the concession as collateral; and

(e) Disposals, encumbrances or transfers, of any nature, of LINKED ASSETS, by SABESP, to third parties, except when waived under this CONTRACT.

**Paragraph 16.** The request for prior approval must be submitted by SABESP in reasonable advance to allow ARSESP to carry out its due analysis and respond in a timely and reasonable manner and must not compromise the operation(s), attempted by SABESP and that rely on prior authorization by ARSESP.

**Paragraph 17.** The request for prior approval to be submitted by SABESP must be accompanied by the relevant documentation that characterizes and explains the intended operation, as well as other documents that may eventually be required by ARSESP, in particular those needed to prove that the continuity and quality of SERVICES will not be compromised.

- (a) If the scope of the request for prior consent impacts the LINKED ASSETS, SABESP must present a commitment that it will carry out, as applicable, the immediate replacement of such assets to be sold or transferred, with new assets of similar functionality and equal or superior technology, unless there is express consent from ARSESP for this not to be done.
- (b) When the request for prior approval concerns the exploration of SUPPLEMENTAL ACTIVITIES, the documentation must also provide the indication of the source and estimated values of the OTHER PRICES, per year or per activity, when these are non-recurring.

**Paragraph 18.** ARSESP will have 60 (sixty) days, from the date it receives the request for prior consent by SABESP, to present a written response for the request, and may consent, reject the request, or formulate requirements for granting the consent.

- (a) If ARSESP rejects the request or requires additional information, it must be reasonable, and it may offer an alternative proposal so that the intended operation is accepted.

**Paragraph 19.** The following acts and operations eventually practiced or suffered by SABESP must be communicated to ARSESP, within 15 (fifteen) days after their occurrence, under penalty of application of the sanctions described in this CONTRACT:

- (a) Changes in the shareholding structure of SABESP that do not cause a transfer of direct shareholder CONTROL of SABESP, but implies in the transfer of at least 20% (twenty percent) of the shares with voting rights in SABESP, or 10% (ten percent) of the shares with voting rights in SABESP held by a single shareholder;
- (b) Changes in voting agreements applicable to CONTROLLING COMPANIES that do not imply the transfer of direct shareholder CONTROL of SABESP;
- (c) Amendments to SABESP's Bylaws for eminently formal and/or procedural reasons, or increases to its share capital;
- (d) Application of penalties to SABESP, by any entity with such authority, particularly for non-compliance with tax, social security, occupational health and safety obligations, or applied by entity with the authority to regulate and monitor SABESP's activities, or even for environmental reasons;
- (e) Request, by third parties, for SABESP's judicial reorganization, or for the opening of any other bankruptcy or liquidation process relating to SABESP;
- (f) Hiring of loans and financing, issuing of securities and bonds, or any other debt transaction and the hiring of insurance and guarantees not included in the situations listed in paragraph 15, line (d);
- (g) Replacement of SABESP's technical manager.

**Paragraph 20.** ARSESP may, subject to the legal limits and provisions of this CONTRACT, waive prior consent in specific situations, by means of written notice, provided the requirements established in said notice are met.

## CHAPTER 16. PERFORMANCE INDICATORS

Clause 43. This CONTRACT will be assessed by ARSESP, and supported by the INDEPENDENT VERIFIER, through the indicators defined in ANNEX II - TECHNICAL ANNEX FOR EACH MUNICIPALITY and ANNEX VII - U FACTOR, Q FACTOR AND QUALITY INDICATORS.

**Paragraph 1.** The assessment of the quality of SERVICES, by ARSESP, must consider the parameters contained in ANNEX VII – U FACTOR, Q FACTOR AND QUALITY INDICATORS regarding the attributes of the SERVICES, and the outcome of this assessment must be brought to the attention of the MUNICIPALITIES, the STATE and URAE-1.

**Paragraph 2.** SABESP's performance in providing SERVICES, according to the score defined in the INDICATORS AND GOALS FOR COVERAGE AND LOSSES, to be assessed annually during the PERIODIC TARIFF ADJUSTMENT or REVIEW, will be reflected in the TARIFFS, under the terms of ANNEX VII – U FACTOR, Q FACTOR AND QUALITY INDICATORS and ANNEX V – REGULATORY MODEL.

**Paragraph 3.** When it is clearly impossible to assess any of the INDICATORS AND GOALS



FOR COVERAGE AND LOSSES, for reasons not attributable to SABESP, the weight(s) corresponding to the indicator(s) that cannot be measured will be redistributed proportionally among the others that can be assessed, for the purpose of the INDICATORS AND GOALS FOR COVERAGE AND LOSSES.

- (a) If the impossibility to assess is attributable to SABESP, including the failure to hire an INDEPENDENT VERIFIER that does not result from action or omission by URAE-1, the STATE, the MUNICIPALITIES or ARSESP, the INDICATORS AND GOALS FOR COVERAGE AND LOSSES will be considered to have been fully breached.

**Paragraph 4.** ARSESP or the INDEPENDENT VERIFIER may request from SABESP any information deemed necessary to conclude the calculation of the INDICATORS AND GOALS FOR COVERAGE AND LOSSES, and SABESP must present the requested information within a deadline of 10 (ten) days.

- (a) Failure to submit information, lack of information and/or submission of information that does not comply with the request may result in the impossibility of calculating the INDICATORS AND GOALS FOR COVERAGE AND LOSSES, with the consequences set out in article 3, paragraph (a).

**Paragraph 5.** The loss of revenue due to the application of the INDICATORS AND GOALS FOR COVERAGE AND LOSSES may be reviewed as requested by SABESP to ARSESP, in a specific administrative process, if there is evidence that the failure to achieve any of the INDICATORS AND GOALS FOR COVERAGE AND LOSSES was caused by the materialization of a risk assumed by the GRANTING AUTHORITY, under the terms of this CONTRACT.

**Paragraph 6.** The request referred to in paragraph 5 shall not interrupt the measurement and application of the INDICATORS AND GOALS FOR COVERAGE AND LOSSES, which shall occur within the deadlines established in this CONTRACT and ANNEXES.

**Paragraph 7.** Any credit of SABESP resulting from the acceptance of the review request made according to paragraph 5 must be considered by ARSESP within the scope of the PERIODIC TARIFF REVISIONS or the subsequent EXTRAORDINARY REVISIONS.

**Paragraph 8.** Notwithstanding the provisions of paragraphs 5 to 7, if the event well-founded elements show that the failure to achieve any of the INDICATORS AND GOALS FOR COVERAGE AND LOSSES was caused by the materialization of a risk assumed by the GRANTING AUTHORITY, such as (i) failure to comply with regulatory deadlines by licensing bodies or the authorities responsible for issuing a declaration of public use and (ii) failure to perform an act of police force necessary to enable SABESP's performance, ARSESP may provisionally suspend its application in the respective PERIODIC TARIFF ADJUSTMENT or REVIEW process, only for the indicators, municipalities and territorial divisions that have been affected by the materialization of the risk.

**Paragraph 9.** In the situation provided in 8, if ARSESP, at the end of its own administrative process, concludes that the failure to achieve any of the INDICATORS AND GOALS FOR COVERAGE AND LOSSES



was not caused by the materialization of risk assumed by the GRANTING AUTHORITY, the respective credit of the CONSEQUENTIAL POWER arising from the non-application of INDICATORS AND GOALS FOR COVERAGE AND LOSSES provisionally suspend must be considered within the scope of PERIODIC TARIFF REVISIONS or the subsequent EXTRAORDINARY REVISIONS.

## **CHAPTER 17. VIOLATIONS AND PENALTIES**

Clause 44. In the event of total or partial non-compliance with this CONTRACT, the REGULATION or APPLICABLE LEGISLATION, SABESP shall be subject to the application of the penalties provided for in APPLICABLE LEGISLATION, whose regulation is part of this CONTRACT, as ANNEX III – VIOLATIONS AND PENALTIES.

**Paragraph 1.** The sanctions referred to in this Clause will be applied by ARSESP, after regular administrative sanctioning procedures, and SABESP is ensured the right to a full defense and the right to appeal.

Paragraph 2. The provisions of ARSESP Resolution 31/2008, as amended, do not apply to the CONTRACT, unless there is a new specific decision by ARSESP in the future.

Clause 45. Application and compliance with sanctions do not exempt SABESP from the obligation to correct the flaw or irregularity.

Clause 46. Complaints from URAE-1's technical committees and individual USERS that are presented to ARSESP, indicating potential practice of acts subject to the application of sanctions, must undergo a preliminary analysis by ARSESP and, if potential act of violation is identified, an inspection or sanctioning process will be instituted, as regulated in this CONTRACT.

## **CHAPTER 18. INTERVENTION**

Clause 47. URAE-1 may intervene, at any time and notwithstanding the application, by ARSESP, of applicable penalties and other incidental responsibilities, after prior manifestation by ARSESP, in the SERVICES provided to ensure their regularity and adequacy, as well as SABESP's compliance with relevant contractual, regulatory and legal standards.

**Paragraph 1.** Situations in which an intervention can be authorized, include:

- (a) The total or partial suspension or interruption of SERVICES and/or the execution of INVESTMENTS, caused by SABESP and breaching the terms of this CONTRACT;
- (b) Serious deficiencies in SABESP's organization that compromise compliance with the obligations assumed in this CONTRACT;
- (c) Serious and repeated inadequacies, insufficiencies or deficiencies in the execution of INVESTMENTS and/or in the SERVICES provided;
- (d) Lack of renewal or lack of maintenance in validity of the PERFORMANCE GUARANTEE;
- (e) Failure to hire, renew or maintain all insurance policies under the terms required in this CONTRACT;

- (f) Situations that put the environment, the safety of USERS, individuals or properties, the public treasury or public health at risk; and
- (g) The use of LINKED ASSETS, by SABESP, for illicit purposes.

**Paragraph 2.** The decision taken by URAE-1 to intervene in the concession, when one of the situations provided for in paragraph 1 is confirmed, involves a judgment of convenience and opportunity by URAE-1, which may, in view of the peculiarities of the situation, decide to apply, including cumulatively, other measures provided for in the CONTRACT that, in its judgment, best serve the public interest, such as the application of penalties or a declaration stating the expiration of the concession, when admissible.

- (a) If any situation arises that may result in the intervention of the concession, ARSESP must notify SABESP so that, under the established deadline, it can rectify the identified irregularities, notwithstanding the application of penalties.
- (b) Once the deadline mentioned in paragraph (a) has elapsed without SABESP having remedied the irregularities or taken measures that, at the discretion of ARSESP, demonstrate the effective purpose of resolving the matters, it will propose URAE-1 to resolve, within its governance structure, on intervening in the concession.

**Paragraph 3.** The intervention shall be carried out by an act of URAE-1, after being recommended by ARSESP, and must indicate, at least, the reasons for the intervention, the designation of the intervenor, the deadline, the objectives and the limits of the intervention.

- (a) The role of intervenor may be performed by an agent from URAE-1, STATE or MUNICIPALITIES, by a specifically appointed person, collegiate body or companies, and SABESP shall pay the costs for their remuneration.
- (b) The intervention automatically implies in the mandatory and temporary transfer of SABESP's management, and its bank accounts to the intervenor.

**Paragraph 4.** Within 30 (thirty) days from the declaration of the intervention, an administrative process must be initiated and conducted by ARSESP, aimed at proving the causes that resulted in such measure and determining accountability, ensuring SABESP the right to a full defense and the right to appeal.

**Paragraph 5.** The administrative procedure mentioned in the previous paragraph must be completed within a maximum deadline of 180 (one hundred and eighty) days, under penalty of the intervention being considered invalid.

**Paragraph 6.** During the intervention, SABESP undertakes to make the management of its SERVICES, LINKED ASSETS, rights related to its bank accounts and the hired financings immediately available to the appointed intervenor, in addition to all other matters required for the SERVICES under the purpose of CONTRACT to be offered it is entirety, and the intervenor is must observe the restrictions on bank account movements that may be included in the financing agreements signed by SABESP.

**Paragraph 7.** During the intervention period, the amounts due to SABESP, as TARIFFS, OTHER PRICES and ADDITIONAL REVENUE, will be made available to the intervenor, who must use them in the activities necessary for the SERVICES to be provided, observing the obligations contained in the financing, insurance and guarantee contracts signed by

SABESP, also considering any values necessary to reimburse administration costs.

**Paragraph 8.** Any additional costs arising from the intervention shall be assumed by SABESP, and URAE-1 may use the PERFORMANCE GUARANTEE to obtain the missing funds to cover the expenses necessary for the continuity of SERVICES under intervention.

**Paragraph 9.** The intervention will be declared nullity if it is proven that legal and regulatory requirements for its decree were not observed, and the service and assets linked to the SERVICES must be immediately returned to SABESP, notwithstanding the intervenor needing to take on accountability for any indemnity that may be applicable.

**Paragraph 10.** Once the intervention has terminated, and if the CONTRACT has not been terminated, the management of SERVICES will be returned to SABESP, as well as the financial control of the concession, with any surplus of the amounts earned during the intervention period transferred to it, preceded by the accountability by the intervenor, who shall be responsible for the acts carried out during its management.

**Paragraph 11.** The intervention is not a reason for the termination or suspension of any of SABESP's obligation with third parties, including funders or guarantors.

**Paragraph 12.** URAE-1 shall compensate SABESP for any direct damage it may have caused during the intervention period.

## **TITLE VIII. CONTRACTUAL VALIDITY AND EXTINGUISHMENT**

### **CHAPTER 19. VALIDITY**

Clause 48. The CONTRACT shall come into effect on the EFFECTIVE DATE until October 19, 2060.

**Paragraph 1.** The CONTRACT's term may be extended, exceptionally, and at the sole discretion of URAE-1, to ensure the continuity of the SERVICES, provided that the economic-financial balance of the CONTRACT is preserved, when the provisions of article 42, paragraph 5º of Federal Law 11.445/2007 are not met, or prior to the end of the CONTRACT's term resulting from a new bidding process for the concession of the SERVICES, under the terms permitted by law.

**Paragraph 2.** Any extension of the CONTRACT's term shall occur through an addendum, under legislation in force on the date in which it is signed.

**Paragraph 3.** On the EFFECTIVE DATE, for all purposes, contracts signed individually between SABESP, the MUNICIPALITIES, and the STATE, as listed in ANNEX I - MUNICIPALITIES SERVED and whose purpose is to provide SERVICES, shall be terminated and fully replaced, irrevocably and irreversibly, by this CONTRACT, whose terms and conditions will govern the provision of SERVICES between SABESP and the GRANTING AUTHORITY.

## CHAPTER 20. ADMINISTRATIVE PROCEDURE CONTRACTUAL EXTINGUISHMENT

### SECTION 17 SITUATIONS AND CONSEQUENCES FOR EXTINGUISHMENT

Clause 49. The CONTRACT shall be terminated, under the terms of the following clauses and APPLICABLE LEGISLATION, by force of:

- (a) Initiation of the contractual term;
- (b) Expropriation;
- (c) Nullity;
- (d) Termination;
- (e) Annulment; and
- (f) Bankruptcy, liquidation or extinction of SABESP, or a judicial reorganization that jeopardizes the execution of the CONTRACT.

Clause 50. Upon early termination of the CONTRACT, notwithstanding the possibility of a specific resolution by URAE-1 regarding the SERVICES provided, the STATE and the MUNICIPALITIES shall, within the scope of their respective authorities, as provided for in article 8 of Federal Law 11.445/2007, as amended:

- (a) assume the provision of SERVICES and REVERSIBLE ASSETS, in the location and condition in which they are found;
- (b) occupy and use the locations, facilities, equipment, materials and human resources employed for the execution of the SERVICES and which are necessary for their continuity;
- (c) apply any applicable penalties to SABESP
- (d) determine any losses caused and retain any credits from SABESP up to the limit of the reported losses;
- (e) execute insurance policies, as applicable, to receive administrative fines and reimbursement for any losses caused by SABESP;
- (f) subrogate themselves in the commitments assumed by SABESP due to the purpose of this CONTRACT; and
- (g) indemnify SABESP for unamortized investments, as provided for in this CONTRACT.

**Paragraph 1.** URAE-1 may, if approved under its governance structure, promote a new bidding process for the purpose of the CONTRACT, conditioning the transfer of services to the payment of indemnification resulting from the termination of the CONTRACT, and which said indemnification may be assumed by the future provider, pursuant to article 42, paragraph 5 of Federal Law 11.445/2007, and be paid directly to SABESP's funders or the Company itself, as the case may be, in compliance with the terms of URAE-1's regulations.

**Paragraph 2.** The provisions of paragraph 1 do not remove or harm SABESP's right to adopt collection measures from the moment this indemnification is due and until payment is made.

## SECTION 18 INITIATION OF THE CONTRACTUAL TERM

Clause 51. The concession will be terminated when the CONTRACT's term expires, consequently ending the contractual relations between the PARTIES, except those expressly provided for in this CONTRACT, the post-contractual obligations attributed to SABESP, ARSESP, URAE-1, the STATE and the MUNICIPALITIES.

**Paragraph 1.** ARSESP must initiate, always with the participation of SABESP, in relation to all SYSTEMS or a portion of them, an administrative process for a contractual termination, by at least 24 (twenty-four) months prior to its effective termination, and establish an Operational Demobilization Program to define the rules and procedures for the STATE and/or MUNICIPALITY, or an authorized third party, to take over the operations.

**Paragraph 2.** If the contractual term ends, notwithstanding any possible subrogation of the holder of the SERVICES or the future provider in valid contracts, SABESP shall be entirely and exclusively responsible for the termination of any contractual relationships signed with third parties to which it is a party.

**Paragraph 3.** URAE-1, the STATE and MUNICIPALITIES will not assume any responsibility, charge or burden regarding contracts signed by SABESP, except in the event of exercising the prerogative to subrogate themselves in contracts signed by SABESP, and no indemnification will be due to SABESP or third parties arising from the termination of such contractual relationships.

**Paragraph 4.** SABESP must take the necessary measures to facilitate negotiations between third parties contracted by it and URAE-1, the STATE and the MUNICIPALITIES, viewed at ensuring the possibility of exercising the prerogative mentioned in paragraph 3.

**Paragraph 5.** SABESP is obliged to cooperate with ARSESP and URAE-1 to ensure no interruptions occur in the SERVICES, nor deterioration of LINKED ASSETS with the initiation of the contractual term and consequent termination of this CONTRACT, and must, for example: (i) cooperate in training for taking over the SERVICES by its operator or the operator indicated for this purpose; and (ii) collaborate in the transition, and in whatever is necessary for the continuity of the exploration and maintenance of the LINKED ASSETS, safeguarding the situations of justified business secrecy and agreements with ARSESP.

## SECTION 19 EXPROPRIATION

Clause 52. URAE-1 may, at any time, aimed at serving the public interest, take over the SERVICES or a portion of them, if previously authorized by legislation and applying the REGULATION in a subsidiary manner to the provisions of this CONTRACT, in which the prior payment of indemnities to SABESP must cover:

**Paragraph 1.** The charges and burdens arising from fines, terminations and indemnification due to suppliers, contractors and third parties in general, arising from the early termination of contractual ties, in which such amounts must be compatible with market practices, in particular for RELATED PARTIES, under the provisions of paragraph 5 of this Clause 52.

**Paragraph 2.** The total amount due by SABESP to its funders and other creditors of debt instruments, up to the date of the early termination of the concession, including interest and other charges already incurred and not yet paid, as well as any charges provided for in these contracts that may be due by SABESP and which have as a triggering event the early termination of the contract with the funders or other creditors, under paragraph 5 of this Clause 52; and

**Paragraph 3.** Lost profits.

**Paragraph 4.** The following must be discounted from the amount provided for in paragraph 1 of this Clause 52:

- (a) Any amounts contributed to SABESP, but not yet used for the benefit of the concession, or any amount available to SABESP, such as cash balances, amounts receivable from suppliers, insurance companies and third parties in general, as well as recoverable taxes;
- (b) The residual value of NON-REVERSIBLE ASSETS that have been paid for by SABESP and that remain owned by the CONCESSIONAIRE or third parties after the termination of the concession; and
- (c) Funds that have been used for purposes other than the concession, such as those raised to pay expenses for the benefit of shareholders or RELATED PARTIES, or for the distribution of dividends.

**Paragraph 5.** The portion defined in paragraph 1 of this Clause 52:

- a) shall observe, for charges and burdens arising from fines, terminations and indemnification due to suppliers, contractors and third parties in general, arising from the termination of contractual ties, the following maximum limits: (1) labor charges: the minimum amounts required by law for dismissals without just cause, not considering amounts that are only due based on individual or collective agreements; and (2) other contracts: the amounts for damage, losses, costs, expenses, fines and other charges, expressly provided for in the contract, or arising from a court decision, that have been incurred by SABESP under reasonable conditions as a direct result of the termination of the contract with the third party, and provided that:
  - 1. The contract was signed prior to any news of a contractual breach, by URAE-1, capable of giving rise to the termination of the contract, or prior to any expression of interest on the part of the latter in carrying out the expropriation, with limited indemnification in the event of conclusion at a later date, in relation to the charges due in a similar contract that has been concluded previously, if any;
  - 2. The contract with the third party is clearly related to the provision of SERVICES or the execution of works provided for in this CONTRACT, and may include:
    - (i) any materials or assets in the process of being supplied or delivered that cannot be cancelled without incurring significant costs; and (ii) costs of demobilization or relocation of equipment; and
  - 2.1. SABESP and the third party have adopted reasonable measures within their reach to mitigate damage, losses, costs, expenses, fines and other charges, as much as possible under the circumstances and the corresponding contractual provisions, with indemnification limited to, in



the event of non-compliance or unsatisfactory compliance with the obligation provided for in this paragraph, to the amounts that would be incurred if the damage and losses involved were adequately mitigated.

- a) It may not incorporate, under any circumstances, amounts corresponding to the third party's lost profits, or funds of a similar nature and purpose; and
- b) It will not consider costs for contractual terminations when there was the possibility of termination without costs to SABESP, for reasons of non-compliance by the third party or other applicable contractual cause.

**Paragraph 6.** Indemnification due, arising from the expropriation, is limited to the amounts established in this Clause 52, and no other amounts are due as indemnity, lost profits other than those provided for in this Clause 52 and/or consequential damage.

**Paragraph 7.** Indemnification must be paid at the exact moment the concession is resumed and as a condition for its resumption.

## **SECTION 20 NULLITY**

Clause 53. URAE-1 may, to serve the public interest, and provided that ARSESP has recognized, through an administrative process, the occurrence of one of the situations provided for in this CONTRACT, in ANNEX III - VIOLATION AND PENALTIES, in ANNEX VII - U FACTOR, Q FACTOR AND QUALITY INDICATORS or in Federal Law 8,987/1995, as amended, which will be preceded by a competent administrative process, ensuring due legal process, in particular the right to a full defense and the right to appeal after exhausting the possibilities for resolution provided for in this CONTRACT, notwithstanding the application of contractual sanctions.

**Paragraph 1.** URAE-1's decision to declare the concession's nullity involves a judgment of convenience and opportunity, by URAE-1, which may, in view of the peculiarities of the situation, decide to apply other measures provided for in the CONTRACT that, in its judgment, what best serve the public interest, such as the application of penalties by ARSESP, or the decree to intervene in the concession, as admissible.

**Paragraph 2.** When a contractual breach by SABESP constitutes a recurring violation, or delay in fulfilling its contractual obligations, the fact that ARSESP applies, or has applied, any of the penalties provided for in this CONTRACT and its ANNEXES, does not eliminate the possibility of declaring the expiration of the concession, as allowed by this CONTRACT, if SABESP, despite the penalty(ies) applied, persists in violating contractual clauses.

Clause 54. Failure to comply with the INDICATORS AND GOALS FOR COVERAGE AND LOSSES, under the terms and conditions of this CONTRACT and ANNEX VII – U FACTOR, Q FACTOR AND QUALITY INDICATORS may give rise to the initiation of the administrative process referred to in Clause 53 and the declaration of this CONTRACT's nullity.

Clause 55. Expiry will necessarily be preceded by a notice to SABESP, informing on the legal, contractual and regulatory breaches in detail, with the granting of a reasonable deadline, no less than 30 (thirty) days, for the identified flaws or irregularities to be corrected, or to adjust the acts that violate contractual, regulatory or legal terms, as applicable.

**Paragraph 1.** If SABESP, within the established deadline, fails to remedy the faults or irregularities identified, or fails to adjust the violating acts, ARSESP will institute the appropriate administrative proceedings to investigate SABESP's default, ensuring the rights to a full defense and the right to appeal.

**Paragraph 2.** After the initiation of an administrative process that may result in a declaration of nullity, SABESP will be notified of such measure, as well as the reasons for applying the measure, so it can present its defense within a maximum deadline of 30 (thirty) days.

**Paragraph 3.** If SABESP's default is proven during the competent administrative process, ARSESP will notify URAE-1 that it may declare this CONTRACT's nullity, regardless of prior payment of indemnification that may be due to SABESP, in the amount to be determined during the aforementioned administrative process or in a separate administrative process.

**Paragraph 4.** The declaration of the concession's nullity will imply the immediate entry, by URAE-1, of the holders of the SERVICES or third party designated for this purpose, gaining possession of all REVERSIBLE ASSETS, and SABESP's liability for any and all types of burdens, fines, penalties, indemnification, charges or commitments with third parties arising from the concession's nullity, notably in relation to labor, tax and social security obligations.

**Paragraph 5.** The declaration of the concession's nullity will result in the application, by ARSESP, of a penalty to SABESP, in the amount equivalent to 1% of its annual net revenue.

**Paragraph 6.** The declaration of the concession's nullity does not exempt SABESP from indemnifying for any losses it may have caused to URAE-1 or third parties, even if its effects are felt after the termination of the concession.

**Paragraph 7.** Indemnification due to nullity must cover investments in reversible assets (RRB) that have not been amortized or depreciated, including amounts invested in assets that are still classified as works in progress, provided they are related to REVERSIBLE ASSETS, minus applicable penalties and any damage demonstrably caused by SABESP to the GRANTING AUTHORITY.

## SECTION 21 TERMINATION

Clause 56. This CONTRACT may be terminated:

- (a) amicably by the PARTIES, observing the terms of article 26 of State Law 7,835/1992;
- (b) after a re-bidding procedure, as provided for in article 8 of State Law 16,933/2019; or

- (c) at the initiative of SABESP, in the event of non-compliance with the CONTRACT or APPLICABLE LEGISLATION by URAE-1, ARSESP, the STATE or the MUNICIPALITIES, by means of arbitration or judicial proceedings, according to the dispute resolution stages provided for in this CONTRACT.

**Paragraph 1.** The criteria for calculating indemnification, in the event of termination, shall observe the following provisions:

- (a) in the event set out in paragraph (a), the indemnification shall be established by mutual agreement between the PARTIES and may not surpass the amount due in the event of expropriation;
- (b) in the event set out in paragraph (b), the indemnification shall be equivalent to what may be applied in nullity, and the application of a fine penalty may be waived; and
- (c) in the event set out in paragraph (c), the indemnification shall be calculated in accordance with the same criteria adopted in the event of expropriation.

**Paragraph 2.** The establishment of a re-bidding procedure relies on an agreement between URAE-1 and SABESP, in a procedure that ensures the continuity of SERVICES until a new bidding process has been concluded for the activities to be assumed by the winner of the bidding process.

- (a) SABESP does not have any right to initiate, trigger, conducted or concluded a re-bidding process, and URAE-1, under article 9, paragraph 1, of State Law 16,933/2019, must exercise judgment regarding the need, relevance and reasonableness of instituting and conducting the procedure, given the alternatives available for continuing the CONTRACT or terminating it for any other reason provided for in Clause 49.
- (b) If SABESP requests the qualification of the CONTRACT for re-bidding purposes, with proof of recurring or permanent failure to comply with contractual provisions or the inability to fulfill contractual or financial obligations assumed, ARSESP will only analyze the request if it is accompanied by the documents provided for in article 9, paragraph 2, of State Law 16,933/2019.
- (c) Once the CONTRACT has been qualified, by the GRANTING AUTHORITY, for re-bidding purposes, and if has been decided that said procedure will be adopted, URAE-1 and SABESP must sign an addendum to the CONTRACT containing, in addition to the provisions of article 10 of State Law 16,933/2019, other elements deemed relevant by URAE-1 to ensure the continuity of the SERVICES.

**Paragraph 3.** SABESP must, prior to the initiation of arbitration proceedings, notify ARSESP and URAE-1 of its intention to terminate the CONTRACT, explaining the reasons why it intends to initiate arbitration proceedings for this purpose, under the terms in legislation and relevant regulatory standards.

- (a) SABESP may only seek arbitration for the termination of the CONTRACT if substantial breaches, by URAE-1, ARSESP, the STATE or the MUNICIPALITIES, have been identified, and that results in the impossibility, or excessive burden, of fulfilling the scope of the contract.

- (b) In the event listed in paragraph (a), SABESP will grant a deadline of no less than 30 (thirty) days for the breach to be corrected, at an administrative level.
- (c) The SERVICES provided by SABESP may not be interrupted or suspended until an arbitration decision is reached, from which no further appeal is possible, decreeing the termination of the contract.

## **SECTION 22 ANNULMENT**

Clause 57. The CONTRACT may be annulled in the event of illegality, under the provisions contained in article 35, item V, of Federal Law 8,987/1995, investigated in an administrative procedure, initiated from the notification sent from one PARTY to the other, or from ARSESP to both PARTIES, ensuring the right to a full defense and the right to appeal.

Paragraph 1. In the event of early termination of the CONTRACT due to annulment, the criteria for indemnification due to SABESP shall be as follows:

- (a) If the annulment is due to reasons caused by SABESP or its shareholders, the applicable indemnification shall be equivalent to that calculated in the event of nullity; and
- (b) If the annulment is due to reasons caused by the GRANTING AUTHORITY, the applicable indemnification shall be equivalent to that calculated in the event of expropriation.

## **SECTION 23 BANKRUPTCY, JUDICIAL REORGANIZATION, LIQUIDATION AND EXTINCTION OF SABESP**

Clause 58. The CONTRACT will be automatically extinct if:

- (a) SABESP has its bankruptcy or liquidation decreed by court order, from its effects, or if the ordinary liquidation process is authorized by a decision by its competent statutory body;
- (b) the PRIVATIZATION PROCESS is not completed by the STATE; or
- (c) ARSESP decides, after conducting regular administrative proceedings, ensuring SABESP the right to a full defense and the right to appeal, that the judicial reorganization of the latter is detrimental to the execution of the SERVICES.

**Paragraph 1.** In the event SABESP is extinct due to bankruptcy or a judicial reorganization is granted which, in the latter case, jeopardizes the execution of the CONTRACT, or, further, in the event SABESP is liquidated by resolution of its shareholders, the same provisions regarding the contractual nullity shall apply, including with the installation of due administrative processes to determine the actual loss and establish applicable sanctions.

- (a) Eventual net assets of the extinct SABESP will not be shared among its shareholders prior to all obligations with URAE-1, ARSESP, the STATE and the MUNICIPALITIES having been paid, and without the issuance of a definitive term of return.

**Paragraph 2.** In the event provided for in paragraph (b) of the caput of Clause 58, the CONTRACT will be terminated without any implications for SABESP.

## CHAPTER 21. ASSET REVERSAL

Clause 59. Once the CONTRACT is terminated, after the signing of a Definitive Term for the return of the SERVICES, the REVERSIBLE ASSETS, rights and prerogatives linked to the SERVICES will revert back to the STATE and/or MUNICIPALITIES.

**Paragraph 1.** REVERSIBLE ASSETS must be free of any encumbrance, charges, taxes, obligations or liens, and in good operating, usable and maintenance conditions, with characteristics and technical requirements that allow the full operation of the SERVICES.

**Paragraph 2.** The PARTIES will proceed with data collection and inspection of the REVERSIBLE ASSETS, aimed at verifying the state of conservation and maintenance of the assets based on the updated terms of the RRB, and will sign the Provisional Term of Return for the SERVICES, within 90 (ninety) days from the beginning date of the administrative process for the CONTRACT's termination.

(a) All information about REVERSIBLE ASSETS, including description, state of conservation and remaining useful life, must be included in the inventory, to be maintained by SABESP throughout the concession, which must be delivered to ARSESP when the concession term has ended.

(b) In the event of discrepancy between the inventory and the actual situation of the REVERSIBLE ASSETS, SABESP must, if such difference occurs to the detriment of URAE-1, take all appropriate measures, including acquiring new assets or carrying out works so the REVERSIBLE ASSETS are delivered in the same conditions as those provided for in the inventory certified by the VALUATION COMPANY.

**Paragraph 3.** The Definitive Term of Return for the SERVICES must be signed within a maximum deadline of 90 (ninety) days after the drafting of the Provisional Term, provided that, during this period:

- (a) the assets have been verified and undergone a final inspection, with proof of such measures, by ARSESP, as referred to in paragraph 2; and
- (b) comply with the terms of the CONTRACT in relation to the duty to indemnify SABESP for unamortized investments.

**Paragraph 4.** In the event of an early termination of the CONTRACT, the terms defined in this Clause may be reduced by ARSESP.

**Paragraph 5.** The reversal of SHARED ASSETS will only be effective after a decision by URAE-1, preceded by a technical opinion from ARSESP.

## CHAPTER 22. INDEMNIFICATION DUE

Clause 60. The STATE and/or the MUNICIPALITY(IES), as decided within the scope of URAE-1, shall be liable to SABESP for any indemnities that may arise from the termination of the CONTRACT, with reversion of the REVERSIBLE ASSETS to the provision of SERVICES, in compliance with the terms of this CONTRACT and ANNEXES and, subsidiarily, the REGULATION.

**Paragraph 1.** Indemnification shall be paid preferably by the new contractor, under the terms and limits established by the STATE and/or MUNICIPALITIES, as applicable, in the instrument(s) that succeed this CONTRACT.

- (a) The signing of a new contract for the provision of water supply and sewage services that fully or partially include the SYSTEMS is subject to prior payment of indemnification due to SABESP, in proportion to the SYSTEM whose operation is intended to be granted to a third party, except in the event of this CONTRACT is terminated due to expiration, or if the PARTIES agree on a better solution.
- (b) The procedure for calculating the indemnification due to SABESP and its verification do not prevent any bidding process from being carried out prior to the signing of the new contract.

**Paragraph 2.** In the event indicated in paragraph 1, SABESP shall remain as the provider of the SERVICES until the due indemnification is paid, except:

- (a) if there is an express and formal agreement signed with SABESP stating the contrary;
- (b) if SABESP disagrees with the indemnification amounts approved by ARSESP, and there is full payment of the undisputed amount, which will allow the signing and start of the execution of the new contract, regardless of the resolution of any dispute established on the matter.

**Paragraph 3.** The indemnification, approved by ARSESP based on a prior report by the VALUATION COMPANY, shall be paid within 180 (one hundred and eighty) days from the beginning of the termination process of this CONTRACT, or within 60 (sixty) days from the date of compliance with paragraph 3, item (a), of Clause 59, and, in any event, prior to the transfer of the SERVICES to the holders or third parties indicated by them, under the provisions of paragraph 1 and 2.

**Paragraph 4.** Any deferral of payment beyond the term set forth in paragraph 3 of this Clause is subject to agreement between the PARTIES, and the amounts due will be capitalized for the purposes of monetary restatements, capital remuneration and compensation for arrears, under the regime for updating debts incurred with the Public Treasury, as provided for in article 3 of Constitutional Amendment 113, of December 8, 2021, as amended.

**Paragraph 5.** SABESP and/or potential beneficiaries of indemnification payments, particularly the funders, may negotiate such receivables with third parties to anticipate the payment of these credits.

**Paragraph 6.** The use of payment mechanisms included in a contract signed with the new operator of the SERVICES, for direct payment of indemnification due to SABESP, shall not eliminate the liability of the holder of the SERVICES, if the new operator of the SERVICES does not pay the commitments assumed.

Clause 61. Investments not yet amortized or depreciated, and which have been duly restated by the IPCA/IBGE price index relating to REVERSIBLE ASSETS will be compensated, as well as amounts related to works in progress that have not yet been recorded as an asset.

**Paragraph 1.** The calculation of the indemnification referred to in the caput must consider:

- (a) the useful life (physical) of the INVESTMENTS already made by SABESP and not yet recovered or amortized by the SERVICES provided, whose implementation has been certified by the VALUATION COMPANY and validated by ARSESP; and



- (b) the rules and methodology for the formation and RAB UPDATE contained in ANNEX V – REGULATORY MODEL, applied until the start date of the CONTRACT’s termination process, after resolution by URAE-1 and upon prior manifestation by ARSESP.

**Paragraph 2.** The investments provided for in this CONTRACT, given they do not compromise the affordability of the tariff and the payment capacity of users, will be amortized until the end of the contractual term.

**Paragraph 3.** For the purpose set out in paragraph 2, ARSESP must carry out a prior economic and financial feasibility study, to be submitted to social control, proving that the amortization process referred to in paragraph 2 will comply with the terms of Federal Law 11,445/2007, which will not rely on contributions from FAUSP funds for this purpose and does not compromise the tariff affordability and USERS’ payment capacity, in compliance with the guidelines of ANNEX V – REGULATORY MODEL.

Clause 62. If this CONTRACT is annulled by a third party, and SABESP remains as the provider of the SERVICES, without the REVERSIBLE ASSETS having reverted to the STATE and/or MUNICIPALITY, no indemnification will be due to SABESP.

Clause 63. The exit of MUNICIPALITIES from URAE-1 during the term of the CONTRACT implies in the termination of the contractual relationship with the referred MUNICIPALITY, which will be responsible for indemnifying SABESP, under applicable provisions to the expropriation.

## **TITLE IX. RESOLUTION OF DISPUTES**

### **CHAPTER 23. GENERAL PROVISIONS**

Clause 64. The PARTIES and ARSESP shall make their best efforts to amicably resolve any disagreement that may arise from this CONTRACT, in compliance with the principles of good faith and cooperation.

**Paragraph 1.** Except in cases of urgency, the resolution bodies to resolve the disputes arising from this CONTRACT must observe the following order:

- (a) self-composition, assisted or not by a mediator, in which case the latter must comply with the provisions of Clause 65;
- (b) decision by the arbitration court, as provided for in Clause 67;
- (c) decision by a court, if the matter is not subject to arbitration, as provided for in Clause 68.

**Paragraph 2.** The PARTIES will not need to observe the order provided for in paragraph in situations of urgency, risks to the safety of USERS, third parties, LINKED ASSETS, risks of loss of rights for any of the PARTIES or to a worsening of the situation, and may directly seek precautionary or satisfactory measures, through any of the mechanisms indicated in items (b) and (c) of paragraph 1.

**Paragraph 3.** Except for the situations listed in paragraph 2, the PARTIES will not initiate resolutions on disputes without first notifying the other PARTY about the dispute, in a written document, substantiated and accompanied by the respective documents, with a proposal for resolving the divergence to receive a response within the deadline established in Clause 65, after which it may submit the disagreement to the next hierarchical resolution body for the dispute, depending on the matter to be resolved.

**Paragraph 4.** The PARTIES may not use to the detriment of the interests of the other PARTY, during the procedures to resolve the dispute listed in this Chapter, documents that have been produced by the opposing PARTY specifically during negotiations, such as meeting minutes, agreement proposals, opinions or technical statements.

(a) The restriction provided for in paragraph 4 does not cover pre-existing documents from before the resolution procedures for the dispute, or that were produced independently of the dispute, which may be used to defend the interests of the PARTIES in any of the dispute resolution mechanisms, regardless of the form or time at which the PARTY had access to such document.

**Paragraph 5.** The establishment of a resolution procedure for the dispute, through any of the mechanisms provided for in this Chapter, does not exempt the PARTIES from their duty to follow through and comply with their contractual obligations, notably SABESP's duty to continue providing the SERVICES and executing the INVESTMENTS.

(a) The suspension of INVESTMENTS or SERVICES will only be permitted when the object of dispute implies risks to the safety of individuals and/or the SERVICES being provided, given that their suspension demonstrably represents the most appropriate measure to neutralize or, when this is not possible, to mitigate any existing risk, obtaining, when possible without compromising safety, the consent of ARSESP prior to the suspension.

(b) Any breach of contract, or delay in fulfilling a contractual obligation, arising from the failure to comply with the obligation provided for in paragraph 5, will trigger the consequences provided for in the CONTRACT, including the application of contractual fines, regardless of the outcome of the dispute.

**Paragraph 6.** If any decision, during the procedures provided for in items (b) and (c) of paragraph 1, binds SABESP to an obligation to act, said obligation must be fulfilled by SABESP regardless of any payment, except, exclusively, if the decision itself requires compliance with the decision on prior payment by URAE-1.

## **CHAPTER 24. NEGOTIATIONS**

Clause 65. The PARTIES may decide to not make use of dispute resolution bodies without first formally notifying the other PARTY and ARSESP of their dissatisfaction, offering a reasonable explanation for the dispute, proposing a solution and providing copies of the respective documents.

**Paragraph 1.** The notification of dissatisfaction will be forwarded to the other PARTY and to ARSESP, which has a deadline of 15 (fifteen) business days to formulate a response.

(a) The response to the notification of dissatisfaction must be presented with a reasonable statement of the PARTY's position and supporting documents,

as well as an express stance on the proposed solution contained in the notification.

- (b) If the deadline provided for in paragraph 1 has elapsed, without the submission of a response, it will be presumed that the parties are in disagreement.
- (c) Upon a written agreement between the PARTIES, or between SABESP and ARSESP, the deadline for responding to the notification of dissatisfaction may be suspended for negotiations.
- (d) If the negotiations result in a self-composition, and if the matter does not require a contractual amendment, the PARTIES and ARSESP will register the agreement by adding an apostille to the CONTRACT.

**Paragraph 2.** If no agreement has been reached, based on the negotiations provided for in paragraph 1, or in the event of disagreement between the PARTIES, at the end of the procedure provided for in paragraph 1, the dissatisfied PARTY may request that negotiations be conducted with a senior representative of both PARTIES.

- (a) The negotiations referred to in paragraph 2, when requested by either PARTY, require mandatory presence from the other PARTY, under penalty of being considered a breach of contract.
- (b) The representative for the negotiations must be appointed by the highest authority of ARSESP, by URAE-1 in accordance with its regulations, and by the legal representatives of SABESP, in accordance with its bylaws.
- (c) If the request referred to in paragraph 2 is not made within 15 (fifteen) days from the stage mentioned in paragraph 1, other means of dispute to resolve the matter may be adopted, under the terms provided for in this CONTRACT.

**Paragraph 3.** In the event the negotiations provided for in Clause 65 fail, either PARTY may submit the dispute to another dispute resolution mechanism, among those provided for in Clause 66 and Clause 67, notwithstanding ARSESP or URAE-1 carrying out the regular conduct for any ongoing administrative process.

**Paragraph 4.** In all cases, including the stage provided for in paragraph 2 of this clause, negotiations must be concluded within 120 (one hundred and twenty) days from the date on which they were initiated.

**Paragraph 5.** Once the deadline provided for in paragraph 4 of this clause has elapsed, other means of dispute to resolve the matter may be adopted, under the terms provided for in this CONTRACT, unless otherwise agreed between the PARTIES.

## **CHAPTER 25. MEDIATION**

Clause 66. At any time, once the procedure set forth in Clause 65 has been concluded, either PARTY may propose a mediation, which shall only be initiated or continued with the consent of both PARTIES, and such consent may also be given between SABESP and ARSESP, without the participation of URAE-1.

**Paragraph 1.** Mediation is a procedure aimed at clarifying a dispute between the PARTIES, which may or may not result in an agreement, and will comply with Federal Law 13,140, of June 26, 2015, notwithstanding applicable state legislation, and may be carried out under any of the forms permitted therein.

**Paragraph 2.** Out-of-court mediations may follow the procedure of the State Administration Conciliation Chamber – CCAE, provided for in articles 54 et seq. of State Complementary Law 1,270/2015, if operational during the time of the dispute, and payment of any expenses and fees must be made by the mediation proponent.

(a) The election of the mediation chamber will be carried out jointly by SABESP and URAE-1.

**Paragraph 3.** The mediation procedure shall follow the rules set out in the chamber elected to conduct the procedure, which shall be appointed by consensus.

**Paragraph 4.** The PARTIES may choose for a non-institutional mediation process, in which case it must be agreed upon in a specific term between the PARTIES, also containing, at least, the rules for appointing mediator(s) and the deadlines for concluding the procedure.

**Paragraph 5.** The mediator(s) to be selected must comply with the requirements established in Clause 67, paragraph 14.

**Paragraph 6.** If the consensus mentioned in the previous clauses is not reached for the purposes of electing the chamber to conduct the mediation process, or regarding the non-institutional mediation, or regarding the choice of mediators, a mediation will not be established between the PARTIES.

**Paragraph 7.** The interested PARTY in proposing a mediation process will send a notification, with a brief explanation of the intended scope, to the opposing PARTY, which must inform its agreement within 5 (five) business days, after which a refusal shall be presumed. If the interested PARTY is SABESP, the Company also has the prerogative of sending the notification included in this clause to ARSESP, who must inform its agreement within 5 (five) business days, after which a refusal shall be presumed.

**Paragraph 8.** Any agreement resulting from mediation will be signed in writing, formalized in a contractual addendum, or in an appendix to the CONTRACT, and published with its respective motivation.

## **CHAPTER 26. ARBITRATION**

Clause 67. The PARTIES shall submit to institutional arbitration disputes over available property rights, related to the interpretation or execution of this CONTRACT, under Federal Law 9,307/96, which have not been resolved by the procedure provided for in Clause 65 or by mediation, when initiated by the PARTIES.

**Paragraph 1.** Notwithstanding other situations, disputes over available property rights shall be considered as:

- (a) Recognition of the right and determination of the respective amount of the economic-financial imbalance of the CONTRACT and the amount needed for its rebalancing, in favor of either PARTIES;
- (b) Recognition of contractual non-compliance cases by either PARTIES, and calculation of the monetary penalties applied;
- (c) Request for contractual termination, made by SABESP, due to contractual non-compliance attributed to URAE-1, ARSESP, the STATE or the MUNICIPALITIES;

- (d) Disagreements regarding the calculation or adjustment of TARIFFS;
- (e) Disputes related to SABESP's performance and the calculation of INDICATORS AND GOALS FOR COVERAGE AND LOSSES;
- (f) Disagreements regarding the conclusion of INVESTMENTS, or regarding the adequacy of INVESTMENTS made;
- (g) Disputes arising from the execution of the PERFORMANCE GUARANTEE;
- (h) Interpretation of the risk allocation provided for in the CONTRACT; and
- (i) The amount of indemnities due in the event this CONTRACT is terminated, and disagreements between the PARTIES regarding LINKED ASSETS and their suitability under the terms set forth in the CONTRACT.

**Paragraph 2.** Notwithstanding other situations, disputes related to available property rights are not considered and are not subject to arbitration:

- (a) Matters relating to non-tradable available rights;
- (b) The public nature and ownership of the SERVICES;
- (c) The power of regulation and inspection, as well as its exercise by ARSESP and URAE-1;
- (d) The exercise of the power to impose monetary and administrative penalties on SABESP, except exclusively for the assessment of the factual assumptions of the imposition of specific penalties, or disagreements regarding the calculation of monetary penalties;
- (e) The exercise of the right of expropriation or the decision to declare the nullity of this CONTRACT, or even the decision regarding other forms of contractual termination initiated by URAE-1, except, in cases of nullity and annulment, the disagreements on the occurrence of the factual assumptions that legitimize it; and
- (f) Immediate relief, intervention, and measures for the continuity of SERVICES.

**Paragraph 3.** Any losses caused in the exercise of legally guaranteed administrative powers, including those described in paragraph 2, as well as any right to corresponding indemnification, may be determined through arbitration.

**Paragraph 4.** As a prerequisite for the initiation of arbitration proceedings, URAE-1 and SABESP must identify, by name, any potential funder of the claim.

**Paragraph 5.** Arbitration shall be governed by law, applying the rules of the Federative Republic of Brazil, technical standards, and ARSESP standards, and judgment based on equity is prohibited.

**Paragraph 6.** The decisions of the arbitration court must observe any legal precedents that, under current Brazilian legislation, have binding effect and require observance by Judiciary bodies.

**Paragraph 7.** The PARTIES may, prior to the initiation of arbitration, request the competent judicial authority to order the relevant precautionary or provisional measures.

(a) The request made by one of the PARTIES to a judicial authority, aimed at obtaining such measures, shall not be considered as a breach or waiver of the arbitration agreement and shall not compromise the jurisdiction of the arbitral court in this regard.

(b) Any requests or measures implemented by the judicial authority must be notified to the arbitration court, by the PARTY that requested such measure, at the first opportunity in which it addresses the arbitration court.

**Paragraph 8.** The PARTY must submit its arbitration request to a chamber registered by the State of São Paulo to resolve disputes involving the Direct Administration and its autarchies, under State Decree 64,356/2019.

(a) In the event no arbitration chamber is registered by the State of São Paulo, the PARTY may submit its arbitration request to any arbitration chamber that meets the following requirements:

- i. Offers spaces for holding hearings and secretarial services, at no additional cost to the parties, in the city of São Paulo;
- ii. Has been regularly constituted for at least five years;
- iii. Meets the legal requirements for receiving payment from the Public Administration of the State of São Paulo; and
- iv. Has recognized suitability, competence and experience in managing arbitration procedures with the Public Administration.

**Paragraph 9.** The arbitration process must comply with the provisions of Federal Law 9,307/1996 and State Decree 64,356/2019, the regulations of the adopted arbitration chamber, and the provisions contained in this CONTRACT.

**Paragraph 10.** The arbitration court may not, under any circumstances, consider documents that have been presented and which do not comply with the provisions of Clause 64, paragraph 4.

**Paragraph 11.** The language to be used in the arbitration proceedings will be Brazilian Portuguese, with the possibility of using bilingual arbitration (Portuguese and another language) in duly justified situations, at the discretion of the arbitration court.

- (a) If the arbitration is bilingual, SABESP shall assume the expenses related to the translation of documents, even when the translated materials result from acts carried out by ARSESP or URAE-1, and these costs may not be included in the procedural costs and expenses for the purposes of reimbursement of arbitration costs.
- (b) If there are discrepancies between the content of the decisions or statements presented by the attorneys of the PARTIES in the arbitration, in the Portuguese and foreign language versions, the content of the versions prepared in Portuguese shall prevail.
- (c) Technical documents in other languages may be produced, with sworn translation in the event of disagreement between the PARTIES as to their meaning.



**Paragraph 12.** The acts of the arbitration process shall be made public, subject to legal confidentiality, legal secrecy, industrial secrecy or when essential to the safety of society and the State and must be justified in each situation.

- (a) The following documents relating to ongoing arbitration proceedings will be made available on the Internet: petitions, expert reports, arbitration terms and decisions made by the arbitrators.
- (b) Other documents related to the arbitration process may be requested through the Integrated Citizen Information System (SIC.SP).
- (c) The hearings of the arbitration process may be reserved for the arbitrators, secretaries of the arbitration court, the PARTIES and ARSESP, their respective representatives and attorneys, witnesses, technical assistants, experts, employees of the arbitration chamber and other individuals previously authorized by the arbitration court.

**Paragraph 13.** The arbitration court will be comprised by three members, being 1 (one) appointed by URAE-1, 1 appointed (one) by SABESP, and the President appointed in accordance with the regulations of the arbitration chamber.

**Paragraph 14.** The appointed arbitrator must observe the following requirements:

- (a) Be in full civil capacity;
- (b) Have technical training and professional experience recognized and compatible with his/her roles, and proven knowledge of the purpose of the CONTRACT, demonstrated through a résumé, or other document capable of attesting said experience;
- (c) Not maintain relationships with the PARTIES, or with the dispute submitted to him/her, that can partiality characterize as a conflict of interests, but not limited to:
  - i. cases of impediment and suspicion imposed on judges, provided for in the Code of Civil Procedure;
  - ii. if the nominated person carries out legal activities, if a lawsuit has been sponsored by him/her, or by a firm with which he/she is associated, against any of the PARTIES, even if it concerns a matter that is not related to the matter of the dispute;
  - iii. the situations provided for in the Red and Orange Lists of the IBA Guidelines – International Bar Association, relating to Conflicts of Interest in International Arbitration; and
  - iv. having acted, in the last 6 (six) months, as a director, manager, employee, outsourced contractor, administrator or partner of SABESP, of SABESP's shareholders, in its economic groups or of its subcontractors, URAE-1, the STATE, ARSESP or at the MUNICIPALITIES.
- (d) Commit to being available for the procedural acts and other activities inherent to the role.

**Paragraph 15.** Individuals who are not on the arbitrators list of the arbitration chamber may be appointed as members of the arbitration chamber.

**Paragraph 16.** Those who have acted in another role in the CONTRACT, notably as team members of the VALUATION COMPANY or INDEPENDENT VERIFIER, or who have acted as mediators, may not be appointed as arbitrators.

**Paragraph 17.** All those appointed to the arbitration court who work in other professional activities will be asked to inform if they provide services that may place them in conflict of interest with the Public Administration, to assess their independence and impartiality and without prejudice to other obligations inherent to the duty of disclosure established by Federal Law 9,307, of September 23, 1996.

- (a) All those appointed to the arbitration court who are lawyers will be asked to report if they, or a law firm of which they are associated, are involved in any lawsuit against the Public Administration, as well if they, or a law firm of which they are associated, are involved in matters that are related to the topic of the respective arbitration procedure.

**Paragraph 18.** In the case of arbitration with multiple parties, such as claimants and/or defendants, there must be consensus on the method of appointing an arbitrator by the parties of the same group. If a consensus is not reached, the regulations of the elected arbitration chamber must be observed.

**Paragraph 19.** The arbitration decision will be issued in Brazil, and the procedural acts will be carried out in the capital of the State of São Paulo, or in another location previously agreed between the PARTIES.

**Paragraph 20.** If the arbitration decision is not issued by consensus among the members of the arbitration court, the tiebreaker criterion under the regulations of the adopted arbitration chamber shall be adopted.

**Paragraph 21.** The payment of costs and expenses relating to the arbitration process will comply with the regime of succumbence provided for in the Code of Civil Procedure, and the losing PARTY will not be requested to reimburse the contractual attorney's fees of the winning PARTY.

**Paragraph 22.** SABEP must have a cost provision, pursuant to paragraph 2 of article 18 of State Law 16,933/2019, regardless of the PARTY that has initiated the arbitration, and, as applicable, expenses will be reimbursed according to subsequent deliberation by the arbitration court in a final decision, under the rules established by the arbitration chamber's regulations.

**Paragraph 23.** If an expert assessment is required, an independent expert will be appointed by mutual agreement between the PARTIES or, in the absence of agreement, by the arbitration court, and the costs of the expert assessment, including expert fees, must be paid in advance by SABESP, pursuant to paragraph 22.

- (a) The PARTIES may indicate their trusted technical assistants to monitor the expert assessment, with the respective costs not being subject to reimbursement, regardless of the result of the arbitration proceedings.

**Paragraph 24.** The PARTIES acknowledge that the decisions handed down by the arbitration court may be regularly executed in Brazil, following the execution procedure against the Public Treasury, in which URAE-1, the STATE, the MUNICIPALITIES or ARSESP shall not have any sovereign immunity that inhibits execution.

**Paragraph 25.** Decisions handed down by the arbitration court that impose a monetary obligation on URAE-1, the STATE, the MUNICIPALITIES or ARSESP, shall be followed in accordance with the regime of registered warrants or under small-value obligations, under the same conditions imposed on other judicial executive titles.

- (a) The provisions of aforementioned paragraph 25 do not apply to decisions handed down by the arbitration court that impose an obligation to rebalance the economic-financial balance in favor of SABESP on URAE-1, the STATE, the MUNICIPALITIES or ARSESP, which will be followed in accordance with ANNEX V – REGULATORY MODEL.

**Paragraph 26.** The decisions of the arbitration court that impose on URAE-1, the STATE, the MUNICIPALITIES or ARSESP the obligation to rebalance the economic and financial aspects of the CONTRACT, must provide a deadline for URAE-1 to choose the recovery mechanism, among those provided for in the CONTRACT.

- (a) Under no circumstances may the ARBITRATION COURT disregard the decision taken by URAE-1 in accordance with ANNEX V – REGULATORY MODEL or paragraph 26 thereto, coercively imposing the restoration of the economic-financial balance through other modalities, regardless if they have been provided for in the CONTRACT.

**Paragraph 27.** The arbitration decision shall be considered as the final decision power in relation to the dispute between the PARTIES, irrevocable and binding between them.

## **CHAPTER 27. JURISDICTION**

Clause 68. The PARTIES elect the jurisdiction of the district of São Paulo, to the exclusion of any other, however privileged it may be, to carry out, as necessary and solely for this purpose: (i) precautionary or urgent measures or (ii) lawsuits whose object cannot be discussed through arbitration, in addition to lawsuits that guarantee the institution of an arbitration process and the execution of the arbitration decision, under the provisions established by Federal Law 9,307/1996, as amended.

**Paragraph 1.** The jurisdiction indicated in Clause 68 shall be attributed for any and all claims that:

- (a) does not deal with available property rights;
- (b) is excluded from arbitration jurisdiction; or
- (c) have a precautionary, anticipatory or urgent nature, which cannot await the establishment of the arbitration court for its respective assessment, pursuant to Clause 67, paragraph 7.

## **TITLE X. FINAL PROVISIONS**

### **CHAPTER 28. GENERAL PROVISIONS**

Clause 69. SABESP shall have the right to due administrative processes for all matters established in this CONTRACT, as well as decisions made by ARSESP, under State Law 10,177/98.

**Paragraph 1.** This CONTRACT binds the PARTIES and their successors in all its aspects.

**Paragraph 2.** Any changes made to this CONTRACT will only be valid if signed by both PARTIES, through contractual Amendments and Modifications, except for the possibility of unilateral modification of the CONTRACT by URAE-1 and ARSESP in the exercise of their authorities, under the terms of APPLICABLE LEGISLATION and this CONTRACT.

**Paragraph 3.** If allowed by any of the PARTIES, even by omission, non-compliance, entirely or partially, with any of the Clauses or conditions of the CONTRACT and its ANNEXES, such fact may not release, relieve or in any way affect or impair the validity and effectiveness of the same Clauses and conditions, which shall remain unchanged, as if no tolerance had occurred.

**Paragraph 4.** The waiver, by one of the PARTIES, of any right shall not be valid unless expressed in writing and shall be interpreted restrictively, not allowing its extension to any other right or obligation established in this CONTRACT.

**Paragraph 5.** The nullity or invalidity of any Clause of this CONTRACT shall not prevent the validity and production of effects of any other Clause of this same CONTRACT.

**Paragraph 6.** All documents related to this CONTRACT must be written in Brazilian Portuguese, or translated into it, by means of a sworn translation, in the case of foreign documents.

- (a) In the event of conflict or inconsistency between the document in the original language and the translation, identified by URAE-1 through due diligence, the original text shall prevail.

## **CHAPTER 29. CALCULATING DEADLINES**

Clause 70. When calculating the deadlines established in this CONTRACT, the start day will be excluded and the due date will be included, and consecutive days will be considered, except when expressly provided otherwise.

Clause 71. The deadlines established in this CONTRACT shall only begin and end on business days on which the STATE Public Administration is operational.

## **CHAPTER 30. PUBLICATIONS AND REGISTRIES**

Clause 72. Within 5 (five) days from the EFFECTIVE DATE, URAE-1 will arrange for the publication of its extract in the respective official press, as well as comply with the rules set by the Audit Courts with jurisdiction over the PARTIES.

## **CHAPTER 31. COMMUNICATIONS**

Clause 73. Communications between the parties must be formalized in writing and will be addressed to their respective legal representatives or to parties designated by them for this purpose.

**Paragraph 1.** Notifications and communications shall be deemed to have been duly received on the date (i) stated on the receipt notice; (ii) of delivery of the judicial or extrajudicial letter; (iii) of proof of fax delivery; (iv) of proof of delivery by internationally recognized courier services; (v) of proof of delivery by e-mail with acknowledgment of receipt; or (vi) of filing with URAE-1, ARSESP or at the address of SABESP.

**Paragraph 2.** URAE-1, ARSESP and SABESP must, within 15 (fifteen) days from the EFFECTIVE DATE, present, in writing, the names and positions of the respective employees or representatives designated to be responsible for managing the CONTRACT, in technical and administrative aspects and receiving the correspondence provided for herein.

In agreement, the PARTIES sign this CONTRACT by means of electronic signatures.

São Paulo, May 24, 2024.

NATALIA  
RESENDE  
ANDRADE AVILA -

Digitally signed by  
NATALIA RESENDE  
ANDRADE AVILA  
Data: 2024.05.24 5:13:55

**URAE-1 COORDINATOR  
OF URAE-1 NATÁLIA RESENDE A.  
ÁVILA**

**SABESP**  
**CEO REGULATION AND NEW BUSINESSES OFFICER**

**ANDRÉ GUSTAVO SALCEDO TEIXEIRA  
MENDES**

**BRUNO MAGALHÃES D'ABADIA**

**Consenting Intervening Party - ARSESP:**

Documento assinado digitalmente  
**gov.br** THIAGO MESQUITA NUNES  
Data: 24/05/2024 19:51:02-0300  
Verifique em <https://validar.iti.gov.br>

**CEO THIAGO MESQUITA  
NUNES**

Witnesses:  
Documento assinado digitalmente  
**gov.br** SAMANTA IVONETE SALVADOR TAVARES DE SO  
Data: 18/06/2024 14:24:48-0300  
Verifique em <https://validar.iti.gov.br>

1.  
Name:  
ID:

Documento assinado digitalmente  
**gov.br** DAVID POLESSI DE MORAES  
Data: 19/07/2024 16:54:27-0300  
Verifique em <https://validar.iti.gov.br>

2.  
Name:  
ID:

Signed by 3 people: NATALIA RESENDE ANDRADE AVILA, BRUNO MAGALHAES D'ABADIA, and ANDRE GUSTAVO SALCEDO TEIXEIRA MENDES  
To check the validity of the signatures, access <https://assinaturasabesp.1doc.com.br/verificacao/599E-3A27-1ADE-951F> and enter the code 599E-3A27-1ADE-951F



## SIGNATURE VERIFICATION



Code for verification: 599E-3A27-1ADE-951F

This document was digitally signed by the following signatories on the indicated dates:

- ✓ NATALIA RESENDE ANDRADE AVILA (individual taxpayer's ID (CPF) 731.XXX.XXX-53) on 05/24/2024 5:13:55 p.m. (GMT-03:00)  
Issued by: Autoridade Certificadora da Presidencia da Republica v5 << Autoridade Certificadora Raiz Brasileira v5 (Assinatura ICP-Brasil)
- ✓ BRUNO MAGALHAES DABADIA (individual taxpayer's ID (CPF) 010.XXX.XXX-95) on 05/24/2024 6:28:25 p.m. (GMT-03:00)  
Role: Approved by  
Issued by: AC VALID RFB v5 << AC Secretaria da Receita Federal do Brasil v4 << Autoridade Certificadora Raiz Brasileira v5 (Assinatura ICP-Brasil)
- ✓ ANDRE GUSTAVO SALCEDO TEIXEIRA MENDES (individual taxpayer's ID (CPF) 071.XXX.XXX-18) on 05/24/2024 6:46:49 p.m. (GMT-03:00)  
Role: Approved by  
Issued by: AC VALID RFB v5 << AC Secretaria da Receita Federal do Brasil v4 << Autoridade Certificadora Raiz Brasileira v5 (Assinatura ICP-Brasil)

To check the validity of the signatures, access the Verification Central through the link:

<https://assinaturasabesp.1doc.com.br/verificacao/599E-3A27-1ADE-951F>