

# Second-Party Opinion

## BRK Ambiental Sustainable Financing Framework



### Evaluation Summary

Sustainalytics is of the opinion that the BRK Ambiental Sustainable Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds, namely Sustainable Water and Wastewater Management, and Affordable Basic Infrastructure, are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 9 and 14.



**PROJECT EVALUATION / SELECTION** BRK has established an ESG Committee to oversee ESG-related matters, including the disbursement of bond proceeds for refinancing the bridge loan for the grant concession for a project to develop and provide water and sewage services. The ESG Committee will work in consultancy with BRK's Risk Commission to evaluate the associated risks and action plans for the project. Sustainalytics considers the risk management system to be adequate and the process for project implementation to be in line with market practice.



**MANAGEMENT OF PROCEEDS** BRK Ambiental's ESG Committee will ensure the allocation of bond proceeds goes towards the refinancing of a bridge loan and a grant payment related to the concession won for the eligible project upon issuance. This is in line with market practice.



**REPORTING** BRK Ambiental intends to report on the allocation of proceeds on its website on an annual basis. This information will be published in its Sustainability Report as well as financial reports. In addition, BRK Ambiental is committed to reporting on relevant impact metrics, such as volume of water treated, and population benefitted. Sustainalytics views BRK Ambiental's allocation and impact reporting as aligned with market practice.

<b>Evaluation Date</b>	August 17, 2022
<b>Issuer Location</b>	Sao Paulo, Brazil

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**For inquiries, contact the Sustainable Finance Solutions project team:**

**Daniel Sanchez (Toronto)**  
Project Manager  
daniel.sanchez@sustainalytics.com  
(+1) 647 264 6644

**Hamoda Yousef (Toronto)**  
Project Support

**Sameen Ahmed (Toronto)**  
Project Support

**Lokesh Jain (Mumbai)**  
Project Support

**Guilherme Grunthal (Toronto)**  
Client Relations  
susfinance.americas@sustainalytics.com  
(+1) 646 518 9623

## Introduction

BRK Ambiental Participações S.A. (“BRK” or the “Company”) is a private sanitation company in Brazil, which provides water and sewage services across the country through partnerships with public and private companies, states and municipalities. BRK is headquartered in Sao Paulo, Brazil and has 6,055 employees as of December 2021. BRK Ambiental - Região Metropolitana de Maceió S.A. (“BRK RMM”) is a special-purpose entity controlled by BRK created to develop a sewage and water waste project in the metropolitan region of Maceió, Alagoas, Brazil.

BRK has developed the BRK Ambiental Sustainable Financing Framework dated August 2022 (the “Framework”) under which BRK RMM intends to issue thematic bonds including “Sustainable and Blue Bonds” and use the proceeds to refinance in whole the 2020 bridge loan which funded the concession won for the provision of sewage and provision of water in Maceio, Alagoas, Brazil.

BRK engaged Sustainalytics to review the BRK Ambiental Sustainable Financing Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP) and Social Bond Principles 2021 (SBP).<sup>1</sup> The Framework has been published in a separate document.<sup>2</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>3</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

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

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

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

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

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

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

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible project expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through project financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated

<sup>1</sup> The Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>2</sup> The Sustainable Financing Framework is available on BRK Ambiental’s website at: <https://www.ri.brkambiental.com.br/>

<sup>3</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

herein, BRK is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

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

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the BRK Ambiental Sustainable Financing Framework

Sustainalytics is of the opinion that the BRK Ambiental Sustainable Financing Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics notes that in addition to the GBP and SBP, BRK intends to align with the IFC Guidelines for Blue Finance<sup>4</sup> to guide its blue bonds. Sustainalytics highlights the following elements of BRK's Sustainability Finance Framework:

- Use of Proceeds:
  - The eligible categories under the Framework, namely Sustainable Water and Wastewater Management, and Affordable Basic Infrastructure, are aligned with those recognized by the GBP and SBP.
  - BRK RMM intends to use the majority of the bond proceeds to refinance a bridge loan for payment of a grant concession related to the public auction for a project for the provision of water and sewage services in the city of Maceio in Alagoas, Brazil. The remaining portion will be used to refinance the grant payment. The grant payment is a legal requirement and contractual obligation which gives the concessionaire, BRK RMM, the legal right to develop and operate the eligible project. The use of the bonds' proceeds to refinance the 2020 bridge loan for the grant payment will therefore enable BRK to initiate the project it intends to finance under this Framework. BRK won the auction for a 35-year concession for these services in 2020. Specifically, the project intends to bring potable water for 100% of the local population in Alagoas by 2027 and basic sanitation to 90% of the local population by 2036. Refer to Section 3 for additional information on the intended benefits of the project.
  - The eligible project to be financed under Sustainable Water and Wastewater Management includes the financing of sewage and municipal wastewater treatment systems.
    - Eligible project is meant to reduce effluents and prevent water and soil contamination. In addition, the project includes improved water management and aims to reduce the ratio of current annual water loss from the distribution system. BRK has confirmed that wastewater from fossil fuels will be excluded. This is in line with market practice.
  - Eligible project to be financed under Affordable Basic Infrastructure is meant to improve access to potable water, sewage treatment and sanitation. BRK informed Sustainalytics that the project will mostly benefit municipalities with inadequate infrastructure and aim to improve access to potable and clean water and sanitation that can have the potential to provide additional health benefits to local communities.
    - The project's objective to improve basic sanitation is aligned with Brazil's New Sanitation Legal Framework<sup>5</sup> and is expected to support the Brazilian government's aim to universalize sanitation and water supply in the country by 2033.

<sup>4</sup> The IFC "Guidelines for Blue Finance" aim to provide a list of eligible use of proceeds to support private investments aligned with the GBP and GLP. The development of blue finance includes financing eligible activities that address sustainable water management and ocean protection. At: <https://www.ifc.org/wps/wcm/connect/cdbfb6c5-2726-47a6-9374-6a6f86032dd4/IFC-guidelines-for-blue-finance.pdf?MOD=AJPERES&CVID=nWxsyxN>

<sup>5</sup> DLA Piper Publications, "Brazil's new basic sanitation legal framework: A pathway for the transformation of the sanitation sector in Brazil and for private investors to be part of the change", (2020) at: <https://www.dlapiper.com/en/uk/insights/publications/2020/11/pgi-issue-4/brazil-new-basic-sanitation-legal-framework/>

- Project Evaluation and Selection:
  - BRK has established an ESG Committee to oversee its ESG-related matters, including the disbursement of bond proceeds solely for the refinance of bridge loan committed to the payment of grant concessions. The ESG Committee comprises the Company's C-level executives and directors and intends to meet bimonthly to monitor the ESG initiatives, implementation plans and progress.
  - The ESG Committee works in consultation with BRK's Risk Commission, both counting with senior executives to develop and oversee the risk matrix and associated control and action plans related to ESG investments. The project complies with the IFC's Performance Standards<sup>6</sup> for environmental issues.
  - Sustainalytics considers this risk assessment process to be adequate and in line with market practice.
- Management of Proceeds:
  - The majority of the net proceeds of the bonds will be fully allocated to redeem the 2020 bridge loan. The remaining balance will be used to refinance the grant payment for the concession for the project to provide water and sewage services in Maceio, Brazil.
  - Based on the immediate and full allocation following bond issuance, Sustainalytics considers this process to be in line with market practice and notes that there is no need to disclose an approach for the management of unallocated proceeds.
- Reporting:
  - BRK intends to publish on its website the audited financial statements which will include the allocation of bond proceeds. The Company will also publish a sustainability report annually which will include proceeds allocation until the maturity of the bonds, as well as the main environmental and social impact indicators of the financed project, such as the volume of water treated; benefited population; population served, average percentage of the population of the municipalities served, percentage of water loss, added treatment volume sewage: m<sup>3</sup>/h , water (l/s) This report will also include the status of BRK's environmental licenses.
  - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

### Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the BRK Ambiental Sustainable Financing Framework aligns with the four core components of the GBP and SBP. For detailed information please refer to Appendix 1: Sustainability Bond/ Sustainability Bond Programme External Review Form.

## Section 2: Sustainability Strategy of BRK

### Contribution of Framework to BRK Ambiental's sustainability strategy

As a wholly-owned company of BRK, all of the Company's sustainability and risk mitigation practices are applicable to BRK RMM. Sustainalytics is of the opinion that BRK demonstrates a commitment to sustainability by focusing on the following key sustainability areas: (i) climate change and energy efficiency, (ii) micro-credit for access to sanitation, and (iii) accelerating diversity and inclusion.<sup>7</sup>

As a part of its commitment toward environmental protection and climate change, BRK has set a target to reach net zero emissions by 2040, including goals to increase the share of renewable sources to 70% of total consumed electricity, and restrict water distribution losses to a ceiling of 25% by 2030.<sup>8</sup> BRK intends to fulfill its environmental commitments through a portfolio of mitigation projects divided into four main divisions: (i) effective sewage treatment facilities that have the capacity to reduce emissions by 90%; (ii) solar sludge dryers; (iii) biogas burners; and (iv) self-generated electricity from renewable sources.<sup>9</sup>

The Company's initiatives to reduce water distribution losses include investing in technologies and systems that sectorize networks and measure the difference between the volume of water provided and the volume

<sup>6</sup> IFC, "Performance Standards on Environmental and Social Sustainability", at: [https://www.ifc.org/wps/wcm/connect/24e6bfc3-5de3-444d-be9b-226188c95454/PS\\_English\\_2012\\_Full-Documents.pdf?MOD=AJPERES&CVID=jkV-X6h](https://www.ifc.org/wps/wcm/connect/24e6bfc3-5de3-444d-be9b-226188c95454/PS_English_2012_Full-Documents.pdf?MOD=AJPERES&CVID=jkV-X6h)

<sup>7</sup> BRK, "2021 ESG Report", at: <https://sustentabilidade.brkambiental.com.br/themes/brk/pdf/Relatorio-ESG-2021.pdf>

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

used, which will aid in identifying and repairing water leakages in the network, to subsequently reduce wastage of water resources.<sup>10</sup>

In addition, BRK operates a microcredit programme to assist low-income communities in gaining access to sanitation in Brazil. The Water Credit programme created in collaboration with the NGO Water.org promotes microcredit for low-income families to finance works to connect their homes to water and sewage networks. Over 4,300 families across four states of the country have already benefited from the scheme.<sup>11</sup>

Sustainalytics is of the opinion that the BRK Ambiental Sustainable Financing Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental and social priorities.

### **Approach to managing environmental and social risks associated with the project**

Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards the eligible project that is expected to have positive environmental and social impact. However, Sustainalytics is aware that such an eligible project could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible project could include land use and biodiversity concerns associated with construction and infrastructure projects, waste generated in construction, and worker health and safety.

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

- BRK's Enterprise Risk Management Framework includes an Environmental Risk Management Matrix to identify, assess and manage climate-related risks related to their projects such as environmental contamination, waste disposal and sewage overflow. The Company's risk assessment and management process is overseen by its Sustainability Committee and Risk Commission, which are composed of senior executives. As part of this management process, these committees also oversee the governance of third-party relationships to ensure compliance with local regulatory requirements to prevent such risks associated with the projects. BRK is also a member of the Brazilian Business Council for Sustainable Development (CEBDS), a platform that promotes initiatives for conservation of biodiversity and water resources.<sup>12</sup>
- BRK has established an environmental management system (EMS) that follows the ISO 14001 standard, indicating the Company's ability to effectively reduce its environmental impact, and has established an ISO 9001 certified quality management system that helps monitor the quality of its services. The Company also aims to obtain ISO/IEC 17025 certification by 2024 to guarantee the reliability of the quality control of sewage and water analyses in laboratories.<sup>13</sup>
- Under its Code of Ethical Conduct for Suppliers,<sup>14</sup> BRK requires all suppliers and business partners to adhere to a wide range of ethical business standards and applicable laws pertaining to workers' health and safety, human rights and labour rights. BRK also demonstrates its commitment to occupational health and safety by having a health and safety management system in accordance with the ISO 45001 standards across its sites.<sup>15</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that BRK has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

<sup>10</sup> BRK, "2021 ESG Report", at: <https://sustentabilidade.brkambiental.com.br/themes/brk/pdf/Relatorio-ESG-2021.pdf>

<sup>11</sup> BRK, "2021 ESG Report", at: <https://sustentabilidade.brkambiental.com.br/themes/brk/pdf/Relatorio-ESG-2021.pdf>

<sup>12</sup> BRK, "2021 ESG Report", at: <https://sustentabilidade.brkambiental.com.br/themes/brk/pdf/Relatorio-ESG-2021.pdf>

<sup>13</sup> BRK, "2021 ESG Report", at: <https://sustentabilidade.brkambiental.com.br/themes/brk/pdf/Relatorio-ESG-2021.pdf>

<sup>14</sup> BRK, "2021 Code of Ethical Conduct for Suppliers", at: <https://brkambiental.com.br/uploads/4/compliance/code-of-ethical-conduct-for-suppliers-2021.pdf>

<sup>15</sup> BRK, "2021 ESG Report", at: <https://sustentabilidade.brkambiental.com.br/themes/brk/pdf/Relatorio-ESG-2021.pdf>

### Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the GBP and SBP and is specifically relevant in the local context.

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

The volume of freshwater accessible for human use in the world has been severely reduced as a result of large population growth, the intensity of use, and a rise in pollution and degradation of remaining water bodies.<sup>16</sup> One-third of the world's population still lacks access to safe drinking water, two-fifth lacks acceptable basic facilities to wash their hands with soap and water, and over 673 million people are without access to toilets.<sup>17</sup> According to UNICEF, 15 million people in Brazil lack access to safe water, 25 million have only a basic level of water supply service, and 2.3 million have access only to unimproved water sources.<sup>18</sup> In addition, sewage-treatment services cover just 54% of the population across Brazil's 5,570 municipalities, with about 100 million residents lacking adequate sanitation services.<sup>19</sup> In Maceio, 89% of the city's 1.5 million inhabitants have access to water services, but only 27% of residents have sewage services.<sup>20</sup> Basic sanitation has the potential to benefit the community in a variety of ways, including reducing the risks of infant mortality and minimizing the spread of diseases such as dengue, zika, chikungunya, hepatitis A, leptospirosis and diarrheal disorders.<sup>21</sup>

Brazil's Sanitation Law passed in July 2020 marks the reform of the regulatory framework for water and sanitation in the country, providing increased opportunities for investments in the sector, with the aim of developing infrastructure and expanding sanitation services throughout the country.<sup>22</sup> The new national sanitation framework aims to universalize clean water and sanitation services in Brazil, with the objective of delivering drinking water to 99% of the country's population and sewage collection and treatment to 90% of the population by the end of 2033.<sup>23</sup> BRK won the sanitation services concession for water supply and sewage services in Maceio, Brazil. This is the first public-private partnership in Brazil after the country's introduction of the new sanitation law.

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

#### Alignment with/contribution to SDGs

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

Use of Proceeds Category	SDG	SDG target
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations

<sup>16</sup>Open Access Journal of Environmental & Soil Science, "Potential use of wastewater from sewage treatment plants in fertigation in Brazil", (2020) at: <https://lupinepublishers.com/environmental-soil-science-journal/fulltext/potential-use-of-wastewater-from-sewage-treatment-plants-in-fertigation-in-brazil.ID.000206.php>

<sup>17</sup> National Library of Medicine, "Access to drinking water and sewage treatment in Brazil: a challenge for the control of waterborne infectious diseases", (2020) at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7534402/>

<sup>18</sup> UNICEF report, "The key role of Water, Sanitation and Hygiene Promotion in the response to Covid-19 in Brazil", (2020) at: <https://www.unicef.org/brazil/media/9746/file/policy-brief-wash-in-response-to-covid-19.pdf>

<sup>19</sup> KPMG, "Brazil's Ambitious Journey", (2021) at: <https://home.kpmg/xx/en/blogs/home/posts/2021/06/brazil-ambitious-journey.html>

<sup>20</sup> Reuters, "Brookfield's BRK wins \$354 million sanitation auction in Brazil's Maceio", (2020) at: <https://www.reuters.com/article/us-brk-ambiental-auction-idUSKBN26L327>

<sup>21</sup> Portal Saneamento Basico, "Municipality of Maceió/AL starts basic sanitation works to benefit more than 240 thousand people", (2021) at: <https://saneamentobasico.com.br/esgoto/maceio-obras-saneamento-basico/>

<sup>22</sup> OECDiLibrary, "Making water and sanitation regulation in Brazil more effective", at: <https://www.oecd-ilibrary.org/sites/343d7eb1-en/index.html?itemId=/content/component/343d7eb1-en>

<sup>23</sup> Ibid

	14. Life Below Water	14.1 By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution
Affordable Basic Infrastructure	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

## Conclusion

BRK has developed the BRK Ambiental Sustainable Financing Framework under which BRK RMM intends to issue thematic bonds including “Sustainable and Blue Bonds” and use the proceeds to refinance the 2020 bridge loan which funded the concession won for the provision of sewage and provision of water in Maceio, Alagoas, Brazil. Sustainalytics considers that the project funded by the sustainability and blue bonds proceeds is expected to provide positive environmental and social impacts.

The Framework notes that BRK RMM intends to use the majority of the bond proceeds to refinance a bridge loan for payment of a grant concession related to the public auction for a project for the provision of water and sewage services in the city of Maceio in Alagoas, Brazil. The remaining portion will be used to refinance the grant payment immediately following the bonds’ issuance. Additionally, commitments have also been made in the Framework, for reporting on the allocation and impact of the use of proceeds. Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 9 and 14. Additionally, Sustainalytics is of the opinion that BRK has adequate systems and processes to assess and mitigate the environmental and social risks associated with the use of proceeds.

Based on the above, Sustainalytics is of the opinion that BRK RMM is adequately positioned to issue Sustainable and Blue” bonds and that the BRK Ambiental Sustainable Financing Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021 and Social Bond Principles 2021.

## Appendix 1: Sustainability Bond / Sustainability Bond Programme – External Review Form

### Section 1. Basic Information

Issuer name:	BRK RMM
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	BRK Ambiental Sustainable Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	August 17, 2022
Publication date of review publication:	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.



## 1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – Sustainable Water and Wastewater Management and Affordable Basic Infrastructure – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically 6, 9 and 14.

### Use of proceeds categories as per GBP:

- |  |  |
|--|--|
| <input type="checkbox"/> Renewable energy  | <input type="checkbox"/> Energy efficiency   |
| <input type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input type="checkbox"/> Clean transportation  |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management  | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify):   |

If applicable please specify the environmental taxonomy, if other than GBPs:

### Use of proceeds categories as per SBP:

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Affordable basic infrastructure   | <input type="checkbox"/> Access to essential services                                   |
| <input type="checkbox"/> Affordable housing   | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security  | <input type="checkbox"/> Socioeconomic advancement and empowerment                      |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify):  |

If applicable please specify the social taxonomy, if other than SBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

BRK has established an ESG Committee to oversee ESG-related matters, including the disbursement of bond proceeds for refinancing the bridge loan for the grant concession for a project to develop and provide water and sewage services. BRK Ambiental's ESG Committee will oversee the implementation of the project funded under the Framework. The ESG Committee will work in consultancy with BRK's Risk Commission to evaluate the associated risks and action plans for the project. Sustainalytics considers the risk management system to be adequate and the process for project implementation to be in line with market practice.

#### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives                                 | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available                | <input type="checkbox"/> Other (please specify):  |

#### Information on Responsibilities and Accountability

- |   |   |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify):  |   |

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

BRK Ambiental's ESG Committee will ensure the allocation of bond proceeds goes towards the refinancing of a bridge loan and a grant payment related to the concession won for the eligible project upon issuance. This is in line with market practice.

#### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds            |
| <input type="checkbox"/> Other (please specify):  |

#### Additional disclosure:

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
|--|---|

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Allocation to individual disbursements       | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify):                    |

#### 4. REPORTING

Overall comment on section (if applicable):

BRK Ambiental intends to report on the allocation of proceeds on its website on an annual basis. This information will be published in its Sustainability Report as well as financial reports. In addition, BRK Ambiental is committed to reporting on relevant impact metrics, such as volume of water treated, and population benefitted. Sustainalytics views BRK Ambiental's allocation and impact reporting as aligned with market practice.

#### Use of proceeds reporting:

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):      |

#### Information reported:

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify):      |   |

#### Frequency:

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

#### Impact reporting:

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):      |

#### Information reported (expected or ex-post):

- |  |  |
|--|--|
| <input type="checkbox"/> GHG Emissions / Savings       | <input type="checkbox"/> Energy Savings  |
| <input type="checkbox"/> Decrease in water use         | <input checked="" type="checkbox"/> Number of beneficiaries  |
| <input checked="" type="checkbox"/> Target populations | <input type="checkbox"/> Other ESG indicators (please specify): Volume of wastewater treated; benefitted population; population served, average percentage of the population of the municipalities served, |

number of families served, efficiency of sewage treatment, percentage of water loss, percentage of municipalities with infant mortality rates above the national average, average hospitalization rate due diarrhea in the municipalities (per 1000 inhabitants), average percentage of population with income up to ½ minimum wage; average monthly salary of formal workers (per minimum wage), added treatment volume (sewage: m<sup>3</sup>/h, water: l/s), increase in average percentage of population served.

**Frequency:**

- Annual  Semi-annual  
 Other (please specify):

**Means of Disclosure**

- Information published in financial report  Information published in sustainability report  
 Information published in ad hoc documents  Other (please specify):  
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- Consultancy (incl. 2<sup>nd</sup> opinion)  Certification  
 Verification / Audit  Rating  
 Other (please specify):

**Review provider(s):****Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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