

Second-Party Opinion

Aegea Sustainable Finance Framework

Evaluation Summary

Sustainalytics is of the opinion that the Aegea Sustainable Finance Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2023 and Social Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy, Pollution Prevention and Control, Terrestrial and Aquatic Biodiversity, Sustainable Water and Wastewater Management, Affordable Basic Infrastructure, and Socioeconomic Advancement and Empowerment – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to a positive environmental or social impact and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 8 and 14.



PROJECT EVALUATION AND SELECTION Aegea has established an ESG Executive Committee to evaluate and select projects that are in line with the Framework’s eligibility criteria. Aegea has in place processes to identify and mitigate environmental and social risks associated with eligible projects. 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 Aegea’s Treasury Department will be responsible for the management of proceeds on a portfolio basis, and the Financial Operations Department will be responsible for monitoring the allocation of proceeds. Aegea intends to fully allocate the proceeds within 36 months of issuance, and if a project becomes non-eligible as per the Framework criteria, Aegea will redirect the proceeds to other eligible projects within 12 months. Unallocated proceeds will be temporarily used for other operational, financial and investment activities. This is in line with market practice.



REPORTING Aegea commits to report on the allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the percentage of proceeds allocated to eligible projects, the percentage of proceeds temporarily allocated to other financial instruments and the percentage of proceeds temporarily allocated to other projects not indicated in the Framework. In addition, Aegea intends to report on relevant impact metrics. Sustainalytics views Aegea’s allocation and impact reporting as aligned with market practice.



Evaluation Date	May 19, 2023
Issuer Location	São Paulo, Brazil

Report Sections

Introduction.....	2
Sustainalytics’ Opinion.....	3
Appendix.....	10

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Introduction

Aegea Saneamento e Participações S.A. (“Aegea” or the “Company”) is a Brazilian private sanitation company headquartered in São Paulo. The Company’s operations are focused on water treatment and distribution, and sewage collection and treatment. In 2022, the Company had an annual net profit of BRL 417 million (USD 80 million) and employed more than 11,000 people. The Company serves more than 30 million people across 13 states in Brazil.

Aegea has developed the Aegea Sustainable Finance Framework dated May 2023 (the “Framework”), under which it intends to issue thematic bonds, including sustainable and blue bonds, and obtain loans and use the proceeds to finance or refinance, in whole or in part, existing or future projects that are expected to lead to positive environmental outcomes and social advancements in Brazil. The Framework defines eligibility criteria in six areas:

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

Aegea engaged Sustainalytics to review the Aegea Sustainable Finance 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), Social Bond Principles 2021 (SBP),¹ Green Loan Principles 2023 (GLP) and Social Loan Principles 2023 (SLP).² The Framework has been published in a separate document.³

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

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

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2023 and Social Loan Principles 2023, as administered by LMA, APLMA, and LSTA;
- 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 1.13, 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 Aegea’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. Aegea representatives have confirmed (1) they understand it is the sole responsibility of Aegea to ensure that the information provided is complete, accurate and 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.

¹ 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/>

² The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

³ The Aegea Sustainable Finance Framework is available on Aegea Saneamento e Participações S.A.’s website at: <https://ri.aegea.com.br/esg/captacoes-sustentaveis/>

⁴ 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.

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 Aegea.

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 projects 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 projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, Aegea 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 Aegea has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

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

Sustainalytics is of the opinion that the Aegea Sustainable Finance Framework is credible, impactful and aligns with the four core components of the GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of the Aegea Sustainability Finance Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Pollution Prevention and Control, Terrestrial and Aquatic Biodiversity, Sustainable Water and Wastewater Management, Affordable Basic Infrastructure, and Socioeconomic Advancement and Empowerment – are aligned with those recognized by the GBP, SBP, GLP and SLP.
 - Aegea has defined a two-year look-back period for refinancing its operating expenditure activities, which Sustainalytics considers to be in line with market practice.
 - Within the Renewable Energy category, Aegea intends to invest in maintaining its current renewable energy mix, as well as the production of biogas from sewage sludge.
 - Aegea has communicated to Sustainalytics that nearly 97% of the Company's energy consumption is composed of renewable energy sources, including wind and solar.
 - Sustainalytics considers investments within this category to be in line with market practice.
 - Under the Pollution Prevention and Control category, Aegea contemplates investments in the management, collection, treatment, and disposal of sewage, including increasing the ratio of treated sewage in aerobic plants, which is expected to reduce GHG emissions intensity. Aegea may also invest in electricity management projects that reduce energy consumption and increase energy efficiency, including energy audits and measuring energy usage. Sustainalytics encourages Aegea to report on estimated or achieved energy gains, where feasible. Aegea has confirmed to Sustainalytics that fossil fuel-powered equipment and technology will be excluded for financing within this category. Sustainalytics considers these expenditures to be in line with market practice.
 - Within the Terrestrial and Aquatic Biodiversity Conservation category, the Company may finance the management of conservation areas and reforestation projects, including those aimed at sequestering carbon.
 - The Company intends to finance conservation and reforestation projects as part of Brazil's Living Forest programme executed by the Brazilian Fund for Biodiversity

- (FUNBIO).⁵ Aegea has confirmed to Sustainalytics that reforestation projects will use tree species that are well adapted to site conditions.
- Sustainalytics notes that FUNBIO requires selected projects to have a sustainable management plan in place that must follow established methodologies for ensuring biodiversity conservation, carbon sequestration, native species selection, public notice and consultation, socio-environmental monitoring and workers' rights. Sustainalytics encourages Aegea to select projects that have a sustainable management plan certified to credible third-party certifications, where feasible.
 - Carbon sequestration projects include financing towards the addition of biochar to soils. Sustainalytics considers this investment to be in line with market practice.
- Sustainable Water and Wastewater Management activities include wastewater treatment. Aegea has confirmed to Sustainalytics that the treatment of wastewater from fossil fuel-driven processes will be excluded from financing. Sustainalytics considers investments within this category to be in line with market practice.
 - Under the Affordable Basic Infrastructure category, Aegea may finance infrastructure to improve access to sanitation and potable water.⁶ Aegea informed Sustainalytics that the projects will mostly benefit municipalities, individuals and low-income communities with inadequate infrastructure and aim to improve access to potable and clean water and sanitation that have the potential to provide additional health benefits to identified target populations. Sustainalytics considers investments in infrastructure to improve access to potable water and sanitation in a developing economy, such as Brazil, to be aligned with market practice.
 - In the Socioeconomic Advancement and Empowerment category, Aegea may finance projects that generate employment opportunities for local populations and expand the number of beneficiaries of tariff reduction and social tariff programmes.
 - Aegea has informed Sustainalytics that employment opportunities are generated through the Águas do Rio project. The project directly serves low-income populations in Rio de Janeiro's low-income areas (favelas).⁷
 - Tariff reduction and social tariff programmes include expanding the number of beneficiaries that receive subsidization to cover nearly 50% of the costs associated with obtaining access to potable water and sewage treatment. The beneficiaries are low-income populations, populations registered in the Cadastro Único,⁸ low-income families as identified in the government's Bolsa Familia programme⁹ and residents of communities in need, as well as precarious housing areas and housing developments, and housing for low-income residents. Aegea has informed Sustainalytics that populations registered in the Cadastro Único are the most likely target populations to receive financing under these programmes.
 - Sustainalytics notes that the projects aiming to generate employment for low-income populations and expanding access to government programmes that provide subsidies for water and sewage treatment services are anticipated to deliver a positive social impact.
 - Aegea has in place exclusionary criteria that prohibit financing projects or expenditures associated with activities such as child and slave labour, business partners not complying with federal anticorruption laws, fossil fuels or coal acquisition or generation projects, or nuclear waste. Sustainalytics views that the exclusion of these activities further strengthens the Framework.

⁵ The Living Forest programme will be executed by FUNBIO, which is a non-profit national institution that works in partnership with the government and private sectors to undertake biodiversity conservation initiatives.

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

⁶ Aegea has confirmed the exclusion of Integrated Water Power Plants and desalination plants for financing.

⁷ The Company has confirmed to Sustainalytics that market competitive wages are provided to the employees.

⁸ Cadastro Único is a Brazilian registry that allows the government to identify low-income families and their living conditions in Brazil. The tariff reduction and social tariff benefits are exclusive to families that occupy residences registered in the Cadastro Único with the income bracket of an extreme poverty line, earning a monthly per capita family income of up to BRL 105 (USD 21.19) as per the Federal Decree No. 10.852/2023.

⁹ The Bolsa Familia Program is a government programme that provides households with per capita monthly incomes up to BRL 70 (USD 14.19) with a fixed household transfer of BRL 70 to encourage households to send their children to school, ensure immunization and educational opportunities for children.

- Project Evaluation and Selection:
 - Aegea’s ESG Executive Committee (the “Committee”) will select projects that fulfill the evaluation and selection criteria outlined in the Framework. The Company has informed Sustainalytics that the Committee is composed of representatives from the Investor Relations, Finance, Business Development, Sustainability and Mergers and Acquisitions departments, and the CEO and CFO.
 - The Company has in place processes to identify and mitigate environmental and social risks associated with the eligible projects, which are applicable to all allocation decisions made under the Framework. Additionally, Aegea requires all eligible projects to obtain applicable licensing and permits, including environmental permits. For additional details, please see Section 2.
 - Based on the clear delineation of responsibility, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Aegea’s Financial Operations Department will be responsible for monitoring the allocation of proceeds, and the Company’s Treasury Department will be responsible for the management of proceeds on a portfolio basis. The Framework further notes that in the event of specific funding operations, a special purpose entity managed by a third party will be responsible for managing the allocation of proceeds.
 - The Company intends to fully allocate all proceeds to eligible assets within 36 months of issuance. In the event a project becomes ineligible as per the Framework’s eligibility criteria, Aegea intends to allocate proceeds to other eligible projects within 12 months.
 - Unallocated proceeds will be temporarily used for other operational, financial and investment activities.¹⁰
 - Instruments issued under the Framework may include multi-tranche loan facilities. Aegea intends to label only those tranches of such facilities whose proceeds will be allocated according to the eligibility criteria in the Framework. This is aligned with market practice.
 - Based on the use of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Aegea will publish a report on its website on the allocation and impact of bond proceeds on an annual basis until full allocation.
 - Allocation reporting will include the percentage of proceeds allocated to eligible projects, the percentage of proceeds temporarily allocated to other financial instruments and the percentage of proceeds temporarily allocated to other Aegea projects not indicated in the Framework.
 - In addition, the Company is committed to report on impact metrics, where relevant, such as the population served, collected sewage (in m³), volume of solid waste recycled (in tonnes) and percentage of water distribution losses.
 - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

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

Section 2: Sustainability Strategy of Aegea

Contribution to Aegea’s sustainability strategy

Aegea has adopted a Sustainability Policy that aligns with its commitment to the UN Sustainable Development Goals and the principles of the UN Global Compact, the Brazilian Global Compact and the Water and Sanitation mandate.¹¹ The three pillars that underpin the policy are: i) economic, ii) environmental, and iii) social. Over the last 10 years, the Company has been reporting on its sustainability performance through its sustainability

¹⁰ Aegea notes in the Framework that unallocated proceeds will not be temporarily used for activities not related to sanitation services, carbon-intensive operations or investments, activities restricted by law or current regulations, fixed-income operations not involving prime banks, medium or high-risk fixed-income operations, illiquid fixed-income operations, stock-based operations, operations in the futures and derivatives markets.

¹¹ Aegea, “Annual Sustainability Report 2021”, at: <https://api.mziq.com/mzfilemanager/v2/d/9aa4d8c5-604a-4097-acc9-2d8be8f71593/c0c088b1-ee2-1071-1bd0-451b461b8360?origin=1>

reports. The Company conducted a materiality assessment in 2020 and identified 13 material topics, including GHG emissions, operational efficiency management, energy management and people management.¹²

To reduce its operational carbon footprint, Aegea established a target of reducing its energy consumption for water treatment and distribution, and sewage collection and treatment by 15% by 2030 from a 2021 baseline. In Aegea's progression towards its 2030 target, the Company sourced 94% of its total energy consumption from renewable energy sources in 2021. Furthermore, as part of Aegea's Loss Reduction Program to foster efficiency in water consumption, it decreased its water loss rate from 53.8.9% in 2020 to 48.9% 2021, preventing the loss of 39 billion litres of water in total.¹³

Regarding Aegea's aim to enhance access to basic sanitation, the Company has rolled out the Come With Us (Vem com a Gente) programme, which seeks to enhance access to sanitation services for low-income families by establishing sanitation connections and connecting houses to Manaus' and Rio de Janeiro's sanitation grids. Aegea has invested a total of BRL 775.9 million (USD 137.4 million) in this programme in 2021 and as a result has provided basic sanitation services to more than 100,000 households over the course of the programme's origination since 2018. As part of Aegea's new sewage operations project – Águas do Rio – the Company has provided direct and indirect employment opportunities to more than 8,000 people by pursuing its diversity and racial equality programme and through training and hiring initiatives in slums and local communities. Furthermore, Aegea has enabled the expansion of the number of beneficiaries to more than 1.5 million people under the tariff programme.¹⁴

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

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have a positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving contamination of water bodies, soil and water pollution, waste management, occupational health and safety, land use and biodiversity, community relations and stakeholder engagement.

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

- To address emissions, effluents and waste management risks, the Company's Health, Occupational Safety and Environment Department requires each unit to identify environmental risks by conducting environmental impact assessments and mitigating these risks in their activities. To prevent the contamination of the water as part of the water collection and treatment process, the Company conducts assessments that include various climatic and water-related indicators. Water is collected and disposed of in compliance with legal standards and conditions related to grants and environmental licences. To treat effluents, technical and economic feasibility is conducted to assess the impact and benefits of converting existing sewage treatment plants from anaerobic to aerobic processes, as well as implementing aerobic processes at new sewage treatment plants. For waste management, Aegea conducts waste reuse programmes to reduce the volume of sludge disposed of in landfills and promote the circular economy. The Company has also incorporated an environmental management system into its risk portal that ensures that the Company is up to date on sector-specific guidelines and that it monitors the status of environmental licences, grants, and restrictions.¹⁵
- Aegea addresses health, occupational and safety risks through the Health, Occupational Safety and Environment programme under its Sustainability Policy, which covers all its operations.¹⁶ Furthermore, the Company's occupational health and safety management system is aligned with the regulatory standards established by the Ministry of Labor and Employment, as well as international standards, such as ISO 45001¹⁷ and the IFC performance standards for health and safety.¹⁸ To

¹² Aegea, "Sustainability Policy", at: <https://www.aegea.com.br/en/sustainability-policy/>

¹³ Aegea, "Annual Sustainability Report 2021", at: <https://api.mziq.com/mzfilemanager/v2/d/9aa4d8c5-604a-4097-acc9-2d8be8f71593/c0c088b1-eeae2-1071-1bd0-451b461b8360?origin=1>

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Aegea, "Sustainability Policy", at: <https://www.aegea.com.br/en/sustainability-policy/>

¹⁷ ISO, "ISO 45001:2018 – Occupational Safety and Health Management Systems", at: <https://www.iso.org/standard/63787.html>

¹⁸ Aegea, "Sustainability Policy", at: <https://www.aegea.com.br/en/sustainability-policy/>

manage occupational risks, such as workplace accidents, the Company conducts annual audits that focus on employee health and safety (H&S) issues. Potential H&S risks that it identifies in employees' activities are mapped according to the Company's Environmental Risk Prevention Program and the Occupational Risks and Hazards List. The Company defines the management actions needed to mitigate such risks.¹⁹

- Biodiversity loss is mitigated by management measures and action taken through environmental authorizations and licences, in addition to other requirements from municipal, state, and federal environmental agencies, including those related to land use and biodiversity.²⁰
- To mitigate or manage risks associated with stakeholder participation, Aegea has implemented the Afluentes Program to promote the relationship of its concessionaires with local leaders. Aegea conducts stakeholder engagement activities to understand the needs, suggestions and opinions of the communities. The Company held nearly 9,000 meetings and engaged approximately 24,000 leaders in 2022.²¹

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

Section 3: Impact of Use of Proceeds

All six use of proceeds categories are aligned with those recognized by the GBP, SBP, GLP and SLP. Sustainability has focused on one below where the impact 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.²² One-third of the world's population still lacks access to safe drinking water, two-fifths lack acceptable basic sanitation facilities and more than 673 million people are without access to toilets.²³ In Brazil, 30 million people lack access to safely managed sources of water and 109 million lack access to safely managed household sanitation facilities.²⁴ Furthermore, only 62% of the population has access to sanitary sewage collecting systems, while only 78.5% of the collected volume is treated, leaving the remainder of the 22.5% of raw sewage to be disposed of into the environment.²⁵ 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.²⁶

Brazil's Sanitation Law, passed in July 2020, marks the reform of the regulatory framework for water and sanitation, providing increased opportunities for investments in the sector to develop infrastructure and expand sanitation services throughout the country.²⁷ The 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 2033.²⁸

¹⁹ Aegea, "Annual Sustainability Report 2021", at: <https://api.mziq.com/mzfilemanager/v2/d/9aa4d8c5-604a-4097-acc9-2d8be8f71593/c0c088b1-ee2-1071-1bd0-451b461b8360?origin=1>

²⁰ Ibid.

²¹ Ibid.

²² Costa, A.S.V. (2020), "Potential use of wastewater from sewage treatment plants in fertigation in Brazil", Open Access Journal of Environmental & Soil Science, at: <https://lupinepublishers.com/environmental-soil-science-journal/fulltext/potential-use-of-wastewater-from-sewage-treatment-plants-in-fertigation-in-brazil.ID.000206.php>

²³ Da Silva Gomes, F.M. et al. (2020), "Access to drinking water and sewage treatment in Brazil: a challenge for the control of waterborne infectious diseases", National Library of Medicine, at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7534402/>

²⁴ Water.org, "Brazil", at: <https://water.org/our-impact/where-we-work/brazil/#:~:text=Brazil's%20water%20and%20sanitation%20crisis&text=Out%20of%20its%20population%20of,safely%20managed%20household%20sanitation%20facilities.>

²⁵ Borges, M.C.P. et al. (2022), "The Brazilian National System for Water and Sanitation Data (SNIS): Providing information on a municipal level on water and sanitation services", ScienceDirect, at: <https://www.sciencedirect.com/science/article/pii/S222658562200070X>

²⁶ Portal Saneamento Básico, "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/>

²⁷ OECD iLibrary, "Making water and sanitation regulation in Brazil more effective", at: <https://www.oecd-ilibrary.org/sites/343d7eb1-en/index.html?itemId=/content/component/343d7eb1-en>

²⁸ Ibid.

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

Contribution to SDGs

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

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

Conclusion

Aegea has developed the Aegea Sustainable Finance Framework under which it may issue sustainability bonds and obtain loans, and use the proceeds to finance renewable energy, pollution prevention and control, terrestrial and aquatic biodiversity conservation, sustainable water and wastewater management, affordable basic infrastructure, and socioeconomic advancement and empowerment projects. Sustainalytics considers that the projects funded by the proceeds are expected to provide positive environmental and social impacts.

The Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, 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, 7, 8 and 14. Additionally, Sustainalytics is of the opinion that Aegea has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that Aegea Saneamento e Participações S.A is well positioned to issue sustainability bonds and obtain loans, and that Aegea Sustainable Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2021), Social Bond Principles (2021), Green Loan Principles (2023), and Social Loan Principles (2023).

Appendix

Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name: Aegea Saneamento e Participações S.A

Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: Aegea Sustainable Finance Framework

Review provider's name: Sustainalytics

Completion date of this form: May 19, 2023

Publication date of review publication:

Original publication date *[please fill this out for updates]*:

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 nd 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 – Renewable Energy, Pollution Prevention & Control, Terrestrial & Aquatic Biodiversity, Sustainable Water and Wastewater Management, Affordable Basic Infrastructure, and Socioeconomic Advancement and Empowerment – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 8 and 14.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input checked="" 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 checked="" 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):

Aegea has established an ESG Executive Committee to evaluate and select projects that are in line with the Framework's eligibility criteria. Aegea has in place processes to identify and mitigate environmental and social risks associated with eligible projects. 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 type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

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

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Aegea's Treasury department will be responsible for the management of proceeds on a portfolio basis, and the Financial Operations department will be responsible for monitoring the allocation of proceeds. Aegea intends to fully allocate the proceeds within 36 months of issuance, and if a project becomes non-eligible as per the Framework criteria, Aegea will redirect the proceeds to other eligible projects within 12 months. Unallocated proceeds will be temporarily used for other operational, financial and investment activities. 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 checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" 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):

Aegea commits to report on the allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the percentage of proceeds allocated to eligible projects, the percentage of proceeds temporarily allocated to other financial instruments and the percentage of proceeds temporarily allocated to other projects not indicated in the Framework. In addition, Aegea intends to report on relevant impact metrics. Sustainalytics views Aegea's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" 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 checked="" type="checkbox"/> Other (please specify):
Percentage of proceeds temporarily allocated to other financial instruments;
Percentage of proceeds temporarily allocated to other projects of the Aegea Group not indicated in the Framework | |

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 checked="" type="checkbox"/> Other ESG indicators (please specify): Population served (no. of residents); households served (no. of households); Percentage of households with bathrooms (% of households); Percentage with regular water supply (% of population); Percentage of population with access to water (% of population); Percentage of urban population with access to water (% of population); Percentage of population with sewage collection (% of population); Percentage of urban population with sewage collection (% of population); Number of beneficiaries in Social Tariff or similar program (no.); Per-capita water consumption (liters/day per person); Collected sewage ('000 m ³); Treated sewage ('000 m ³); Efficiency in volume of treated wastewater (m ³ /h); Water destined for reuse (m ³); Volume of solid waste properly disposed (ton.); Volume of solid waste recycled (ton.); Efficiency in volume of treated water (L/s); Increase in volume of sludge destined for circular economy (fertilizers, bricks, electricity) (ton.); Treated water in relation to water consumed (%); Distribution losses (%); Per-capita sanitation expenses (R\$ per capita); Number of households served by programs, such as Social Tariff (no.); Increase in representativeness of Black or female leaders (%); Rate of hospital admissions due to waterborne disease (admissions per 10,000 residents); Rate of hospital admissions due to diarrhea (admissions per 10,000 residents); Expenses with hospital admissions due to waterborne disease (R\$); |

Fatality rate due to waterborne disease (fatalities per 10,000 residents); Fatality rate due to waterborne disease, age 0 to 4 (fatalities per 10,000 residents); Average rent (R\$ per month); Employees in tourism sector (people); Average income of tourism workers (R\$ per month); Extension of water network (km); Extension of sewage network (km); Unit electricity consumption (kWh/m³); Fuel consumption (volume consumed in liters or m³ / volume of sewage treated or volume of sludge produced); Renewable energy consumed (kwh); Trend of scope 1 and 2 greenhouse gas emissions (ton CO₂e/m³); Reforested and recovered areas (ha)

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. 2nd 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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For more information, visit www.sustainalytics.com

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