

# Second-Party Opinion

## Aegea Sustainability-Linked Financing Framework

### Evaluation Summary

Sustainalytics is of the opinion that the Aegea Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2021. This assessment is based on the following:

- Selection of Key Performance Indicators (KPIs)** The Aegea Sustainability-Linked Financing Framework defines three KPIs: (i) Energy consumption in water production and sewage treatment (kWh/m<sup>3</sup>), (ii) Percentage of leadership positions occupied by women employees, and (iii) Percentage of leadership positions occupied by black employees (see Table 1). Sustainalytics considers all the KPIs chosen to be strong based on their materiality, relevance and scope of applicability.
- Calibration of Sustainability Performance Targets (SPTs)** Sustainalytics considers the SPTs to be aligned with Aegea's sustainability strategy. Sustainalytics further considers SPT 1 to be highly ambitious given that it exceeds past performance and peer performance, and SPT 2 and SPT 3 to be ambitious.
- Bond or Loan Characteristics** Aegea will link the financial characteristics of its sustainability-linked debt instruments to the achievement of the SPTs. The change in financial characteristics may trigger a step-up or step-down coupon adjustment, as applicable, and are to be detailed in the individual transaction documents.
- Reporting** Aegea commits to reporting on its progress against the KPIs towards the relevant SPTs on an annual basis via its Corporate Sustainability Report or other similar report, which will be made available on its website. These reporting commitments are aligned with market expectation.
- Verification** Aegea communicated to Sustainalytics that it commits to having an external verifier provide a limited assurance report with relevant expertise on the performance level against each SPT for each KPI. The verification will be done annually at a relevant date for assessing SPT performance leading to a potential adjustment in the sustainability-linked instruments, and will be made available on its website, which is aligned with market expectation.

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

The SPTs contribute to the following SDGs:



### Overview of KPIs and SPTs

KPI	Baseline	SPT	Strength of the KPI	Ambitiousness of SPT
Energy consumption in water production and sewage treatment (kWh/m <sup>3</sup> )	2021	Reduce energy consumption by 15% in Aegea's water production and distribution and sewage collection and treatment by 2030	Strong	Highly Ambitious
Percentage of leadership positions occupied by women employees	2021	Increase the percentage of leadership positions filled by women to at least 45% by 2030	Strong	Ambitious
Percentage of leadership positions occupied by black employees	2021	Increase the percentage of leadership positions filled by black employees to at least 27% by 2030	Strong	Ambitious

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## Scope of Work and Limitations

Aegea Saneamento e Participações S.A. has engaged Sustainalytics to review the Aegea Sustainability-linked Financing (SLF) Framework and provide an opinion on the alignment of the notes with the Sustainability-Linked Bond Principles (SLBP)<sup>1</sup> and Sustainability-Linked Loan Principles (SLLP).<sup>2</sup>

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent<sup>3</sup> opinion on the alignment of the reviewed Framework with the Sustainability-Linked Bond Principles 2020, as administered by ICMA, and the Sustainability-Linked Loan Principles 2021, as administered by APLMA, LMA, and LSTA. As part of this engagement, Sustainalytics exchanged information with various members of Aegea Saneamento e Participações S.A.'s management team to understand the sustainability impact of their business processes and SPTs, as well as the reporting and verification processes of aspects of the Framework. Aegea Saneamento e Participações S.A.'s representatives have confirmed that:

- (1) They understand it is the sole responsibility of issuer to ensure that the information provided is complete, accurate or up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) 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 Sustainability-Linked Financing Framework ("Framework") and should be read in conjunction with the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Aegea Saneamento e Participações S.A. 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 SPTs of KPIs but does not measure the KPIs' performance.<sup>4</sup> The measurement and reporting of the KPIs is the responsibility of the issuer. 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 Saneamento e Participações S.A. has made available to Sustainalytics for the purpose of this Second-Party Opinion. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written and aligned with the methodology to calculate the KPI performance outlined in the Second-Party Opinion up to 24 months or until one of the following occurs:

- (1) A material change to the external benchmarks<sup>5</sup> against which targets were set;
- (2) A material corporate action (such as material M&A or change in business activity) which has a bearing on the achievement of the SPTs or the materiality of the KPIs. For inquiries, contact the Corporate Solutions project team:

**Jose Yakoubian (Amsterdam)**  
Project Manager  
jose.yakoubian@morningstar.com  
+31 20 205 0053

**Darshna Jha (Mumbai)**  
Project Support  
darshna.jha@morningstar.com

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

**Anirban Sengupta (Mumbai)**  
Project Support

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<sup>1</sup> The Sustainability Linked Bond Principles (SLBP) were launched by ICMA in June 2020. They are administered by the ICMA and are available at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-PrinciplesJune-2020-100620.pdf>.

<sup>2</sup> The Sustainability-Linked Loan Principles (SLLP) were launched by LSTA in May 2021. They are administered by the LSTA and are available at: <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/#>.

<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.

<sup>4</sup> Sustainalytics has provided an opinion based on the understanding that the financial characteristics of instruments issued under this Framework will be tied to the achievement of SPTs corresponding to each of the KPIs included in the Framework.

<sup>5</sup> Benchmarks refers to science based benchmarks

## 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 2021, the Company had an annual net profit of BRL 587 million (USD 105 million) and employed 8,293 people.

Aegea intends to issue Sustainability-Linked Bonds (SLB) or Sustainability-Linked Loans (SLLs) where the achievement of the selected SPTs will be tied to variable structural and financial characteristics as described in the documentation for the specific transaction. The three KPIs refer to (i) energy consumption in water production and sewage treatment, (ii) percentage of leadership positions occupied by women employees and (iii) percentage of leadership positions occupied by black employees.

The KPIs and SPTs used by Aegea are defined in Tables 1 and 2 below.

**Table 1: KPI Definitions**

KPI	Definition
Energy consumption in water production and sewage treatment (kWh/m <sup>3</sup> )	KPI 1 measures energy consumption in kWh/m <sup>3</sup> of Aegea’s water production and distribution, and sewage collection and treatment units. The KPI covers all of the Company’s assets and is calculated by measuring the amount of electricity consumed by these units in relation to the total volume of water produced and sewage treated.  Water production and distribution, and sewage collection and treatment units account for approximately 99% of the Company’s overall energy consumption.
Percentage of leadership positions occupied by women employees	KPI 2 measures the number of leadership positions held by women as a percentage of the total number of leadership positions. Aegea defines leadership positions as those that are occupied by managers, directors, officers, and the chief executive officer.
Percentage of leadership positions occupied by black employees	KPI 3 measures the number of leadership positions held by black employees <sup>6</sup> as a percentage of the total number of leadership positions. Aegea defines black employees in accordance with the Brazilian Law no. 12.288/2010, which requires self-declaration of racial and ethnic identity. Therefore, the Company refers to employees who identify themselves as black and considers their racial and ethnic identity as defined by the individual themselves through a self-declaration form.

**Table 2: SPTs and Past Performance**

KPI	2019	2020	2021 (baseline)	SPT 2025	SPT 2027	SPT 2030
Energy consumption in water production and sewage treatment (kWh/m <sup>3</sup> )	0.63	0.64	0.39	0.36	0.35	0.33
Percentage of leadership positions occupied by women employees (%)	23%	28%	32%	38%	41%	45%
Percentage of leadership positions occupied by black employees (%)	12%	15%	17%	22%	24%	27%

<sup>6</sup> Aegea has communicated to Sustainalytics that an individual may be counted towards both targets in the case of leadership positions occupied by black women.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Alignment of the Aegea Sustainability-Linked Financing Framework with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles.

Sustainalytics is of the opinion that the Aegea Sustainability-Linked Finance Framework aligns with the Sustainability-Linked Bond Principles 2020 and the Sustainability-Linked Loan Principles 2021. For detailed information, please refer to Appendix 1: Sustainability Linked Bond External Review Form. Sustainalytics highlights the following elements of the Framework.



#### Selection of Key Performance Indicators (KPIs)

##### Relevance and Materiality of KPIs

In its assessment of materiality and relevance, Sustainalytics considers: i) whether an indicator speaks to a material impact of the issuer business on environment or social issues, and ii) to what portion of impact the KPI is applicable.

Sustainalytics considers KPI 1 - Energy consumption in water production and sewage treatment (kWh/m<sup>3</sup>) to be material and relevant based on:

- The Sustainability Accounting Standard Board (SASB) identifies "Energy Management" as a material topic for water utilities and services industry.<sup>7</sup> While water utilities generate lower GHG emissions than electric utilities, they consume approximately 7% of global electricity and energy costs can account for up to 40% of operational costs for water and wastewater systems.<sup>8,9</sup> In its materiality analysis for 2020, Aegea identified energy management as a material issue for the Company.
- Sustainalytics notes the applicability of the KPI as high given that it covers the large majority (approximately 99%) of the Company's total energy consumption.

Sustainalytics considers KPI 2 - Percentage of leadership positions occupied by women employees, and KPI 3 - Percentage of leadership positions occupied by black employees, to be material and relevant based on:

- Sustainalytics' ESG Risk Rating identifies "Human Capital" as a material ESG issue for the water utilities sector. On average, women and black employees are disproportionately underrepresented in the water and wastewater workforce.<sup>10,11</sup> Women account for 23.3% of leadership positions at water utilities firms, according to a 2019 World Bank study.<sup>12</sup> Brazil, in particular, has one of the lowest rates of female leadership participation in Latin America, with women holding just 19% of senior roles in the corporate sector.<sup>13</sup> Additionally, only 30% of Brazilian companies have black employees in leadership positions indicating a lack of racial diversity in leadership positions.<sup>14</sup> Further, Aegea identified gender and racial diversity of governance bodies and employees as a material issue for the Company in its materiality

<sup>7</sup> SASB Materiality Finder, "Water Utilities & Services", at: [https://www.sasb.org/standards/materiality-finder/find/?industry\[\]=IF-WU](https://www.sasb.org/standards/materiality-finder/find/?industry[]=IF-WU)

<sup>8</sup> Wakeel, M. et al. (2016), "Energy consumption for water use cycles in different countries: A review", ScienceDirect, at: <https://www.sciencedirect.com/science/article/abs/pii/S0306261916308893>

<sup>9</sup> Copeland, C. et al. (2017), "Energy-Water Nexus: The Water Sector's Energy Use", Congressional Research Service, at: <https://sgp.fas.org/crs/misc/R43200.pdf>

<sup>10</sup> World Bank, "Women in Water Utilities", at: <https://openknowledge.worldbank.org/bitstream/handle/10986/32319/140993.pdf>

<sup>11</sup> NEWEA, "Journal of the New England Water Environment Association Winter 2020", at: <http://www.newea.org/wp-content/uploads/2021/01/Winter-Journal-2020.pdf>

<sup>12</sup> Ibid.

<sup>13</sup> Grant Thornton, "Women in business", at: [https://www.grantthornton.global/globalassets/1.-member-firms/global/insights/article-pdfs/2017/grant-thornton\\_women-in-business\\_2017-report.pdf](https://www.grantthornton.global/globalassets/1.-member-firms/global/insights/article-pdfs/2017/grant-thornton_women-in-business_2017-report.pdf)

<sup>14</sup> The Bridge, "Black leadership: overcoming challenges towards equality", at: <https://thebridge.social/black-leadership-overcoming-challenges-towards-equality/>

analysis for 2020, and considers increasing gender and racial diversity a key element of its goal to reduce inequalities.<sup>15</sup>

- Regarding applicability, KPI 2 and KPI 3 apply to leadership positions in the Company, meaning positions occupied by managers, directors, officers and the chief executive officer. In this context and considering that leadership positions accounted for roughly 2.3% of all of the Company's employees at the end of 2021, Sustainalytics considers that increasing participation of women and black employees in leadership roles would also generate impacts across all operations of Aegea. As such, Sustainalytics assesses KPI 2 and KPI 3 to be highly material for the Company.

### **KPI Characteristics**

In its assessment of the KPI characteristics, Sustainalytics considers: i) whether a clear and consistent methodology is used, ii) whether the issuer follows an externally recognized definition, iii) whether the KPIs are a direct measure of the performance of the issuer on the material environmental or social issue, and iv) if applicable, whether the methodology can be benchmarked to an external contextual benchmark.<sup>16</sup>

#### KPI 1- Energy consumption in water production and sewage treatment (kWh/m<sup>3</sup>)

Sustainalytics considers Aegea's definition and methodology to calculate KPI 1 performance to be clear and consistent with historical disclosure. While Sustainalytics notes that the KPI 1 follows a defined external methodology<sup>17</sup>, there are no science-based external benchmarks available for assessing performance against KPI 1. As such, Aegea has established its internal methodology and contextual targets for minimizing the energy consumption in its primary activities. Sustainalytics further considers KPI 1 to be a direct measure of Aegea's performance on material environmental issues.

#### KPI 2 - Percentage of leadership positions occupied by women employees

Sustainalytics considers Aegea's definition and methodology to calculate KPI 2 performance to be clear and consistent based on its ease of calculation and replicability and considers KPI 2 directly linked to the Company's performance on key sustainability parameters related to its workforce. Sustainalytics further notes that there are no applicable externally recognized benchmarks for this KPI.

#### KPI 3 - Percentage of leadership positions occupied by black employees

Sustainalytics considers Aegea's definition and methodology to calculate KPI 3 to be clear and consistent based on its ease of calculation and replicability, and considers KPI 3 directly linked to the Company's performance on key sustainability parameters related to its workforce. Sustainalytics further notes that the KPI does not follow an external recognized methodology and that there are no external benchmarks available for assessing performance against KPI 3.

### **Overall Assessment**

Sustainalytics considers KPI 1, Energy consumption in water production and sewage treatment (kWh/m<sup>3</sup>), to be strong given that: (i) it follows a clear and consistent methodology, (ii) it is a direct measure of the Company's environmental performance, and (iii) it covers most of the Company's energy consumption, despite not being able to be benchmarked.

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<sup>15</sup> Aegea, "Sustainability Report 2020", at: <https://api.mziq.com/mzfilemanager/v2/d/9aa4d8c5-604a-4097-acc9-2d8be8f71593/cbf92f50-a5f4-c074-79b7-ad59257a653e?origin=1>

<sup>16</sup> External contextual benchmarks provide guidance on the alignment with ecological system boundaries. This criterion is not applied to social KPIs nor impact areas for which such contextual benchmarks are not available.

<sup>17</sup> Aegea has communicated to Sustainalytics that its calculation methodology for KPI 1 is consistent with the methodology used by the Brazilian Ministry of Regional Development to measure the energy usage of the water supply system. National Sanitation Information System, "Thematic Diagnosis Water and Sewage Services", at: [http://www.snis.gov.br/downloads/diagnosticos/ae/2020/DIAGNOSTICO\\_TEMATICO\\_VISAO\\_GERAL\\_AE\\_SNIS\\_2021.pdf](http://www.snis.gov.br/downloads/diagnosticos/ae/2020/DIAGNOSTICO_TEMATICO_VISAO_GERAL_AE_SNIS_2021.pdf)

Sustainalytics considers KPI 2, Percentage of leadership positions occupied by women employees (%), to be strong given that: (i) it measures performance on a relevant and material issue of the Company and industry, (ii) it is a direct measure of operational performance, and (iii) it follows a clear and consistent methodology.

Sustainalytics considers KPI 3, Percentage of leadership positions occupied by black employees (%), to be strong given that: (i) it measures performance on a relevant and material issue of the Company and industry, (ii) it is a direct measure of operational performance, and (iii) it follows a clear and consistent methodology.

<b>KPI 1: Energy consumption in water production and sewage treatment (kWh/m<sup>3</sup>)</b>	Not Aligned	Adequate	<b>Strong</b>	Very strong
<b>KPI 2: Percentage of leadership positions occupied by women employees</b>	Not Aligned	Adequate	<b>Strong</b>	Very strong
<b>KPI 3: Percentage of leadership positions occupied by black employees</b>	Not Aligned	Adequate	<b>Strong</b>	Very strong



### Calibration of Sustainability Performance Targets (SPTs)

#### Alignment with Aegea’s Sustainability Strategy

Aegea has set the following SPTs for its KPIs:

- Reduce energy consumption by 15% in Aegea’s water production and distribution, and sewage collection and treatment by 2030 against a 2021 baseline.
- Increase the percentage of leadership positions filled by women to at least 45% by 2030 against a 2021 baseline.
- Increase the percentage of leadership positions filled by black employees to at least 27% by 2030 against a 2021 baseline.

Sustainalytics considers the SPTs to be aligned with Aegea’s sustainability strategy (please refer to Section 2 for an analysis of the credibility of Aegea’s sustainability strategy).

Regarding SPT 1, Aegea has established the Efficiency and Technology department, which is responsible for identifying solutions to increase operational efficiency.<sup>18</sup> The department is divided into four strategic areas: (i) loss control management, (ii) process management, (iii) project management, and (iv) energy management and efficiency.<sup>19</sup> The Energy Management and Efficiency is one of the divisions of the Efficiency and Technology department, which focuses on the management of electricity consumption in water and sewage systems. In 2020, the Company developed over 100 initiatives focused on the Efficiency and Technology department’s four strategic areas.<sup>20</sup> Furthermore, advancements in energy conservation and efficiency optimization resulted in an 8.2 GJ reduction in consumption and a nearly 26% decrease in the total energy purchased in 2020.<sup>21</sup>

Regarding SPTs 2 and 3, in 2017, Aegea launched the “Respeito Dá o Tom” Program with the goal of developing individuals and encouraging black, brown, and indigenous people to pursue leadership roles in the corporate sector.<sup>22</sup> Women occupied 32% of leadership positions and black employees accounted for 17% in 2021, so

<sup>18</sup> Aegea, “Sustainability Report 2020”, at: <https://api.mziq.com/mzfilemanager/v2/d/9aa4d8c5-604a-4097-acc9-2d8be8f71593/cbf92f50-a5f4-c074-79b7-ad59257a653e?origin=1>

<sup>19</sup> Aegea, “Efficiency and Technology”, at: <https://www.aegea.com.br/en/efficiency-and-technology/>

<sup>20</sup> Ibid.

<sup>21</sup> Aegea, “Sustainability Report 2020”, at: <https://api.mziq.com/mzfilemanager/v2/d/9aa4d8c5-604a-4097-acc9-2d8be8f71593/cbf92f50-a5f4-c074-79b7-ad59257a653e?origin=1>

<sup>22</sup> Aegea, “Sustainability Report 2020”, at: <https://api.mziq.com/mzfilemanager/v2/d/9aa4d8c5-604a-4097-acc9-2d8be8f71593/cbf92f50-a5f4-c074-79b7-ad59257a653e?origin=1>

diversity was a material topic during multiple campaigns and meetings conducted by the Aegea's Corporate Diversity committee.

### **Strategy to Achieve the SPTs**

Aegea intends to achieve the SPTs through the following strategy:

#### SPT 1 - Reduce energy consumption by 15% in Aegea's water production and distribution and sewage collection and treatment by 2030 against 2021 baseline

Aegea intends to achieve SPT 1 through the following strategies:

- To improve energy efficiency in its operations, Aegea has established the Energy Efficiency Management (EEM) plan which is further supported by the Costing and Planning Management department. The EEM includes three corporate programmes which are: (i) hydro energy diagnosis, (ii) energy audits and (iii) energy monitoring.
- As part of the hydro energy diagnosis, Aegea conducts on-site assessments of energy-intensive operations and prepares conclusive reports with a list of energy saving opportunities. In addition, the Company conducts energy audits to identify opportunities for energy efficiency through project modelling. The Company also focuses on physical adaptation projects for instrumentation that enables continuous monitoring of the energy output of strategic equipment. As such, the Company has identified opportunities for energy optimization by considering the following factors: (i) sizing and designing aspects of pumping assemblies, hydraulic structures, and hydraulic protections, (ii) operating conditions of pumping sets, (iii) use of drive systems such as frequency inverters and soft starters, (iv) resizing and reconditioning of engines, pumps and related components equipment, and (v) replacement of inefficient equipment.

#### SPT 2 - Increase the percentage of leadership positions filled by women to at least 45% by 2030 against 2021 baseline

#### SPT 3 - Increase the percentage of leadership positions filled by black employees to at least 27% by 2030 against 2021 baseline

Aegea intends to achieve SPT 2 and SPT 3 through the following strategies:

- The Company has undertaken a number of initiatives aimed at promoting an inclusive work environment, which includes: (i) development of attraction and selection processes to increase the inclusiveness and diversity of the candidate pool for entry-level positions and promotions, (ii) creation of entry-level programmes and mapping the organization's talents to develop career-growth plans for women and black employees, and (iii) development of affirmative actions to deconstruct unconscious bias in the work environment.
- To support women and black employees' progress in their careers, the Company has developed various programmes that provide mentorship and assistance in obtaining higher academic credentials from reputable institutions. Additionally, the Company has established an accelerated development programme for retaining high potential employees.

### **Ambitiousness, Baseline and Benchmarks**

To determine the ambitiousness of the SPTs, Sustainalytics considers whether the SPTs go beyond a business-as-usual trajectory, ii) how the SPTs compare to targets set by peers, iii) and how the SPTs compare with science.<sup>23</sup>

**SPT 1:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and peer performance.

In 2021, Aegea started to operate Águas do Rio, which has a reduced energy consumption expressed in kWh/m<sup>3</sup> compared to Aegea's performance prior to 2021, and therefore contributed to a significant reduction (39%) in overall energy consumption per cubic meter between 2020 and 2021. Due to the recent integration of Águas do Rio, Sustainalytics has assessed Aegea's historical performance to KPI 1 for the years prior to the integration of Águas do Rio operations in 2021, which showed that Aegea increased its energy consumption by 1.6% between

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<sup>23</sup> We refer here to contextual benchmarks that indicate alignment of targets with ecosystem boundaries.

2019 and 2020. Considering that the Company must commit to an implied annual average reduction of roughly 1.8% in energy consumption between 2021 and 2030 to achieve the SPT, Sustainalytics considers the SPT 1 to be above Aegea’s historical performance.

Regarding comparison against five industry peers, Sustainalytics notes that while peer companies aim to reduce their energy consumption in operations, none have set any quantitative targets. As such, Sustainalytics considers SPT 1 to be above Aegea’s peers’ targets.

**SPT 2:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and peer performance.

Aegea increased the share of women in leadership positions at an annual average of 18% between 2019 and 2021. To achieve SPT 2, this figure must be increased further to reach 45% by the final observation date in 2030 compared to 2021, which translates to an annual average increase of roughly 4% between 2021 and 2030. Sustainalytics notes that the SPT 2 is below the Company’s historical performance.

In comparison to its five industry peers, Sustainalytics considers that SPT 2 exceeds Aegea’s peers’ targets. While most peers have similar shares of women in executive or leadership roles, none have set any future targets.

**SPT 3:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and peer performance.

Aegea increased the share of black employees in leadership positions at an annual average of around 19% between 2019 and 2021. To achieve SPT 3, this figure must be increased further to reach 27% by the final observation date in 2030 compared to 2021, which translates to an annual average increase of roughly 5% between 2021 and 2030. Sustainalytics notes that the SPT 3 is below the Company’s historical performance.

In comparison to its five industry peers, Sustainalytics considers that SPT 3 exceeds Aegea’s peers’ targets as none of them have set any quantitative targets.

**Overall Assessment**

Sustainalytics considers the SPTs to align with Aegea’s sustainability strategy and considers Aegea’s SPT 1 to be highly ambitious that given it exceeds past performance and exceeds those of the subindustry peers.

Sustainalytics considers Aegea’s SPT 2 to be ambitious given that it exceeds those of the subindustry peers and represents a lower rate of increase compared to past performance.

Sustainalytics considers Aegea’s SPT 3 to be ambitious given that it exceeds those of the subindustry peers and represents a lower rate of increase compared to past performance.

<b>SPT 1: Reduce energy consumption by 15% in Aegea’s water production and distribution and sewage collection and treatment by 2030</b>	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
<b>SPT 2: Increase the percentage of leadership positions filled by women to at least 45% by 2030</b>	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
<b>SPT 3: Increase the percentage of leadership positions filled by black employees to at least 27% by 2030</b>	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



**Bond/Loan Characteristics**

Aegea has disclosed that the financial characteristics of the sustainability-linked instruments issued under the Framework will be linked to the achievement of the selected SPTs. The success or failure to achieve the selected SPTs on the relevant target observation dates will trigger a step-down or step-up coupon or coupon adjustment, as applicable, payable as per the transaction documentation. In addition to the achievement of the SPTs, the structural adjustments will be triggered if: i) the verification of the SPT has not been provided and made public by the time of the notification date, as defined in the instrument documentation; or ii) the Company fails to provide reasonable notice as of the notification date related to achieving the SPT. Sustainalytics considers these levels

of disclosure to be aligned with the Sustainability-Linked Principles, noting that it does not opine on the adequacy of the magnitude of the financial penalty.

Sustainalytics notes that the SLF Framework is not limited to one bond or loan, and as such, Aegea can issue multiple sustainability-linked instruments while the SPO is valid for issuances aligned with the Framework. On this note, the Company can choose to tie the financial characteristics of future issuances to one or more SPTs. However, Sustainalytics encourages the Issuer to include the KPI 1 and SPT 1 in conjunction with all other KPI-SPT combinations when issuing the first finance under this Framework.



### Reporting

Aegea commits to reporting on its progress against the KPIs towards the relevant SPTs on an annual basis via its Corporate Sustainability Report or other similar report, which will be made available on the Company's website. These reporting provisions are aligned with the SLBP and SLLP. Aegea further commits to disclose annually, when feasible, qualitative or quantitative explanations on the contribution of the main factors to the evolution of the KPI progress, positive sustainability impacts of the performance improvement, as well as any reassessments or adjustments of the KPIs, their baselines or scopes.



### Verification

Aegea communicated to Sustainalytics that it commits to having an external verifier provide a limited assurance report with relevant expertise on the performance level against each SPT for each KPI. The verification will be done annually and at a relevant date for assessing the SPT performance leading to a potential adjustment in the sustainability-linked instruments, and will be made available on its website, which is aligned with the SLBP and SLLP on verification.

## Section 2: Assessment of Aegea's Sustainability Strategy

### Credibility of Aegea's Sustainability Strategy

Aegea's Sustainability Policy 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.<sup>24</sup> The three pillars that underpin Aegea's Sustainability Policy are: i) economic, ii) environment, and iii) social. The Company's Sustainability Policy serves as the foundation for its strategy to outperform its peers in the sustainable, competitive and innovative provision of basic sanitation services and create value for its stakeholders.<sup>25</sup> Over the last 10 years, the Company has been reporting on its sustainability performance through its sustainability reports. Aegea has made progress in domestic ratings, improving from BBB+ to AA+, it has established a sanitation management system, is a member of the World Water Innovation Fund and it has adopted NBR ISO 3700<sup>26</sup>. These advancements demonstrate Aegea's commitment to being a sustainable water utility company. Aegea's top management is responsible for ensuring compliance with and implementation of the Company's sustainability strategy.<sup>27</sup>

Aegea conducted a materiality assessment in 2020 and identified 13 material topics, including GHG emissions, operational efficiency management, energy management and people management. The Company has focussed on reducing its energy cost per m<sup>3</sup> of water and sludge treated, which decreased by 3.2% between 2019 and 2020. Furthermore, the Company has been able to reduce its energy consumption by 8.235 GJ through various energy-saving initiatives.<sup>28</sup>

To fulfill its goal of providing equal opportunities, the Company has established the "Respeito Dá o Tom" (Respect Sets the Tone) programme, which is aimed at encouraging people from diverse ethnicities and backgrounds, including Indigenous people, to apply for corporate positions.<sup>29</sup> The Company identified Diversity as a key material issue in its materiality assessment in 2020, and thereafter have sought to advance women and diversity through multiple meetings and campaign conducted by the corporate diversity committee of Aegea. In 2020, women represented 23.16% of Aegea's governance bodies.<sup>30</sup> In the same year, the Company had 2.7% and 5.4% representation from black and other non-white employees, respectively, in governance bodies.<sup>31</sup>

Sustainalytics considers Aegea's sustainability strategy to be strong and the instruments issued under the Framework to be able to further support its implementation.

### Aegea's Environmental and Social Risk Management

Sustainalytics recognizes that while Aegea's defined targets are impactful, achieving the SPTs bears environmental and social risks primarily related to product governance, emissions, effluents and waste, and occupational health and safety.

Sustainalytics comments below on Aegea's ability to mitigate such potential risks.

- Aegea's risk management identifies nine key functional areas of risk which include, amongst others: (i) people, (ii) environmental health and safety, (iii) operational, (iv) planning and strategic growth and (v) compliance.<sup>32</sup> Under these broad areas of risk, the Company focuses on mitigating issues related to product governance, environmental management, occupational health and safety, and compliance. The Company's Business Impact Analysis tool is an internal mechanism to manage risks. Through this tool, Aegea is able to identify business impact risks and generate a risk map, which is then approved by top management.<sup>33</sup> Aegea's Risk and Internal Control department, which consolidated in 2020, ensures that all risks are identified and addressed through a control mechanism. The Company's three-line strategy, which involves line managers, internal risk control and top management, ensures that risks are identified at all levels for all employees and product-related issues and that interventions are introduced when needed.
- To address risks related to contamination of water bodies, water or soil pollution and waste disposal, the Company's Health, Occupational Safety and Environment Department requires each unit to identify environmental risks by

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<sup>24</sup> Aegea, "Sustainability Report 2020", at: <https://api.mziq.com/mzfilemanager/v2/d/9aa4d8c5-604a-4097-acc9-2d8be8f71593/cbf92f50-a5f4-c074-79b7-ad59257a653e?origin=1>

<sup>25</sup> Ibid.

<sup>26</sup> ISO, "ISO 37001:2016 - Anti-bribery management systems", at: <https://www.iso.org/standard/65034.html>

<sup>27</sup> Aegea, "Sustainability Policy", at: <https://www.aegea.com.br/en/sustainability-policy/>

<sup>28</sup> Aegea, "Sustainability Policy", at: <https://www.aegea.com.br/en/sustainability-policy/>

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

<sup>31</sup> Aegea, "Sustainability Policy", at: <https://www.aegea.com.br/en/sustainability-policy/>

<sup>32</sup> Aegea, "Sustainability Report 2020", at: <https://api.mziq.com/mzfilemanager/v2/d/9aa4d8c5-604a-4097-acc9-2d8be8f71593/cbf92f50-a5f4-c074-79b7-ad59257a653e?origin=1>

<sup>33</sup> Ibid.

conducting environmental impacts assessment and mitigating these risks in their activities.<sup>34</sup> The Company has also incorporated an environmental management system into its risk portal.<sup>35</sup> This helps to ensure that the Company is up to date on sector-specific guidelines and that it monitors the status of environmental licences, grants and restrictions.

- Aegea discloses corporate guidelines through its Health, Occupational Safety and Environment programme under its Sustainability Policy, which covers all its operations.<sup>36</sup> 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 45001<sup>37</sup> and the IFC performance standards for health and safety.<sup>38</sup> To manage occupational risks, such as workplace accidents, the Company conducts annual audits that focus on employee health and safety (H&S) issues. Potential H&S risks that it identifies in employees' activities, are then mapped according to the Company's Environmental Risk Prevention Program and the Occupational Risks and Hazards List. The Company then defines the management actions needed to mitigate those risks.<sup>39</sup>

In addition to the above, Sustainalytics notes that it has not found evidence of major environmental or social controversies related to Aegea. Overall, Sustainalytics considers that Aegea has strong management programmes and policies to mitigate risks that could affect the achievement of the SPTs.

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<sup>34</sup> Aegea, "Sustainability Report 2020", at: <https://api.mziq.com/mzfilemanager/v2/d/9aa4d8c5-604a-4097-acc9-2d8be8f71593/cbf92f50-a5f4-c074-79b7-ad59257a653e?origin=1>

<sup>35</sup> Ibid.

<sup>36</sup> Aegea, "Sustainability Policy", at: <https://www.aegea.com.br/en/sustainability-policy/>

<sup>37</sup> ISO, "ISO 45001:2018 Standard – Occupational Safety and Health Management Systems", at: <https://www.iso.org/standard/63787.html>

<sup>38</sup> Aegea, "Sustainability Policy", at: <https://www.aegea.com.br/en/sustainability-policy/>

<sup>39</sup> Aegea, "Sustainability Report 2020", at: <https://api.mziq.com/mzfilemanager/v2/d/9aa4d8c5-604a-4097-acc9-2d8be8f71593/cbf92f50-a5f4-c074-79b7-ad59257a653e?origin=1>

## Section 3: Impact of the SPTs Chosen

### Importance of improving energy efficiency in the water utilities sector

Globally, water utilities account for approximately 7% of total electricity consumption, and energy costs can account for 30% of a water utilities system's total operating cost.<sup>40,41</sup> The share of energy costs in total operating costs is higher in developing economies, reaching as much as 40% in some countries.<sup>42</sup> Water and energy systems are highly interdependent, as water utilities are major consumers of energy, which they use for water source pumping, treatment and distribution. For many municipal governments, drinking water and wastewater plants are typically the largest energy consumers, often accounting for 30% to 40% of total energy consumed and this is expected to increase to 60% within the next 15 years.<sup>43,44</sup> Additionally, analysis in 2020 by the International Energy Agency (IEA) showed that water supply and wastewater treatment are responsible for more than 50% of total electricity consumption among water utilities.<sup>45</sup> It is estimated that energy-efficient technologies can result in a 15% to 30% energy savings for water and waste-water treatment plants.<sup>46</sup> As a result, variable speed drives and high-efficiency motors can reduce energy consumption by 5% to 15% in drinking water facilities, while process optimization can result in energy savings of 10% and 20% in drinking water and wastewater facilities, respectively.<sup>47</sup>

Based on the above, Sustainalytics is of the opinion that Aegea's issuance of sustainability-linked debt instruments will provide financing for projects that can help to reduce the Company's overall energy consumption.

### Importance of gender and racial diversity in the workforce in Brazil

According to the Gender Gap Report 2021 by the World Economic Forum, it will take 135.6 years to close the gender gap worldwide.<sup>48</sup> Moreover, the gender gap in economic participation and opportunity will take 267.6 years to close.<sup>49</sup> Post-pandemic data from LinkedIn has revealed that there is a marked decline in hiring women in leadership positions.<sup>50</sup> In the water utilities sector, less than 25% of employees are women, according to industry estimates.<sup>51</sup>

In Brazil, 52% of the population is comprised of women. However, only 16% of executive directors in financial services are women. Women also earned 25% less than men, despite having the same educational qualification.<sup>52</sup> Studies have found that the black and non-white population of Brazil constitute 64% of the unemployed or sub-utilized workers.<sup>53</sup> Additionally, black women in Brazil tend to earn a third of what white men earn and 44% less than white women in the overall job market,<sup>54</sup> while only 30% of Brazilian companies have black employees in leadership positions, indicating a lack of racial diversity in leadership positions.<sup>55</sup> According

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<sup>40</sup> Wakeel, M. et al. (2016), "Energy consumption for water use cycles in different countries: A review", ScienceDirect, at: <https://www.sciencedirect.com/science/article/abs/pii/S0306261916308893>

<sup>41</sup> Copeland, C. et al. (2017), "Energy-Water Nexus: The Water Sector's Energy Use", Congressional Research Service, at: <https://sgp.fas.org/crs/misc/R43200.pdf>

<sup>42</sup> Wilson et al, "Water utilities' improvement: The need for water and energy management techniques and skill" at: <https://www.sciencedirect.com/science/article/pii/S2666445321000027#bib1>

<sup>43</sup> US EPA, "Energy Efficiency for Water Utilities" at: <https://www.epa.gov/sustainable-water-infrastructure/energy-efficiency-water-utilities>

<sup>44</sup> Tata and Howard, "Criticality of energy efficiency for water and waste water utilities" at: <https://tataandhoward.com/the-criticality-of-energy-efficiency-for-water-and-wastewater-utilities/>

<sup>45</sup> IEA, "Electricity consumption in the water sector by process, 2014-2040", at: <https://www.iea.org/data-and-statistics/charts/electricity-consumption-in-the-water-sector-by-process-2014-2040>

<sup>46</sup> Tata and Howard, "Criticality of energy efficiency for water and waste water utilities" at: <https://tataandhoward.com/the-criticality-of-energy-efficiency-for-water-and-wastewater-utilities/>

<sup>47</sup> Copeland, C. et al. (2017), "Energy-Water Nexus: The Water Sector's Energy Use", Congressional Research Service, at: <https://sgp.fas.org/crs/misc/R43200.pdf>

<sup>48</sup> WEF, "Global Gender Gap Report 2021", (2021) at: [https://www3.weforum.org/docs/WEF\\_GGGR\\_2021.pdf](https://www3.weforum.org/docs/WEF_GGGR_2021.pdf)

<sup>49</sup> Ibid.

<sup>50</sup> Ibid.

<sup>51</sup> Capgemini, "More women are needed to power energy and utilities", at: <https://www.capgemini.com/2020/03/more-women-are-needed-to-power-energy-and-utilities/>

<sup>52</sup> Oliver Wyman, "The gender Gap lifecycle", at: <https://www.oliverwyman.com/our-expertise/insights/2018/aug/the-gender-gap-lifecycle.html>

<sup>53</sup> Agencia Brasil, "Blacks make up majority of Brazil's unemployed and informal workers" at: <https://agenciabrasil.ebc.com.br/en/economia/noticia/2019-11/blacks-make-majority-brazils-unemployed-and-informal-workers>

<sup>54</sup> CFFP, "Brazil's Gender Trouble: Sources of Inequality in Brazilian Institutions and Political Representation", at: <https://centreforfeministforeignpolicy.org/journal/2017/12/8/brazils-gender-trouble-sources-of-inequality-in-brazilian-institutions-and-political-representation>

<sup>55</sup> The Bridge, "Black leadership: overcoming challenges towards equality", at: <https://thebridge.social/black-leadership-overcoming-challenges-towards-equality/>

to the International Finance Corporation (IFC), companies that achieve gender parity in their leadership teams see their valuations increase by approximately 25% more than those with less diverse teams.<sup>56</sup> Therefore, it is important for corporations to increase the representation of women in senior and middle management roles so that they can also increase the representation of women in decision-making processes, which will help bridge the gender gap.

Sustainalytics is of the opinion that Aegea’s programmes on gender equity and its commitment to achieving gender diversity in leadership positions will help advance the need for gender equality and empower women, in line with SDG 5.

**Alignment with/contribution to SDGs**

The Sustainable Development Goals (SDGs) were adopted in September 2015 and form part of an agenda for achieving sustainable development by the year 2030. The sustainability-linked instruments issued under the Framework are expected to help advance the following SDGs and targets:

KPI	SDG	SDG Target
Energy consumption in water production and sewage treatment (kWh/m <sup>3</sup> )	9. Industry, innovation, and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries acting, in accordance with their respective capabilities
Percentage of leadership positions occupied by women employees	5. Gender Equality	5.5 Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life.
Percentage of leadership positions occupied by black employees	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

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<sup>56</sup> IFC, “Moving Toward Gender Balance in Private Equity and Venture Capital”, at: [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/gender+at+ifc/resources/gender-balance-in-emerging-markets](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/gender+at+ifc/resources/gender-balance-in-emerging-markets)

## Conclusion

Aegea intends to issue sustainability-linked bonds and sustainability-linked loans tying their coupon rate to the achievements of the following SPTs:

- Energy consumption in water production and sewage treatment (kWh/m<sup>3</sup>): Reduce energy consumption by 15% in Aegea's water production and distribution, and sewage collection and treatment by 2030.
- Percentage of leadership positions occupied by women employees: Increase the percentage of leadership positions filled by women to at least 45% by 2030.
- Percentage of leadership positions held by black employees: Increase the percentage of leadership positions filled by black employees to at least 27% by 2030.

Sustainalytics considers all three KPIs to be strong. KPI 1 follows a clear and consistent methodology, has a direct measure of the Company's environmental performance and covers most of the Company's energy consumption, despite it not being benchmarked. KPI 2 is considered to be strong, as it measures performance on a relevant and material issue of the Company and industry and is a direct measure of operational performance while following a consistent methodology. KPI 3 is considered strong as it measures performance on a relevant and material issue of the Company and industry and is a direct measure of operational performance while following a consistent methodology.

Sustainalytics considers SPT 1 to be highly ambitious, given that it exceeds past performance, and it also exceeds those of the Company's subindustry peers. Sustainalytics considers SPT 2 and SPT 3 to be ambitious, given that these targets exceed those of the Company's subindustry peers.

Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Based on the above, Sustainalytics considers the Aegea Sustainability-Linked Financing Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2021, and the prospective achievement of the SPTs to be impactful.

## Appendix 1: Sustainability-Linked Bonds - External Review Form

### Section 1. Basic Information

**Issuer name:** Aegea Saneamento e Participações S.A.

**Sustainability-Linked Bond ISIN:**

**Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3):** Sustainalytics

**Completion date of second party opinion pre-issuance:** March 17, 2022

**Independent External Review provider's name for post-issuance verification (section 4):**

**Completion date of post issuance verification:**

**Original completion date of post issuance verification [please fill this out for updates]:**

At the launch of the bond, the structure is:

- a step-up structure  a variable redemption structure

### Section 2. Pre-Issuance Review

#### 2-1 SCOPE OF REVIEW

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

The review:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> assessed all the following elements (complete review)    | <input type="checkbox"/> only some of them (partial review):                 |
| <input checked="" type="checkbox"/> Selection of Key Performance Indicators (KPIs)           | <input checked="" type="checkbox"/> Bond characteristics (acknowledgment of) |
| <input checked="" type="checkbox"/> Calibration of Sustainability Performance Targets (SPTs) | <input checked="" type="checkbox"/> Reporting                                |
| <input checked="" type="checkbox"/> Verification   |  |
| <input checked="" type="checkbox"/> and confirmed their alignment with the SLBP.             |  |

#### 2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification  |
| <input type="checkbox"/> Verification                    | <input type="checkbox"/> Scoring/Rating |

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

## 2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Aegea intends to issue sustainability-linked bonds and sustainability-linked loans tying their coupon rate to the achievements of the following SPTs:

- Energy consumption in water production and sewage treatment (kWh/m<sup>3</sup>): Reduce energy consumption by 15% in Aegea’s water production and distribution, and sewage collection and treatment by 2030.
- Percentage of leadership positions occupied by women employees: Increase the percentage of leadership positions filled by women to at least 45% by 2030.
- Percentage of leadership positions held by black employees: Increase the percentage of leadership positions filled by black employees to at least 27% by 2030.

Sustainalytics considers these KPIs to be strong. Sustainalytics considers KPI 1 to be strong, as it follows a clear and consistent methodology, has a direct measure of the Company’s environmental performance and covers most of the Company’s energy consumption, despite it not being benchmarked. KPI 2 is considered to be strong, as it measures performance on a relevant and material issue of the Company and industry and is a direct measure of operational performance while following a consistent methodology. KPI 3 is considered strong as it measures performance on a relevant and material issue of the Company and industry and is a direct measure of operational performance while following a consistent methodology.

Sustainalytics considers SPT 1 to be highly ambitious, given that it exceeds past performance, and it also exceeds those of the Company’s subindustry peers. Sustainalytics considers SPT 2 and SPT 3 to be ambitious, given that these targets exceed those of the company’s subindustry peers.

### Section 3. Detailed pre-issuance 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.*

#### 3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)

The Aegea Sustainability-Linked Financing Framework defines three KPIs: (i) Energy consumption in water production and sewage treatment (kWh/m<sup>3</sup>), (ii) Percentage of leadership positions occupied by women employees, and (iii) Percentage of leadership positions occupied by black employees (see Table 1). Sustainalytics considers all the KPIs chosen to be strong based on their materiality, relevance and scope of applicability.

#### List of selected KPIs:

- Energy consumption in water production and sewage treatment (kWh/m<sup>3</sup>)
- Percentage of leadership positions occupied by women employees (%)
- Percentage of leadership positions occupied by black employees (%)

#### Definition, Scope, and parameters

- Clear definition of each selected KPIs                       Clear calculation methodology
- Other (please specify):

#### Relevance, robustness, and reliability of the selected KPIs

- Credentials that the selected KPIs are relevant, core and material to the issuer’s sustainability and business strategy.                       Evidence that the KPIs are externally verifiable

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis | <input checked="" type="checkbox"/> Evidence that the KPIs can be benchmarked |
|   | <input type="checkbox"/> Other ( <i>please specify</i> ):                     |

### 3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

Sustainalytics considers the SPTs to be aligned with Aegea’s sustainability strategy. Sustainalytics further considers SPT 1 to be highly ambitious given it exceeds past performance and peer performance, and SPT 2 and SPT 3 to be ambitious.

#### Rationale and level of ambition

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Evidence that the SPTs represent a material improvement                                  | <input checked="" type="checkbox"/> Credentials on the relevance and reliability of selected benchmarks and baselines |
| <input checked="" type="checkbox"/> Evidence that SPTs are consistent with the issuer’s sustainability and business strategy | <input checked="" type="checkbox"/> Credentials that the SPTs are determined on a predefined timeline                 |
|  | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

#### Benchmarking approach

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Issuer own performance   | <input checked="" type="checkbox"/> Issuer’s peers        |
| <input checked="" type="checkbox"/> reference to the science | <input type="checkbox"/> Other ( <i>please specify</i> ): |

#### Additional disclosure

- |  |  |
|--|--|
| <input type="checkbox"/> potential recalculations or adjustments description                       | <input checked="" type="checkbox"/> issuer’s strategy to achieve description |
| <input type="checkbox"/> identification of key factors that may affect the achievement of the SPTs | <input type="checkbox"/> Other ( <i>please specify</i> ):                    |

### 3-3 BOND CHARACTERISTICS

Aegea will link the financial characteristics of its sustainability-linked debt instruments to the achievement of the SPTs. The change in financial characteristics may trigger a step-up or step-down coupon adjustment, as applicable, and are to be detailed in the individual transaction documents.

#### Financial impact:

- variation of the coupon
- Other (*please specify*):

#### Structural characteristic:

- Other (*please specify*):

**3-4 REPORTING**

Aegea commits to reporting on its progress against the KPIs towards the relevant SPTs on an annual basis via its Corporate Sustainability Report or other similar report, which will be made available on its website. These reporting commitments are aligned with market expectation.

**Information reported:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> performance of the selected KPIs | <input checked="" type="checkbox"/> verification assurance report |
| <input checked="" type="checkbox"/> level of ambition of the SPTs    | <input type="checkbox"/> Other ( <i>please specify</i> ):         |

**Frequency:**

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

**Means of Disclosure**

- |  |  |
|--|--|
| <input type="checkbox"/> Information published in financial report   | <input checked="" type="checkbox"/> Information published in sustainability report     |
| <input type="checkbox"/> Information published in ad hoc documents   | <input checked="" type="checkbox"/> Other ( <i>please specify</i> ): Company's website |
| <input type="checkbox"/> Reporting reviewed ( <i>if yes, please specify which parts of the reporting are subject to external review</i> ): |  |

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

**Level of Assurance on Reporting**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> limited assurance     | <input type="checkbox"/> reasonable assurance |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |   |

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

**Section 4. Post-issuance verification**

**Overall comment on the section (if applicable):**

**Information reported:**

- |  |   |
|--|---|
| <input type="checkbox"/> limited assurance | <input type="checkbox"/> reasonable assurance |
|--|---|



Other (please specify):

**Frequency:**

Annual

Semi-annual

Other (please specify):

**Material change:**

Perimeter

KPI methodology

SPTs calibration

## Disclaimer

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These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 25 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 800 staff members, including more than 300 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

Or contact us [contact@sustainalytics.com](mailto:contact@sustainalytics.com)

