

ANNUAL REPORT 2018



BRK
Ambiental

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Message from the CEO

A sanitation company is much more than the assets contained within its operations. At BRK Ambiental, Brazil's largest private company in this sector, we know that our business provides more health, education, environmental conservation and economic development for the entire population. Our everyday work and efforts have a positive purpose: to transform people's lives for the better.

The year 2018 was important to consolidating this vision, which comes from our shareholders, among all of the company's leaders and employees. We identified and unveiled our corporate purpose – **to transform people's lives, guaranteeing quality water and sanitation** – and we spread the values that guide our business to teams in the corporate areas and at operational units.

This work was done collaboratively, involving a large number of BRK Ambiental professionals in different states and cities. Having diverse viewpoints is valuable to the cultural transformation we immediately began in 2017, when Brookfield acquired shareholder control of our company. With operations in every region of Brazil, it is fundamental that we understand and incorporate the cultural and social differences that characterize our country.

A company that promotes equality, combats discrimination and promotes inclusion and diversity is more efficient and open to innovation. These are essential aspects for companies in the industry to make progress on universalization of basic sanitation. Bringing water and sewerage to Brazilians everywhere is one of the biggest demands in Brazil in the 21st century and can no longer be postponed, since there is a risk of entire generations continuing to be impacted by maladies such as dengue, zika virus, yellow fever, diarrhea and other serious illnesses.

It is also essential that information be spread about the benefits of basic sanitation so that we are able to make these services universal. Over the last two years, along with the internal restructuring we carried out, we have enhanced relations with trade associations, regulatory agencies, government

representatives, academia, the community and various other stakeholders, in an effort to produce and release content that contributes to raising societal awareness.

One example of this action is a study entitled "Saneamento e a Vida da Mulher Brasileira" (Sanitation and the Life of the Brazilian Woman), produced through a partnership between BRK Ambiental, the Global Compact Network Brazil and Instituto Trata Brasil, a civil society organization representing the sector. By finding that a lack of sewage collection and treatment more severely impacts Brazilian women, we are contributing to the debate on universalization and to necessary regulatory framework updates that go beyond technical and operational concepts, establishing a foothold in the area of sustainable human development.

WE ARE COMMITTED TO INVESTING
IN OUR OPERATIONS, SPREADING KNOWLEDGE
AND ENGAGING ALL OF SOCIETY
TO TRANSFORM BASIC SANITATION IN BRAZIL



Alignment of our management with external initiatives geared toward promoting sustainability also provides support for this dialog with society. BRK Ambiental is a signatory to the UN Global Compact, which promotes engagement of the business community with ten principles aimed at respecting human rights, preserving the environment and fighting corruption. Basic sanitation should be a guaranteed right for everyone and it is fully connected to these principles.

Within the company, 2018 was intense in strengthening the non-negotiable pillars on which our business is built. The safety of people, excellence in the quality of water provided and of treated wastewater, respect for compliance, ethical conduct and the solidity of corporate governance are at the foundation of BRK Ambiental and cannot be neglected, regardless of the challenges that lie ahead. Employee awareness of this relevance, based on the policies and procedures we built in 2017, is continuous and will always be the focus of our management.

There is still much to be done for basic sanitation in Brazil to achieve minimally acceptable indicators. Half of the nation's people do not have access to sewerage, meaning that annual investments of around BRL 24 billion are needed to expand the

collection system, increase wastewater treatment and reduce water distribution losses. The government and private sector need to work together to overcome this deficit, creating an environment of dialog, with legal security and regulatory order.

At BRK Ambiental, we are prepared to contribute our share. Within our planning, we expect investments of approximately BRL 7 billion in current business over the next five years, bringing more health and wellness to the residents of the cities where we operate. To finance this surge in the quality of our operations, we have partnered with renowned institutions like the Inter-American Development Bank (IDB), diversifying sources of financing and opening up new opportunities for the sector.

We have the support of our shareholders, who have long-term strategic vision and an understanding of how important it is to continually improve operational assets to generate value. We rely on a highly trained team of employees who are knowledgeable about this industry. We have the experience to serve over 15 million customers and the positive ambition to be increasingly efficient and productive. Our purpose is genuine and will drive us to make our company's positive perspectives a reality.

Teresa Vernaglia
CEO of BRK Ambiental

Dialog on health and development

In 2019, nearly 100 million Brazilians had no access to wastewater collection, and around 35 million people living in Brazil still do not receive treated water from the taps in their homes. These two indicators show that universalization of basic sanitation is an urgent need and our society needs to discuss this matter in-depth, with a clear understanding of the benefits that this essential service brings to health and quality of life for the entire population.

With our first Annual Report, our goal is to make a contribution so that this topic gains more and more importance in creating and executing public policies, as well as in directing government and private sector investments. At its core, holding a dialog on the reality and future of sanitation means shedding light on the paths toward the sustainable development of the country and toward promoting citizenship among Brazil's over 200 million citizens.

To support our publication, we follow the guidelines of the Global Reporting Initiative (GRI), an international organization recognized for the quality of standards established for communicating and managing corporate sustainability. In line with these recommendations, in 2018, we put together

our Materiality Matrix, which orients creation of content as well as prioritization of indicators that show the impacts and value generation of our business.

This report was prepared according to GRI Standards: Core option. Information pertaining to the GRI indicators regards the period of January 1 to December 31, 2018, and was verified with the company's administrative and operational areas, considering all corporate units and offices in Brazil. This is the same scope we used in consolidating financial statements. Whenever necessary, we try to also show performance related to 2017, in an effort to facilitate understanding by stakeholders.

JOIN THIS
CONVERSATION

We are open to dialog and want to learn our stakeholders' comments and suggestions on our Report. Send us a message by e-mail at comunicacao@brkambiental.com.br.



Municipality of
Limeira (SP)

Matrix of material topics for sustainability management



With seven high-priority topics, our materiality matrix was built based on engaging with and listening to stakeholders strategic to our business model. Click on each of the topics to understand what they cover and their related Sustainable Development Goals (SDGs).

1

Our teams' managers, financial institutions, government representatives, community leaders, investors, customers and consumers were consulted, using interviews and online surveys, in order to indicate the subjects and topics they considered most relevant for management and reporting in our Report.

2

We looked at industry studies and positions taken by other (public and private) sanitation companies to identify and contextualize key trends and future outlooks for sanitation. We assessed internal policies and standards to identify priorities that are strategic for managing our business.

3

We related our matrix with the targets in the 17 SDGs and the 10 UN Global Compact principles, global initiatives to engage corporate organizations in promoting sustainable development.



SANITATION: AN URGENT TRANSFORMATION

- Joining efforts

Limeira unit (SP)



Expansion of the water supply and wastewater collection systems is urgently needed in Brazil. The numbers related to this deficit are alarming and the pace of growth lags behind what is needed to achieve the universalization targets established in the National Basic Sanitation Plan (PLANSAB). The goal is for 100% of Brazilian territory to be supplied with potable water by 2023, and for 92% of all of the wastewater produced in the country to be treated by 2033.

However, with the current pace of investments, this goal will not be met. Projections from the Brazilian National Confederation of Industry (Confederação Nacional da Indústria – CNI) indicate that if the annual volume of investments remains unchanged, this outcome will only be reached in 2060.

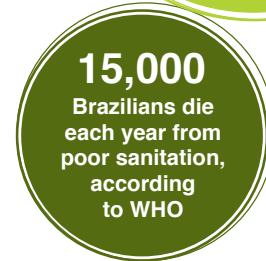


Why is basic sanitation so important to people’s lives?

1 + PUBLIC HEALTH AND LOWER INFANT MORTALITY

The United Nations Children’s Fund (Unicef) estimates that in 2016, over 3,000 children under the age of five died in Brazil because of diarrhea caused by insufficient access to treated water, wastewater collection and appropriate hygiene conditions. According to data from the Brazilian Institute of Geography and Statistics (Instituto Brasileiro de Geografia e Estatística – IBGE), for every 1,000 children born in the country in 2017, 15 are likely to die before reaching the age of five - and nearly half of these deaths could have been prevented with better sanitation conditions and adequate medical care.

Expansion of wastewater collection also contributes to reducing the proliferation of dengue, chikungunya fever and the zika virus, illnesses transmitted by the Aedes Aegypti mosquito, which reproduces in standing water. Approximately BRL 1.45 billion could be saved each year on health expenditures, according to estimates from Instituto Trata Brasil.



2 + PRODUCTIVITY AND EDUCATION

One of the main inputs for production in Brazil is the water used in manufacturing and agriculture. Expanding the collection system and wastewater treatment systems improves the quality of water in water bodies and contributes to confronting the risk of water scarcity that exists in many of Brazil’s drainage basins.

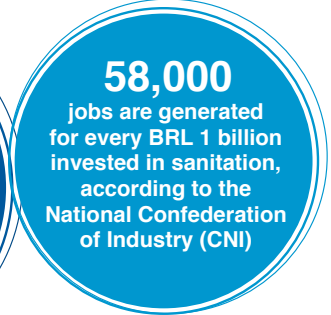
In addition to this aspect, sanitation also lowers the incidence of diarrhea and vomiting, which are major causes of absenteeism among workers and students. In practice, this means more time dedicated to work and more education, which will result in more a qualified workforce in the job market in the long term.



3 + ECONOMIC GROWTH

Investment in basic sanitation drives economic activities and job creation, directly and indirectly. Universalization of services adds an average of 18% to property values, according to estimates from Instituto Trata Brasil, and would result in increased tax collection at the municipal level.

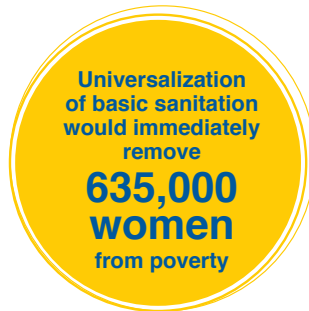
In 20 years, income generated directly from sanitation investments would reach BRL 309.1 billion, with over BRL 489.9 billion being created through the hiring, supplier contracts, purchase of inputs and other aspects. In the tourism sector alone, for example, gains from universalization could reach BRL 42.9 billion, according to the Instituto Trata Brasil study.



Source: Saneamento Básico: Uma Agenda Regulatória e Institucional (Basic Sanitation: A Regulatory and Institutional Agenda). Brazil's National Confederation of Industry (CNI), Brasília 2018.

4 + GENDER EQUALITY

An unprecedented study entitled "Sanitation and the Life of the Brazilian Woman," done by BRK Ambiental in partnership with Instituto Trata Brasil, with support from the Global Compact Network Brazil, shows that one out of every four women in Brazil have inadequate access to treated water and wastewater collection and treatment. This survey indicates that illnesses caused by a lack of sanitation impact the productive time of Brazilian women 10% more than Brazilian men. Girls of school age without access to basic services score around 46 points lower compared to other students, and by the age of 14, girls suffer more from school absences due to diarrhea and other gastrointestinal ailments. These data and analyses were curated by Ex Ante, an economic consulting firm.



Source: O Saneamento e a Vida da Mulher Brasileira (Sanitation and the Life of the Brazilian Woman). BRK Ambiental and Ex Ante Economic Consulting, São Paulo, 2018.

5 + ENVIRONMENTAL CONSERVATION

Water scarcity is an increasingly serious problem that is more and more present in Brazil's cities. In recent years, a drop in the volume of water available in the reservoirs in practically every region of the country has impacted people's lives and slashed productivity across various sectors. In this sense, reducing losses in supply systems is a critical issue for the sector to combat, through investments in mitigating leaks, faulty equipment and theft. With environmental actions, sanitation companies can contribute to the conservation and recovery of degraded areas and increase public awareness in concession areas.



Source: Perdas de Água: Desafios ao Avanço do Saneamento Básico e à Escassez Hídrica (Water Losses: Challenges to Advancements in Basic Sanitation and Water Scarcity). Instituto Trata Brasil, São Paulo, 2018.

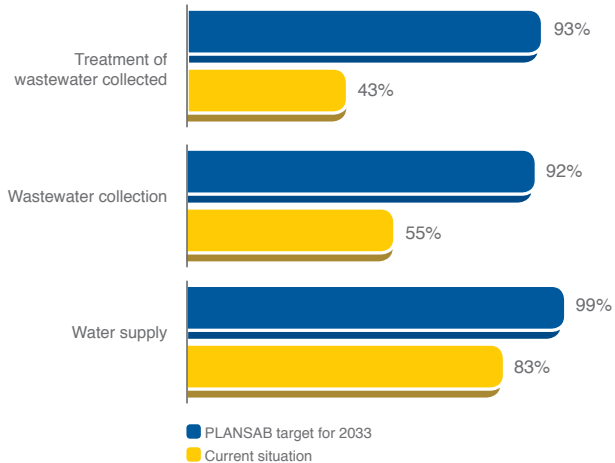


Joining efforts

Universalization of basic sanitation is urgently needed in Brazil and the National Basic Sanitation Plan (PLANSAB), launched in 2013 by the federal government as a strategic guideline for expansion of water and sewer services nationwide, sets forth how this can be achieved. Only half of the country's population is currently fully served by wastewater collection and just 43% of wastewater collected is treated, with the rest being discharged into rivers and seas as raw sewage, causing environmental damage and harming human health.

When the sanitation deficit is regarded at the regional level, this situation takes on even more worrisome dimensions. While 80% of the population in Southeastern Brazil is served by wastewater collection, a mere 10.2% of those living in the North region and 26.9% of people in the Northeast region have access to this service.

THE SANITATION DEFICIT IN BRAZIL



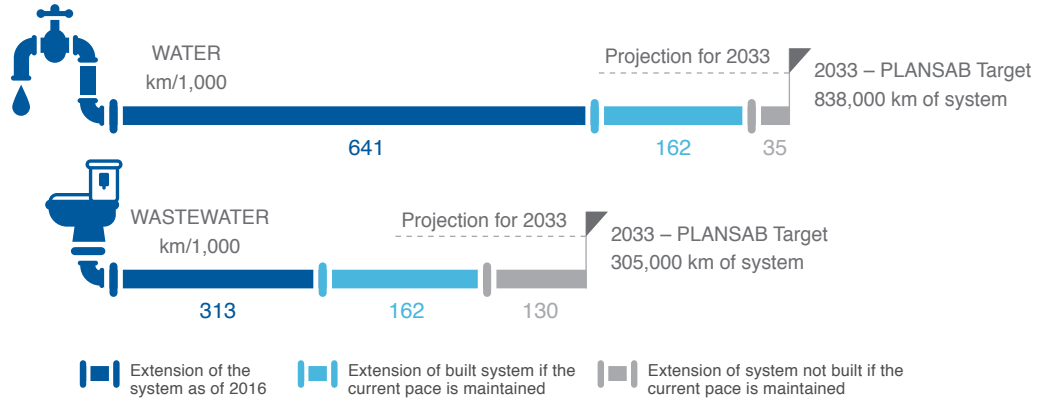
To reach the targets proposed by the PLANSAB, investment in expanding the sanitation system is fundamental. The amount invested annually should be around BRL 23.8 billion, but only half of this amount has been invested, according to a survey by Abcon/Sindcon, organizations representing private water and wastewater services concessionaires. If this pace is maintained, the deficit in 2033 will be 9.4 million Brazilians with no water supply and 44.5 million without wastewater collection.

With scant financial resources, Brazil's federal, state and municipal governments are unable to make an investment of this magnitude on their own. Partnership with the private sector is necessary in order for the country to conclude projects and expand water and wastewater systems in the number and at the speed required over the coming years. Just 6% of cities in Brazil are currently served by private companies, most of which have populations of fewer than 20,000. These companies account for 20% of total investments. According to a survey by the National Confederation of Industry (CNI), from 2014 to 2016, private sanitation companies invested BRL 418 per inhabitant, versus a national average of BRL 188.

Regulation in the industry is still a challenge for the government and private companies to work jointly in this sense.

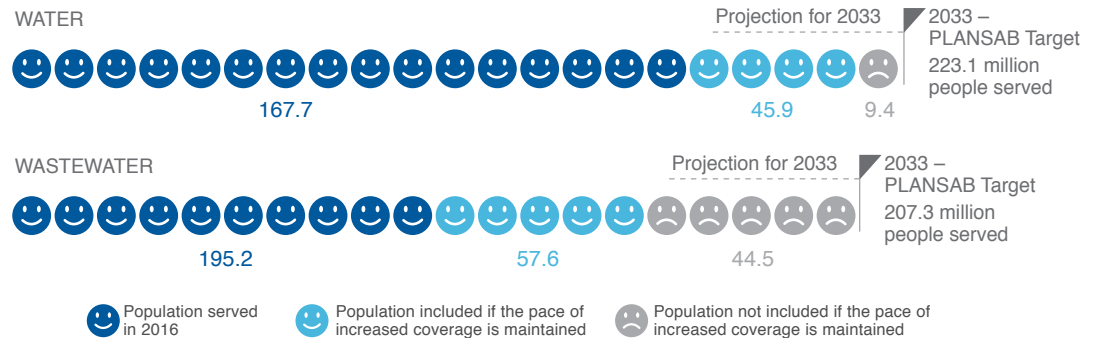
EXTENSION

of the water distribution and wastewater collection system x PLANSAB Target (km/1,000)



POPULATION SERVED

by water and wastewater services x PLANSAB Target (millions of inhabitants)



Source: Panorama da Participação Privada no Saneamento do Brasil 2019 (Panorama of Private Participation in Sanitation in Brazil 2019) | Brazilian Association of Concessionaires (Associação Brasileira das Concessionárias Privadas de Serviços Públicos de Água e Esgoto – ABCON) and National Union of the Private Concessionaires of Public Services of Water and Sewage (Sindicato Nacional das Concessionárias Privadas de Serviços Públicos de Água e Esgoto – SINDCON)

The joint presence of private companies and government-held private companies in the sanitation sector, in addition to benefitting customers with lower rates and more efficient provision of services, is necessary to make it feasible to universalize sanitation. The study "Comparações Internacionais: Uma Agenda de Soluções para os Desafios do Saneamento Brasileiro" (International Comparisons: An Agenda of Solutions for the Challenges of Brazilian Sanitation), conducted by the National Confederation of Industry (CNI), discusses successful experiences in countries where practically 100% of wastewater is collected and treated. In Germany, independent companies already account for 64% of public services, while in Chile, this number is at nearly 94%.

We also contribute to building a new paradigm for sanitation in Brazil, with more sustainability and development, through participation in trade associations and civil society organizations. As one of the companies supporting Instituto Trata Brasil, for example, we help to draft studies and analyses that add to public perception of the benefits of water and wastewater treatment.

On the Brazilian Business Council for Sustainable Development (CEBDS), we are signatories to the Brazilian Business Commitment to Water Security and we take part in the Aquasfera initiative, a platform that joins projects from different companies that are aimed at improving water resource management in production chains.

At trade associations, we contribute to building development proposals for water and wastewater services and to exchanging knowledge in forums and at thematic chambers between members. Notable on this front are participations in the Brazilian Association of Infrastructure and Basic Industries (ABDIB), the



Unit in Goiás state

Brazilian Association of Private Concessionaires of Public Water and Wastewater Services (ABCON) and the Brazilian Association of State Basic Sanitation Companies (Associação das Empresas de Saneamento Básico Estaduais – AESBE).

We are moreover signatories to the Global Compact, a United Nations (UN) initiative that promotes engagement by business organizations with ten principles to bolstering human rights, dignified working conditions, environmental protection and anti-corruption practices. Through these participations, we incorporate the most up-to-date concepts of sustainability into our corporate strategy and direct investments so that the beneficiaries of our activities can have a positive impact on the greatest number of people possible.

OUR PURPOSE

- New Time Project
- Commitment to sustainability



Our purpose

Here at BRK Ambiental, our business has a purpose: **to transform people's lives, guaranteeing quality water and sanitation.** Investments in cities and the way we conduct our operations are connected to this genuine intention to overcome challenges for basic sanitation in Brazil.

Our values translate our beliefs and express the pillars that support the strategic decisions we make. These are what indicate the path to follow so that we may fulfill our purpose in everything we do.

Our purpose in practice

We have invested around BRL 145 million in the city of Uruguaiana (RS) since starting our operations, in 2012. Since then, wastewater collection went from serving 9% to serving 94% of the city's population.

The impact of this transformation can be seen in residents' improved health and quality of life. In the first year of the concession, there were 3,002 cases of acute diarrhea on record in the city; in 2018, there were 106 cases.

Our values

ACT WITH **INTEGRITY**

We work in compliance with our Code of Conduct, internal standards, laws and regulations. We respect the environment and our entire chain of stakeholders: Customers, Suppliers, Government, Employees, Communities and Shareholders.

We work to provide satisfaction and development for the people impacted by our services. We work in a positive and transparent manner, focused on building a relationship in each interaction.

COMMITMENT TO THE **CLIENT**

ACT **SAFELY**

We work to preserve life first and foremost. We guarantee conduct that is in line with our commitment to provide a quality service, with a direct impact on people's health and on preserving the environment.

We provide quality service, meeting the expectations held by our customers and work partners in finding efficient and innovative solutions as well as continual improvement.

ENSURE OPERATIONAL **EXCELLENCE**

RESPECT **PEOPLE**

This is translated into empathy, treating each person as we would like to be treated. We create opportunities for personal and professional development. We value diversity and inclusion.

We honor commitments and work with a focus on exceeding our targets. We recognize that each of us makes a decisive contribution to achieving the company's strategic goals, in the short and long term.

BUSINESS ORIENTED

New Time Project

The New Time Project (Projeto Novo Tempo) was started in 2017 in an effort to promote the evolution of internal work processes and collaboratively identify the axes for the cultural transformation of the company that was being born. One result of the initiative was the unveiling of our purpose and corporate values, communicated and spread to all employees in early 2018.

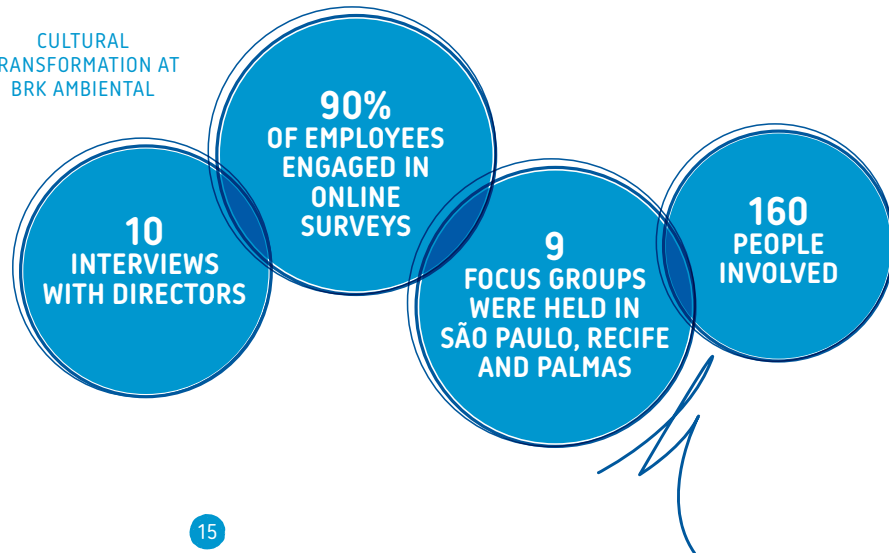
In addition to cultural transformation, the New Time Project put together a series of initiatives geared toward enhancing business management, adding value to employee perception and engagement. We defined and consolidated a new organizational structure, redesigning responsibilities for corporate areas and units. We restructured internal processes and, in an effort to increase efficiency and productivity, we centralized some tasks at the corporate office, such as supply management, quality, security and environmental management and institutional relations.

We established internal areas at the company and in units, creating different organizational models that adhere to the service profile provided by customers. One highlight of this process was strengthening of the teams responsible for sustainability management, who now answer directly to the unit directors.

In the third phase of the New Time Project, we gathered our employees into work groups to build internal management and operational control processes. This effort, which is oriented by the company's purpose and values, guides our growth and reinforces our capacity to make a decisive contribution to transforming the basic sanitation sector in Brazil.



CULTURAL
TRANSFORMATION AT
BRK AMBIENTAL



Commitment to sustainability

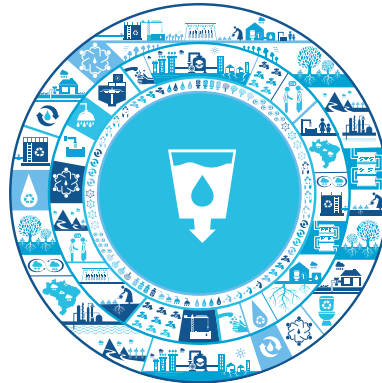
The purpose and values we practice strengthen the connection to our business model with external initiatives aimed at promoting sustainability and social development. Our voluntary participation in different initiatives adds value to the way we work to expand basic sanitation in Brazil and transform the lives of the people in the regions where we operate.

Since BRK Ambiental was created in 2017, the company has been a signatory to the UN Global Compact and a member of the Global Compact Network Brazil. This initiative is one of 21st century's chief actions to mobilize the corporate community to work toward 10 fundamental principles in the areas of human rights, labor relations, the environment and combating corruption.

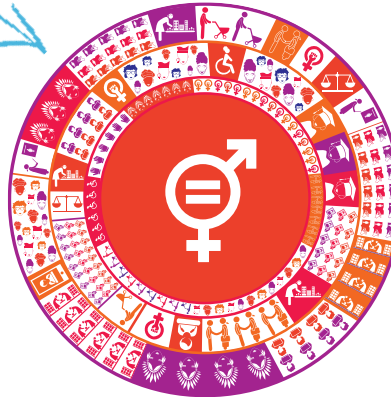
This voluntary commitment drives us to integrate assessments of risks and opportunities into our business strategy, so that our action is connected to concrete proposals to promote sustainability, particularly the Sustainable Development Goals (SDGs). Launched by the UN in 2015 with the goal of driving social, economic and environmental transformation around the world, the 17 SDGs contain 169 targets to be reached by 2030 by all of the signatory countries of the United Nations Sustainable Development Summit.



Our business is directly related to **SDG 6: Ensure availability and sustainable management of water and sanitation for all**. Access to potable water and basic sanitation is an essential human right, which should be guaranteed to everyone, regardless of nationality, ethnicity, religion or gender.



By investing in water and wastewater services, we also align our strategy with **SDG 5: Achieve gender equality and empower all women and girls**. In Brazil, we were the first private company in the sanitation sector to adhere to the Women's Empowerment Principles (WEPs), an initiative created by UN Women in partnership with the Global Compact. The WEPs direct companies to promote gender equality in the workplace, with over 150 Brazilian companies already taking part.



Within this initiative, we held a study in 2018, in partnership with Instituto Trata Brasil, showing that women suffer a greater impact from a lack of basic sanitation. The study, entitled "Sanitation and the Life of the Brazilian Woman," relied on support from the Global Compact Network Brazil and showed that girls without access to a bathroom at home see a 7.3% drop in academic performance compared to those with bathrooms at home.

The results of the "Sanitation and the Life of the Brazilian Woman" study were presented

by the CEO of BRK Ambiental in 2018, at the Forum on Business and Human Rights, held by the UN in Geneva (Switzerland). In March 2019, the company's CEO also discussed the study in New York (USA) with the UN Commission on the Status of Women (CSW).



Internally, we structured in 2018 and consolidated in 2019 a Diversity and Inclusion Committee, called "DiversifiK". The board is made up of company leaders and coordinates thematic working groups, with a multidisciplinary composition of employees, responsible for the development and implementation of action plans to boost diversity related to issues such as gender, race, inclusion of people with disabilities (PWDs). and the LGBTQ + community.





OUR BUSINESS MODEL

- Where we operate
- Our numbers
- Investments and growth

Macaé unit (RJ)

Our business model

We are the largest private sanitation company in Brazil, serving over 15 million people. Spread across every region in Brazil, our units work to manage **water and wastewater services**, serving the industrial segment in the **utilities** area and **working with civil construction waste management**.

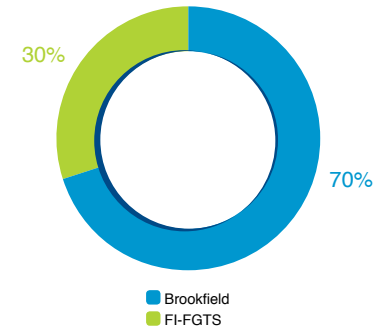
In 2017, Brookfield Business Partners LP took over shareholder control of our company, with a 70% equity interest. An investment manager operating globally, Brookfield started in Canada and manages assets in over 30 countries. The company has been active in Brazil since 1899, when it inaugurated the electric tramway transportation system and invested in the energy sector.

Our corporate governance structure follows best market practices, supported by internal policies and guidelines that orient the growth of investments and generation of value for all of our stakeholders. Seven members serve on our Board of Directors, along with their respective alternates, responsible for the strategic guidelines of our business.

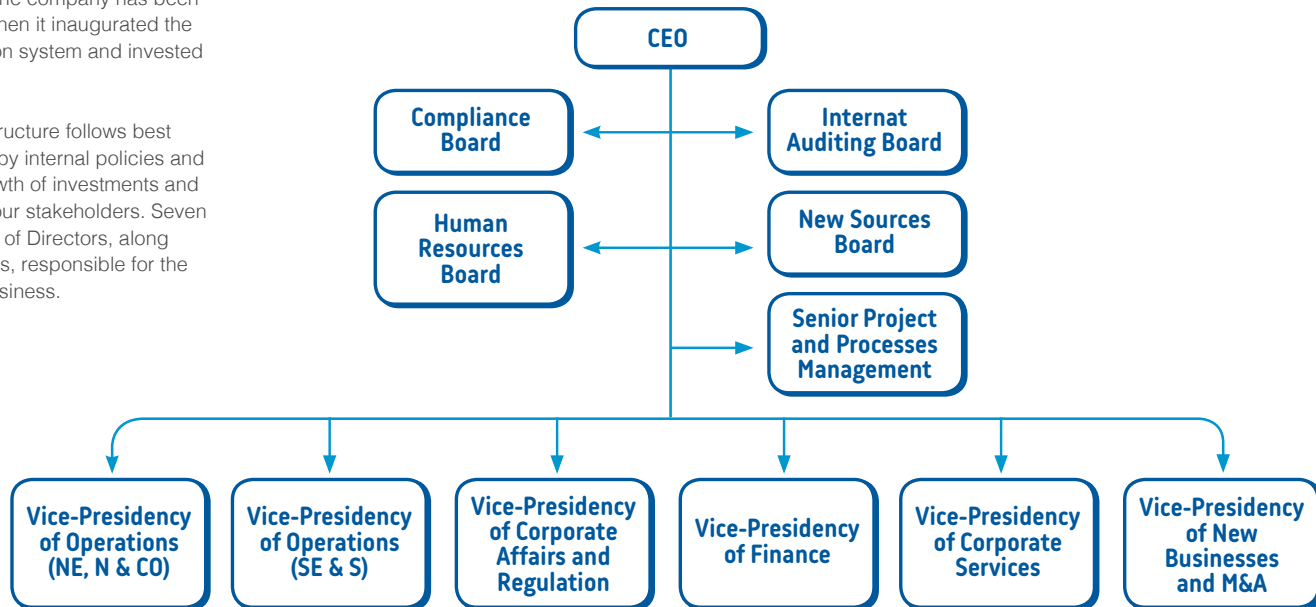
GOVERNANCE STRUCTURE



CORPORATE STRUCTURE



EXECUTIVE STRUCTURE



OUR SOX PROGRAM
 WAS LAUNCHED IN MAY 2017,
 IN LINE WITH US LAW.
 IN DECEMBER 2018, OUR COMPANY
 REACHED THE SOX COMPLIANT LEVEL

In its action, the Board of Directors relies on support from five advisory committees, composed of sitting members, which support analysis of topics relevant to the company's growth and assessment of economic, social and environmental risks and opportunities.

Execution of corporate strategy is led by the Statutory Board, which, in its composition, has 33% of women – one of them holds the executive presidency of the company. To learn more about our governance structure, see the [Investor Relations website](#).

Since 2017, one of the priorities of the Executive Board has been to consolidate structural bases for business management, with review and standardization of internal processes. In the last two years, we have implemented new internal policies and normative procedures, in line with shareholder views. We have also reinforced work done by Internal Auditing, which adheres to the Sarbanes-Oxley Act (SOX), guaranteeing efficient management of risks and internal controls.



Blumenau unit (SC)

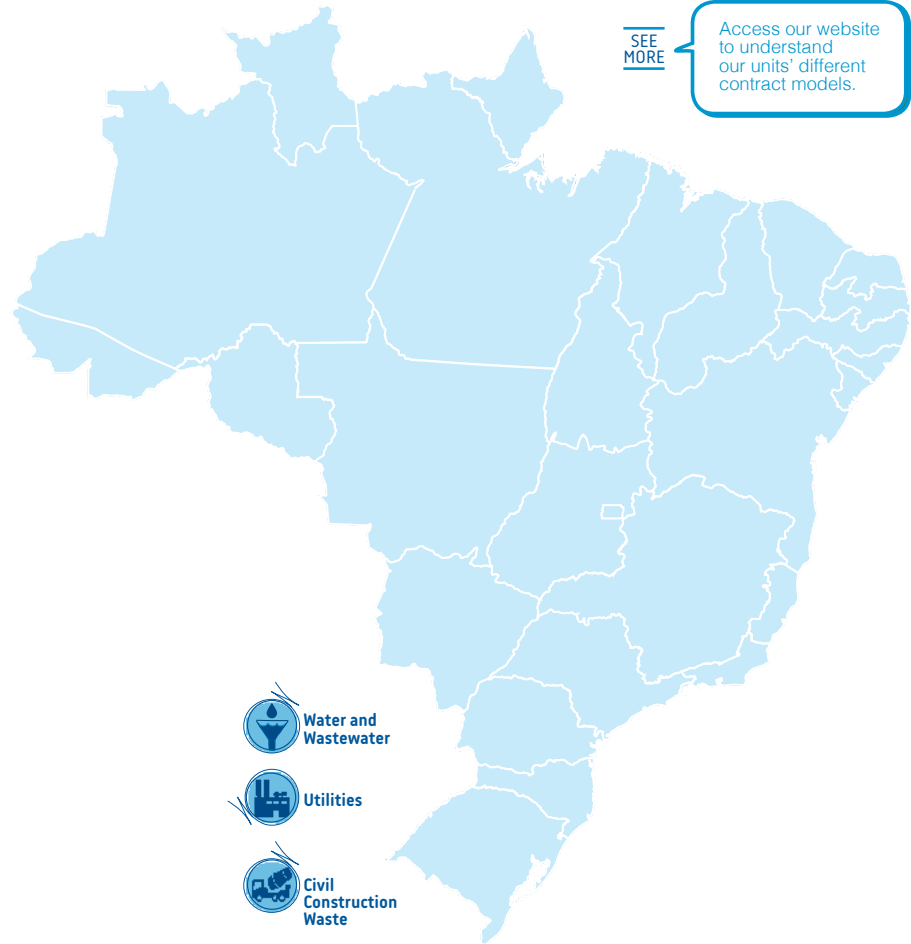
Where we operate

We operate across Brazil through 27 special purpose entities (SPEs), business units that operate under a public concession model and under other public-private partnership (PPP) models. Each unit is managed according to a structure aligned with the type of service provided to the public, meeting local expectations and investment needs. We also have three units working in the utilities segment and another unit in the civil construction waste management.

In 2019, we started up operation of a new operating unit in the city of Caçador (SC). Our company is now responsible for managing water and wastewater services for the city, which has a population of over 70,000. The concession is valid for 30 years and investments in expanding and improving the system are forecast to be approximately BRL 150 million.

MAP OF CONCESSIONS*

Click on each state to see where BRK Ambiental operates, in over 100 cities, in 12 states in Brazil



*Last updated in December 2018.

We are the largest private sanitation company in Brazil



+ 5,800

EMPLOYEES



+ 1.3 million

WATER CONNECTIONS



+ 15 million

PEOPLE BENEFITTED



+ 100

CITIES SERVED



+ 960,000

SEWER CONNECTIONS



BRL 7 billion

PLANNED FOR INVESTMENTS
OVER THE NEXT FIVE YEARS



12

STATES IN
BRAZIL



+ 13,600

KILOMETERS OF WASTEWATER
COLLECTION SYSTEMS



BRL 2.3 billion

IN NET REVENUE (UP BY 9%
COMPARED TO 2017)



BRL 650 million

IN EBITDA

Unit in Pernambuco state



Investments and growth

Increasing the number of people served through new water and wastewater connections in our units, in every city where we operate, is a priority in our business growth strategy. To do this, we have approved a plan to invest around BRL 7 billion between 2019 and 2023, which will go toward the company's organic and inorganic growth. This amount is added to the nearly BRL 1 billion we invested in our operations between 2017 and 2018, in parallel to the restructuring we are conducting of the management model.

For customers, the main benefit of this investment will be growth in the collection system with a higher rate of wastewater service and increased wastewater treatment volume. We also work to expand water services, to reduce losses in distribution and to maintain service quality.

We are aware of the economic and social benefit of our activities and seek to leverage our investments with diversified lines of credit, which have the lowest cost and longest payment terms possible. At the end of 2018, we went from having one long-term source of financing to four, including an unprecedented agreement with IDB Invest for BRL 442 million, a BRL 578 million line with Banco do Nordeste for the sector's largest public-private partnership (PPP) in the Greater Recife Metro Region (learn more on page 25), and BRL 1 billion from BTG for six different concessions, introducing a new path for other banks to disburse funds from Caixa Econômica Federal's Sanitation for All (Saneamento para Todos) line. At the end of the year, we had contracted or approved 90% of the total debt needed to support investments in 2019.



Since 2017, we have built 240 km of water supply systems and 920 km of wastewater collection systems

To further diversify our sources, we are working on obtaining publicly-traded company (type B) registration from Brazil's Securities and Exchange Commission, which will allow us to access the Brazilian capital market and, if exchange rates are favorable, to issue international green bonds, geared towards projects that add social and environmental benefits to investments.

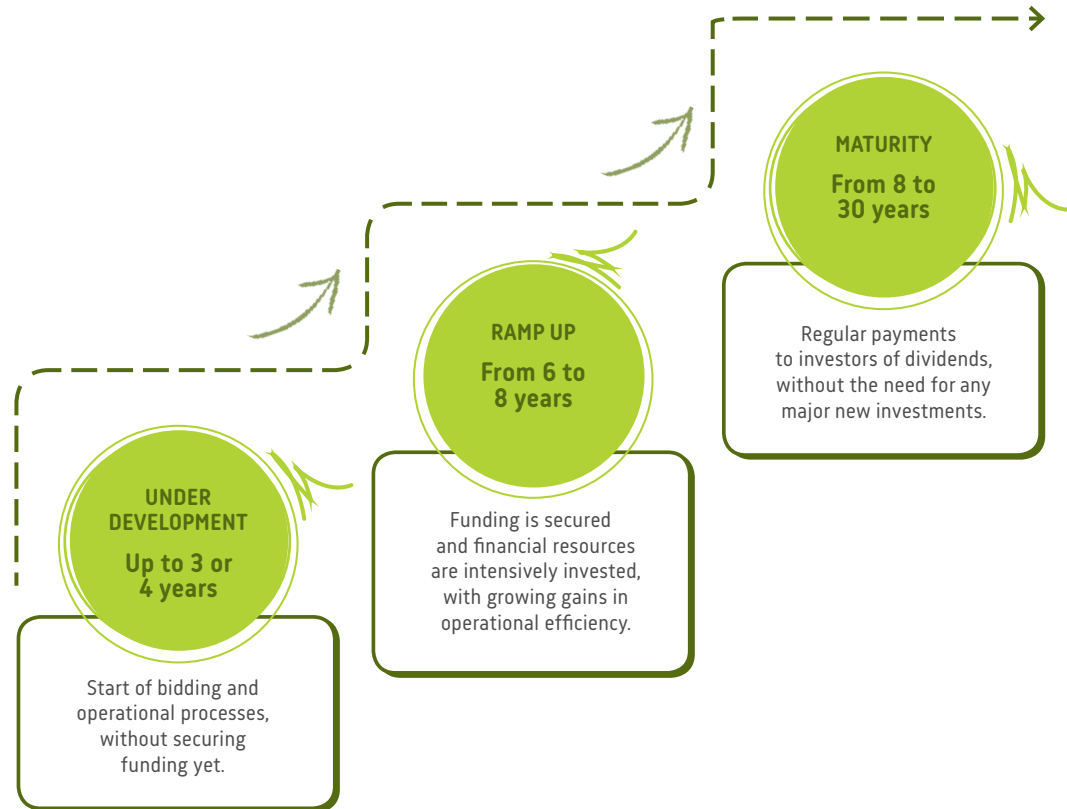
Another competitive advantage of our business model is the company's unique net indebtedness profile, which totaled BRL 4.01 billion at the end of 2018. While the average payment terms for companies in the industry are around six years, our financing has an 11-year term. In addition, the lines of credit to which we have access allow for a higher leverage ratio (net debt to EBITDA), which lowers pressure on cash flow and demand for company investments.

By 2023, we will invest BRL 7 billion in our business to expand basic sanitation

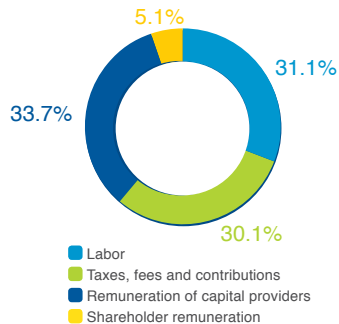
STAGES OF INVESTMENT MATURITY

In addition to improving the population's quality of life, the expansion of water and wastewater services raises our capacity to generate revenue and create value for shareholders. A reduced need for investment in operations in the long term, along with suitable financing terms and rates, strengthens cash generation at units and increases the return on capital invested.

Some of this wealth generated is shared with the different stakeholders in our value chain, through payment of wages, taxes, interest and rent, in addition to payments made to shareholders. The Value Added Statement (VAS), an accounting indicator that measures this distribution of wealth, had a total of BRL 1.3 billion last year. We had total net revenue of BRL 2.3 billion, with 84% of this amount coming from sanitation operations.



DISTRIBUTION OF VALUE ADDED





INVESTMENTS IN THE COUNTRY'S LARGEST SANITATION PPP

Holding 15 cities that are served by sewage system services, the Greater Recife Metro Area is home to Brazil's largest public-private partnership in the sector. There are around 3.9 million people living in this area, who will benefit from expansion of the system and universalization of sanitation.

The PPP contract, operated in partnership with Companhia Pernambucana de Saneamento (COMPESA), began in 2013 and has a 35-year term. Over the next 30 years, we will invest over BRL 5.4 billion in expanding the system and guaranteeing treatment of 100% of wastewater collected.

A portion of these funds (BRL 442 million) will come from financing provided by IDB Invest, the private arm of the Inter-American Development Bank (IDB). This operation, which started in 2018, is the first approved by the IDB in Brazil's sanitation sector, an innovation that opens up opportunities for the country and strengthens our capacity to diversify sources.

Another BRL 578 million will be financed by Banco do Nordeste (BNB), using funds from the Constitutional Financing Fund of the Northeast (Fundo Constitucional de Financiamento do Nordeste – FNE). Disbursements from the state bank will be added to investments of company funds, therefore closing out the second cycle of investments in the PPP. The goal is for 53% of the population in the Greater Recife Metro Region to be served by wastewater collection by the end of 2025.

At the end of the contract, the Greater Recife Metro Region will have implemented 9,100 kilometers of collection systems and 237 new lift stations, pumping wastewater to treatment stations. Work to optimize the system will also allow for the number of treatment stations used to be cut from 46 to 31, resulting in more efficiency, lower costs and greater environmental protection.

*Greater Recife
Metro Region (PE)*

OUR PEOPLE

- Safety as a priority
- Diversity and appreciation of people
- BRK Transforma Award
- Performance management cycle



Our people

Respecting people and acting safely are two values that are part of our corporate culture and guide management of employee careers and activities at headquarters and at operational units. In practice, we work to create a professional environment with equal opportunities for men and women, promoting diversity and inclusion and putting preservation of life in first place.

Over 5,800 employees work at our company, spread across every region in the country. Since 2017, one of our priorities has been to train these people so that their work is in compliance with strategic guidelines and new operating procedures established in the last two years. Team leaders were trained and made aware of the importance of standardizing processes, tasked with the continual mission of spreading our culture to their teams.

**SAFETY, DIVERSITY
AND COMPLIANCE
ARE PRIORITIES IN TRAINING
AND RAISING AWARENESS
AMONG OUR OVER
5,800 EMPLOYEES**



A NEW PEOPLE DEVELOPMENT MODEL IS EVOLVING, WITH 2018 BEING NOTABLE FOR THE ADOPTION OF A BUSINESS PARTNERS MODEL, WITH PROFESSIONALS TO SUPPORT UNIT MANAGERS IN MANAGING THEIR TEAMS

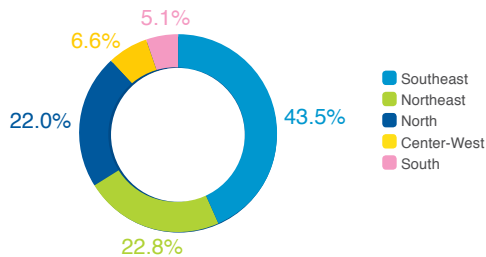
Along with the company's cultural transformation, the professional management and development model are evolving. The first change, implemented in 2017, was creation of a new standard for personnel management procedures, such as admissions, transfers and terminations. Based on the New Time Project, we also conducted a full review of the structure of positions and salaries at units.

In 2018, the process continued with the announcement and implementation of a new administrative management structure in São Paulo, with modernization of our operational model, adopting the model of human resources business partners to support unit managers in managing their teams across Brazil.

All of these changes are aimed at further strengthening practices and processes for employee development, for raising awareness of the importance of safety in activities and for valuing diversity. The benefits of these changes tend to be perceived much more clearly in the long term, as our leaders and corporate culture mature; however, the positive impacts made on different fronts are already noticeable.



DISTRIBUTION OF EMPLOYEES BY REGION*



*Includes employees with indefinite term contracts and temporary workers.

Safety as a priority

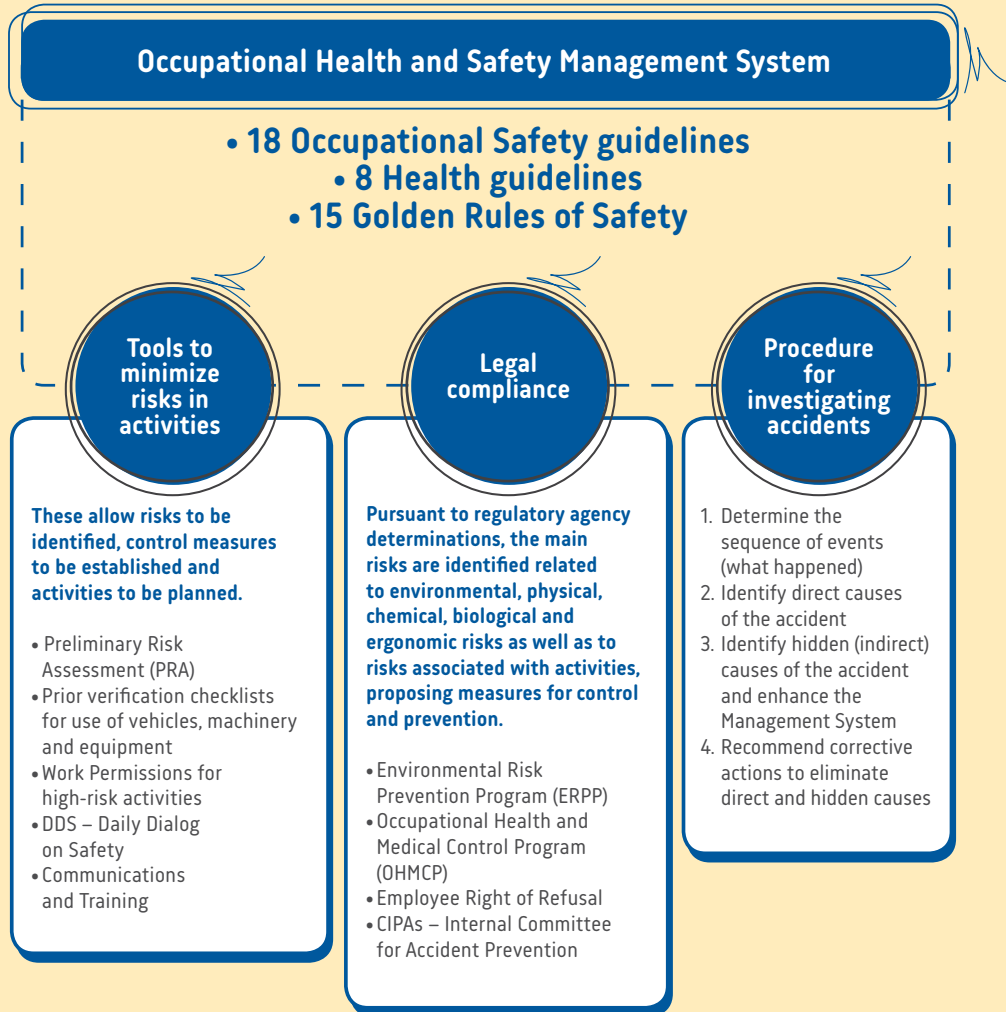
Preserving life comes first at our company. To provide quality service to our customers and contribute to universalizing sanitation, we work responsibly and follow standards and procedures to minimize the risk of accidents involving our employees, service providers and the public.

Our Occupational Health and Safety Management System, which covers all operating units, was revised and strengthened in 2017, based on safety guidelines established by Brookfield. Standards and procedures are published on the company's intranet and are always updated when we find opportunities for enhancement, according to the principle of continual improvement.

One input for revising the Management System was a survey done on safety culture, in which 71% of employees participated. This consultation was done in 2015 and allowed for identification of opportunities for improvement, which were gradually implemented until we reached a new level of management in the last year.



Health and Safety Management at BRK Ambiental



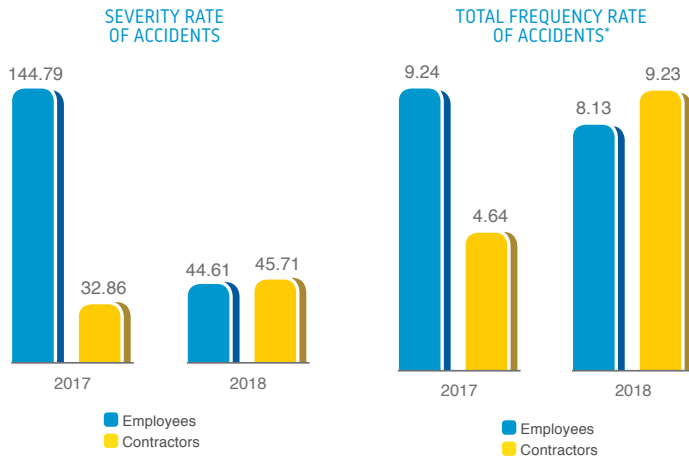
SINCE 2017, WE HAVE ENHANCED POLICIES, PRACTICES AND MECHANISMS TO COMMUNICATE ABOUT HEALTH AND SAFETY MANAGEMENT FROM PREVENTION TO INVESTIGATION OF INCIDENTS

We have a management standard that sets guidelines for investigating incidents that occur in our operations, using an internal team designated by the director responsible for the unit. Within this process, if opportunities for improvement are identified in our guidelines and control mechanisms, the Occupational Health and Safety Management System is reassessed and updated. Furthermore, all of the directors at other units are notified of more serious accidents, in an effort to share preventive measures to be adopted to avoid future occurrences.

In addition to safety prevention and control actions, we also invest in training on this topic that covers our employees and service providers. The list of training includes orientation on occupational health and safety prior to starting activities, use of Personal Protective Equipment (PPE) and guidance on tools to identify and mitigate risks, such as the PRA and Work Permissions for activities in confined spaces or that involve exposure to electricity, for example.

All of our employees also have access to health and dental insurance, allowing them to receive continual and preventive care for physical and health conditions. Among specialized services offered are pregnancy care and early cancer detection. We hold campaigns to educate employees on adopting healthy habits that improve wellness, as well as providing psychological support at various units.

The main risks of accidents within our operations occur at work sites or in system maintenance activities, where materials and equipment are moved, as well as in commercial areas, when our teams work in external environments that we do not control. With the adoption of prevention measures, in 2018 we achieved a significant reduction in the rate of severity of employee accidents.



*Includes accidents with and without time off.

69%
reduction on the severity rate of accidents with employees in 2018



Diversity and appreciation of people

Promotion of diversity is a strategic theme for management of our teams. A company made up of different ethnicities, with equal opportunities and actions to include people with disabilities, is more agile when it comes to incorporating a variety of viewpoints in decisions and is more open to dialog with customers and society.

Practically half of positions are held by women at our corporate office, for example. At units, this equation still needs to be improved and we are looking for means to gain more women applicants for operational position openings. Throughout Brazil, men apply in much higher numbers to the selective processes for these positions, which poses a long-term challenge to our business model. Nevertheless, our guidelines and processes are already consolidated, assuring that there will be no discrimination against any women candidates, who can be hired if they have the necessary technical competencies and qualifications.



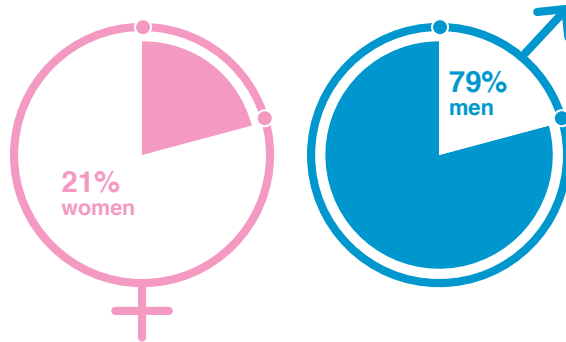
OPPORTUNITIES AT OUR COMPANY

In 2018, we launched the “+Opportunity” (+Oportunidade) program, geared toward selection and placement of employees in job openings at the company. This project consists of publishing job opportunities at our units and corporate office on a weekly basis, which is done in an open and transparent manner, on the intranet and on bulletin boards. Any professional at the company who meets a job’s requirements can apply, with the selective process being carried out with total transparency.

Mobilization to contract staff for our new unit in Caçador (SC) is one example of how we work. Out of 30 job openings in 2018, 14 were filled by women.

In 2016, the Internship Program, one of the main ways for young people to enter our company, prioritized not only technical assessment of candidates, but also the formation of a diverse group of students of different ethnicities and genders. In the last year, 105 internships were opened and we received 8,500 applications. Our goal for 2019 is to set up a Trainee Program that makes it possible to continue to train and prepare some of these young people to hold leadership positions at our company.

DIVERSITY AT BRK AMBIENTAL



BRK Transforma Award

Every year, we recognize our employees' innovative practices that generate transformative results for our company with the BRKTransforma Award. The main goal of this action is to value and spread people's knowledge, allowing initiatives to be shared among all of the units and other areas at BRK Ambiental.

Since 2017, after undergoing a reformulation, BRK Transforma has awarded innovative practices in three different categories, evaluating the scope of tangible and intangible results within the social, environmental and economic dimensions. Over the last two years, we have received over 270 entries of projects developed internally.

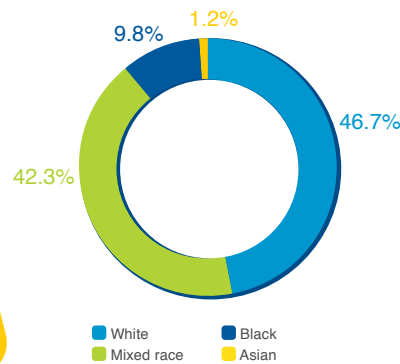


REPRESENTATION OF PEOPLE WITH DISABILITIES

- Upper management 0.6%
- Middle management 1.3%
- Operations staff 3.5%



DISTRIBUTION OF EMPLOYEES BY ETHNICITY*



*Employees self-declare ethnicity. 0.09% of workers self-declared as indigenous.

Performance management cycle

Transparency and open dialog are part of the culture at our company and are at the base of the model we have built to assess employee actions and to direct professional development. The performance management cycle joins the management tools and processes we use to develop people.

Over the last year, we have defined the individual competencies and indicators that underpin our assessment model and guide the process. In 2019, we began to implement this methodology, applying

recognized tools for people management and contemplating the steps of leaders assessment and Calibration Committee for Nine Box evaluation (the latter only for our directors).

Our main goal is to give feedback among leaders and their teams even more importance, fortifying the creation of individual targets and the definition of employee training and qualification actions. In addition, the new performance management cycle will provide support for identification of

professionals who are prepared to occupy leadership positions within current and new business as well as construction of a succession map for the company.

Another outlook for 2019 is execution of the first phase of a wide-ranging survey to assess employee perceptions in relation to the workplace and professional fulfillment. In the medium term, we aim to be included in the ranking of the best companies to work for in Brazil.



**IN 2018,
WE ESTABLISHED
A NEW ASSESSMENT
MODEL, WHICH WILL
BE IMPLEMENTED
THROUGHOUT THIS YEAR,
ACCORDING TO BEST
MARKET PRACTICES**

COMPLIANCE ATTITUDE: ETHICS AND INTEGRITY

- Supplier relations

Aquapolo (SP)

Compliance Attitude: ethics and integrity

Our company is committed to executing all of its activities with integrity and with the highest standards of ethics and transparency. Maintaining the reputation of our business is vital for us to guarantee the longevity of our company. That is why our actions are based on a set of values which, among other things, provide us with guidelines for building all of our relationships based on integrity and full compliance with all locally and globally applicable laws and regulations. For this reason, it is fundamental that everyone know that we have a zero tolerance policy for acts of corruption, discrimination and unethical behavior.

We consider compliance to be a responsibility of all employees, regardless of their position. We are committed to implementing appropriate systems and structures to provide the support, advice and orientation needed to guarantee that ethical and regulatory requirements are identified and met.

With this in mind, we have established adoption of a Compliance Program within our corporate governance, which determines the guidelines that should orient the internal and external relations of all employees, managers, directors, board members and shareholders.

The Program is aimed at consolidating all initiatives to promote a stronger culture of ethics and integrity and to mitigate risks through mechanisms to prevent, detect and respond to illegal and undesired actions, including at controlled companies.

WE HAVE TRAINED
100% OF OUR EMPLOYEES
ON ASPECTS OF COMPLIANCE
AND ETHICS





WE ARE SIGNATORIES TO THE CORPORATE COMPACT FOR INTEGRITY AND AGAINST CORRUPTION AND ARE PART OF THE INSTITUTO ETHOS INTEGRITY WORKING GROUP AS WELL AS OF THE GLOBAL COMPACT NETWORK BRAZIL ANTI-CORRUPTION WORKING GROUP

Implementation and development of the Compliance Program are overseen directly by the CEO of BRK Ambiental. Leadership is supported by the Executive Ethics Committee, a body that meets at least every three months to assess execution of training and application of internal standards, analyzing any situations that could represent a conflict of interest and monitoring investigation of cases communicated through the Confidential Channel.

To support implementation of the Compliance Program, we also launched the Confidential Channel in 2017, a tool available to employees, suppliers and

all other stakeholders to be able to communicate situations that are not in accordance with our Code of Ethical Conduct or with the law. Reports can be made online or by phone and may even be made anonymously, if those reporting would like to preserve their identity.

The Confidential Channel is managed by an outside company, which is responsible for organizing communications and forwarding them to the company's internal auditing area. Cases received are investigated, with oversight by the Executive Board.

In an effort to raise awareness and educate employees on the importance of a culture of compliance and on implementation of the Program, over the last two years we have held an internal communication campaign with the theme of "Compliance Attitude" (Atitude Compliance). Through the Compliance area, we hold on-site training and two editions of Compliance Week, a week where corporate area leaders and teams at units are engaged in discussions on ethics and compliance, our cultural values and expected attitudes. With these initiatives, we have trained practically 100% of our employees.

Atitude
COMPLIANCE



THREE PILLARS SUPPORTING
OUR COMPLIANCE PROGRAM



• **PREVENT:**
aimed at identifying, assessing and mitigating the risk of illegal and undesired acts taking place



• **DETECT:**
includes mechanisms capable of identifying and interrupting, in a timely manner, any illegal and undesired acts that may not have been avoided through preventive actions



• **RESPOND:**
establish the response and applicable penalty for each instance of illegal and undesired action found, as well as allowing for improvement of the fragilities that caused the respective act and recovery of any losses

MAIN NORMATIVE INSTRUMENTS

- **Employee Code of Professional Ethical Conduct:**
this is a guide on how employees should act and conduct themselves as representatives of BRK Ambiental. This document underscores the responsibility of protecting the company's reputation, as well as of conduction of business and activities within strict legality and in compliance with the principles and values defined. The goal is to preserve the corporate culture, which is vital to the company
- **Supplier Code of Ethical Conduct:**
establishes the rules that should underpin the ethical and socio-environmental conduct of suppliers and contractors who have relations with BRK Ambiental. This Code sets forth the responsibilities of the involved parties, which are important to the company and reflect how it does business
- **Anti-Bribery and Anti-Corruption Policy:**
aimed at assuring that employees, suppliers and contractors follow legal anti-bribery and anti-corruption requirements, providing guidelines on the company's expectations in relation to preventing and identifying bribery

Supplier relations

Our Compliance Program also promotes ethics, integrity and transparency in our supply chain, engaging the suppliers that work with us in the culture of compliance that supports our operations. The Supplier Code of Ethical Conduct establishes the guidelines that underpin relations with this public.

Within our business model, the supply chain is formed by service providers and material and equipment suppliers, mixing large companies that operate nationwide in Brazil and smaller companies with a regional scope. We currently expend around BRL 1.2 billion on procurement and contracting, maintaining relations with approximately 3,000 companies.

IN 2018, WE MOVED FORWARD
ON DEFINING STRATEGIC SUPPLIER
MANAGEMENT MATRIXES
AND ON REDESIGNING PROCESSES
TO ASSESS THESE PARTNERS'
SOCIO-ENVIRONMENTAL PERFORMANCE



In line with our internal guidelines, we analyze and categorize the risk level of some of our suppliers using due diligence processes. To ethically and transparently manage the relationship we establish with these partners, we are building a governance structure and redesigning processes to be able to assess supplier performance considering not just technical and operational criteria, but also aspects of socio-environmental performance, occupational safety and compliance. One measure already implemented is a requirement that third parties acting on behalf of BRK Ambiental undergo anti-corruption training on our online platform.

In the last year, we have continued to make progress on this front, with an in-depth diagnosis of our supplier base and definition of strategic procurement and contracting categories. This work has resulted in the construction of strategic supplier management matrixes, based on assessment of various factors that characterize the complexity of the market in which these partners operate and the criticality of materials and services to our operations. Some examples of the variables we consider are how lack of availability impacts our business, the current number of suppliers in the segment, the length of procurement and outsourcing contracts and more.



Zona Oeste Mais
(Rio de Janeiro-RJ)

Some suppliers strategic to our business



Water meter manufacturers



Pipe manufacturers



Suppliers of chemical inputs



Service providers related to the water and wastewater treatment systems



Suppliers renting out heavy vehicles and equipment

WATER AND SERVICE QUALITY

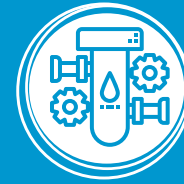
- Water quality
- Customer satisfaction
- Environmental management
- Protection of water sources
- Water security and risk management



Water and service quality

Water is the most important natural resource in our business. Obtained from surface and underground sources, it is treated and distributed to our customers for consumption and used in a wide variety of daily activities. After being used, potable water becomes sanitary sewage, which we collect and treat so that it is returned to the environment without causing damages or negative impacts.

Crucial to the continuity of our operations, the availability of water is a risk factor that we continually monitor. Through participation on committees managing drainage basins in the regions where we operate, we work to contribute to improving management and shared use of water.



Our actions to reduce internal consumption of potable water

- Internal campaigns to raise employee awareness

- Reuse of water to wash filters

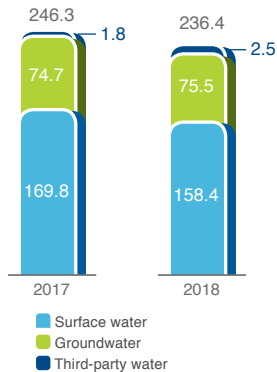
- Reuse of water to dilute chemical products used to clear out and clean wastewater systems

- Use of rainwater to wet dirt roads at the Civil Construction Waste Valuation Unit in Grajaú, which receives civil construction waste, preventing dust from being emitted. In 2018, 21,600 m³ of treated water was spared from use because of this solution

In 2018, we collected a total of 236.3 million cubic meters (m³) of water, which is 4% less in volume than the total collected in 2017. This reduction was made possible by improvements to systems and by loss controls in the distribution system.

We have adopted practices at our units and we train our employees on reducing consumption and reusing water in operational activities whenever possible, such as when washing filters and other equipment. In 2018, water reused reached a volume of 1 million cubic meters, corresponding to 17% of all water we used in internal processes and activities at water and wastewater units.

TOTAL WATER COLLECTION (MILLIONS OF M³)*



*The entire volume of water collected is considered fresh water, since its total concentration of dissolved solids is equal to or less than 1,000 mg/l.

143
WASTEWATER
TREATMENT
STATIONS

590
POINTS OF
SURFACE AND
GROUND WATER
COLLECTION

348
WATER SUPPLY
SYSTEMS



Unit in Pernambuco state

EFFICIENCY AND SUSTAINABILITY IN THE UTILITIES SECTOR

Serving customers in the country's key industrial sectors, in the utilities segment, promotes sustainability and efficiency in water consumption in Brazil. By offering services and technologies to produce reuse water and treat liquid effluents, we support mining, iron & steel, petrochemical and pulp & paper companies in being more productive and sustainable.

One of our assets is Aquapolo, the largest operation producing reuse water in Latin America. Located in the ABC metro region of the city of São Paulo, the unit supplies 650 liters per second to industries in the petrochemical complex of the city of Mauá and to other customers located along the water main. Production is done by reusing the effluent from the ABC Wastewater Treatment Station, held by Sabesp, a BRK Ambiental partner in Aquapolo, making it so that less of this effluent is returned to water bodies.

In the city of Jeceaba (MG), we are responsible for the design, construction and operation of the largest third-party utilities center for the iron and steel industry. The unit sees average water circulation in its systems of around 98%, which accounts for over 100 million m³ of water reused in 2018.

In Rio Grande do Sul, we operate the Águas Triunfo Distributor, serving companies in the South Petrochemical Complex. This unit provides clarified water that is used in thermal exchange processes, demineralized water for steam generation, and drinking water.

Aquapolo (SP)

Water quality

The quality of water supplied to our customers and the quality of effluents sent to water bodies, after undergoing treatment at unit stations, are constantly monitored and is a priority in operational management. Every month, we report information on the quality of water distributed on water bills, along with the number of analyses performed and compliance with potability standards, as defined by Brazil's Ministry of Health.

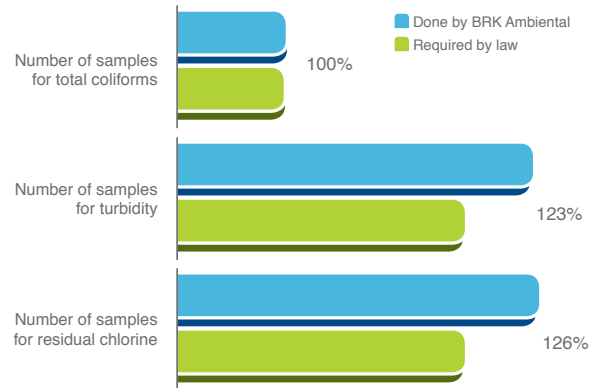
Our customers have clear access to parameters that include turbidity, chlorine amounts, color, pH and others, in compliance with industry regulations. Every year, in the month of March, we publish the Annual Water Quality Report, with information on water quality, information on the source of water collection, the treatment process and relevant data on improvements made to the water production system and planned investments.

To guarantee the quality of water and of the supply service, we have a management and monitoring system with various indicators, following the standards and frequency of analysis established by federal, state and municipal laws. Some of these aspects vary according to the city served, which is why units act diligently in order to guarantee the compliance of their operations. Flow and losses in the distribution system are among the indicators assessed, supporting continual improvement plans and increased efficiency.



Rio das Ostras unit (RJ)

WATER QUALITY ANALYSIS*



*Proportion of tests done by BRK Ambiental in relation to the number required by law.

+
720,000
SAMPLES
ANALYZED
IN 2018

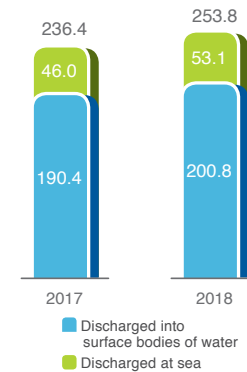


PROCESSES TO ASSESS THE QUALITY OF WATER PROVIDED AND OF TREATED EFFLUENTS COMPLY WITH MINISTRY OF HEALTH REQUIREMENTS AND WITH LOCAL LAWS APPLICABLE TO EACH OF OUR CONCESSIONS

The monitoring process also assesses quality parameters for the effluent returned to water bodies after processing in our wastewater treatment stations. At units located in Tocantins, analysis includes assessment of water quality at anterior (upstream) and posterior (downstream) points from the location where our wastewater is discharged, aimed at guaranteeing there are no negative impacts on the quality of these receiving bodies.

In the cities of Blumenau (SC) and Rio Claro (SP), our control extends to the characteristics of the effluent released into the collection system by industrial customers, evaluating the presence of organic and inorganic elements that could compromise the quality of wastewater treatment at the station. This monitoring is done by the TARESC (the Portuguese acronym for Effluent Receipt Acceptance Agreement) Program, an effective tool for the industrial effluent to be closer to the conditions of sanitary sewage, reducing incidents of blockages in collection systems and problems at treatment stations, which are not equipped for this type of effluent.

EFFLUENTS DISCHARGED (MILLIONS OF M³)*



**The entire effluent discharge volume is considered fresh water, since its total concentration of dissolved solids is equal to or less than 1,000 mg/l.*

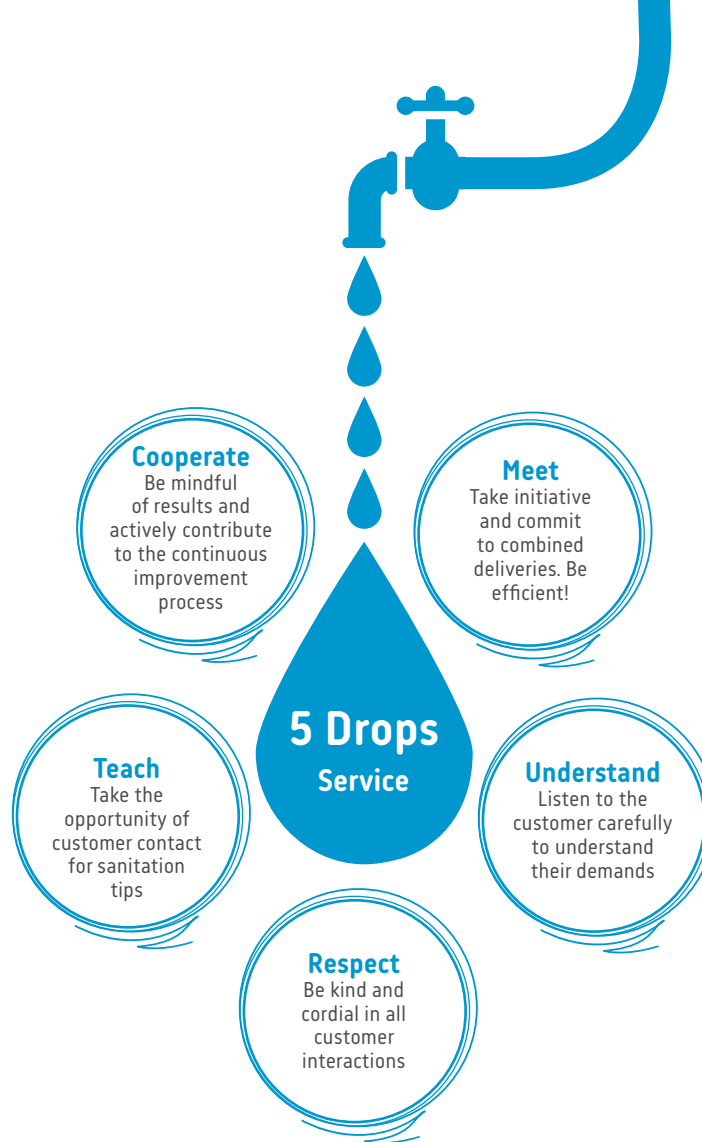
In 2018, a total volume of 253.8 million cubic meters (m³) of treated effluents was returned to water bodies by our operations. This 7.4% increase in relation to the previous year is positive, insofar as it reflects expansion of the wastewater collection and treatment system at our units.

Customer satisfaction

Our management model places the customer at the center of strategic decisions, focusing on excellence in service delivery and customer satisfaction at all points of relationship with the company. The actions and projects we develop for this purpose are included in the program "Hello! BRK" (Olá! BRK), focused on employee training, the implementation of new technologies for service and increased efficiency.

The application of digital tools makes it feasible, for example, to understand the main demands and segment customers by profiles, aiming at the creation of more targeted and empathic debt collection rules. With business intelligence and machine learning techniques, we have also developed more agile programs for changing water meters. In addition to increasing people's satisfaction, these initiatives reduce financial losses and make debt negotiation more efficient.

Another action included in the program is the "5 Drops Service" (Atendimento 5 Gotas), which brings together the conducts to be followed by everyone who relates to BRK Ambiental's clients.



The benefits of the "Hello! BRK" materialize in various numbers



Increase of 5 percentage points in the average number of attendances made through the new BRK Ambiental website, designed to facilitate and stimulate access to online services.



Winner of 2nd place in the National Teleservices Award – ABT, in the "Service Operations" category. The event brings together the companies that performed outstanding actions to achieve excellence in customer relationships.



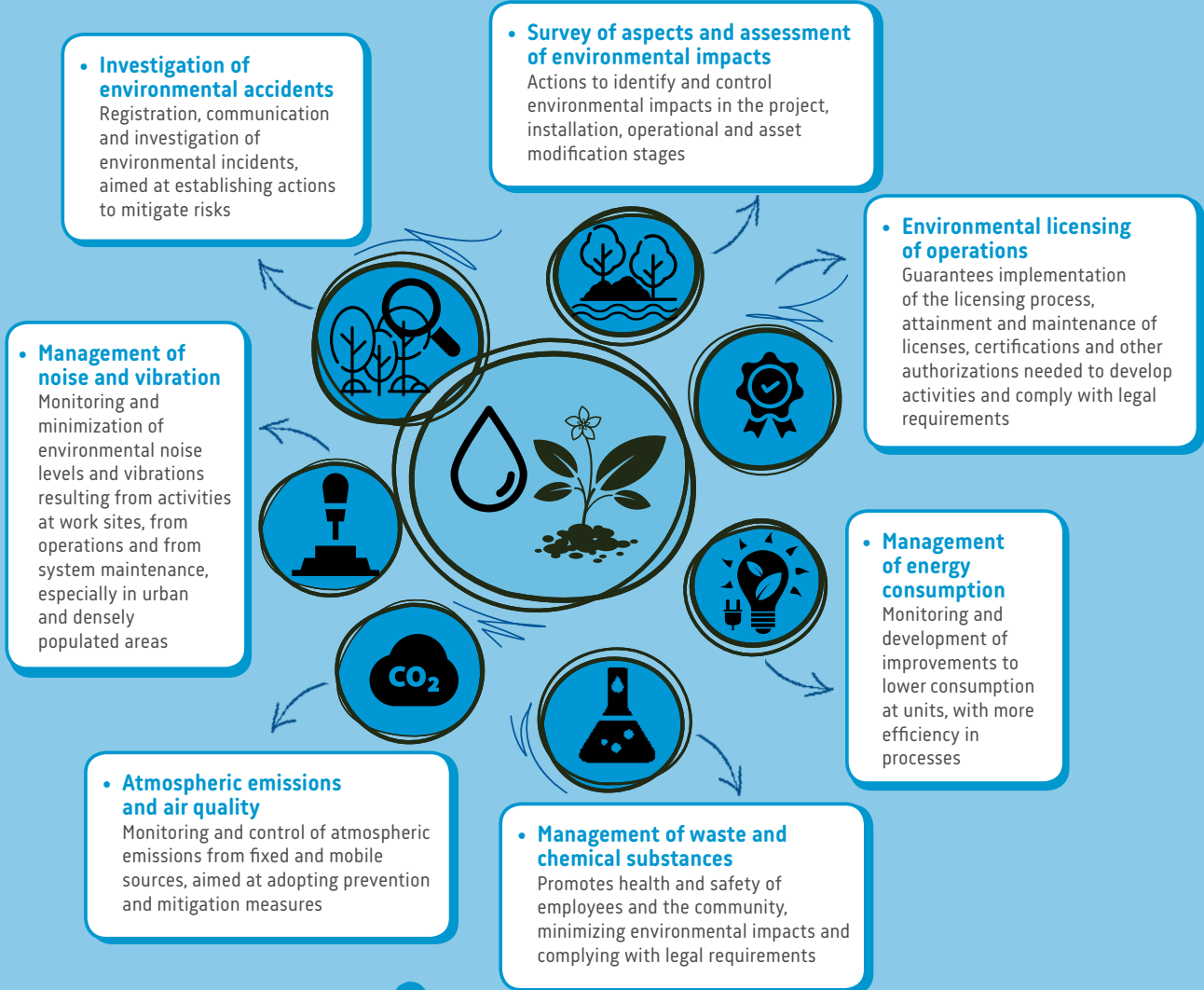
In Sumaré, the pilot unit for the implementation of the program, the 0800 satisfaction rate increased from **88% to 93%**.

Environmental management

In addition to water, a central matter at our business, we monitor and manage other environmental aspects connected to our activities. With the organizational restructuring we began in 2017, this management began to rely on greater centralization, aimed at standardizing processes and sharing good practices. Units are responsible for the execution of operational activities, according to corporate guidelines and applicable laws and regulations.

This work is done with the support of two modern software programs we use to manage the entire environmental licensing process for works and for systems that are already installed as well as legal aspects of health, safety and the environment. Using these tools, we monitor compliance with over 5,200 conditions for licensing and we transparently and efficiently maintain around 720 documents that assure our operations' compliance.

Among topics we observe in our environmental management are:

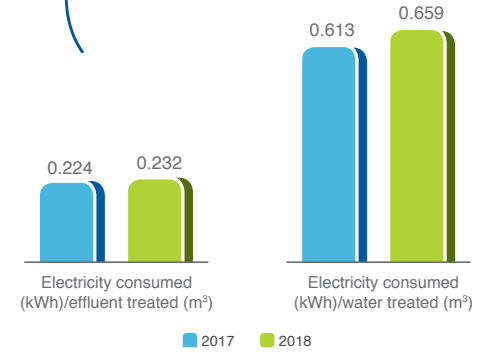




Macaé unit (RJ)

**1.06
MILLION OF GJ
OF ELECTRICITY
CONSUMED
IN 2018**

**ENERGY EFFICIENCY
IN OPERATIONS**



Electricity is essential to water treatment, wastewater pumping and effluent treatment operations, among other operational activities. In 2018, total electricity consumption was 1.06 million gigajoules (GJ), up by 7.7% compared to the previous year. This increase reflects expansion of the wastewater treatment system at units and increased consumption at the Aquapolo and Jeceaba utilities units.

Our units have worked to reduce consumption through initiatives such as changing out conventional light bulbs for more efficient LED bulbs and installation of more efficient equipment for treating effluents and odors.

Despite these efforts, we saw an increase in relative power consumption and we are working to develop and implement action plans to enhance our performance.

In addition to electricity, we also monitor consumption of fuels needed by vehicle fleets and to move equipment used in works and services. In 2018, total rates remained unchanged compared to the year prior, with a notable decrease in natural gas and an increase in ethanol to power the fleet, which is the result of replacing fossil fuel with a renewable resource.

Energy generated from fuels (GJ)	2018	2017
Renewable resources		
Ethanol	12,278.2	8,179.9
Non-renewable resources		
Diesel	80,565.6	83,406.6
Gasoline	66,160.8	68,311.4
LPG	64,104.5	64,104.5
Natural gas	19.9	217.6
Subtotal	210,850.8	216,040.1
TOTAL	223,129.0	224,220.1

Protection of water sources

The activities we carry out of planting and recovering degraded areas, under the auspices of environmental management of our activities, contribute to preservation of wellsprings and the water bodies from which we remove water used in operations. These actions, which are in compliance with units' environmental licensing requirements, benefit local communities and amplify the positive impacts of our business model.

Our unit in Cachoeiro de Itapemirim (ES) is developing a project in partnership with the National Forest (or Flona) of Pacotuba, a conservation area of 449.44 hectares, maintained by Instituto Chico Mendes (ICMBio), to create a seed production area (or APS, its acronym in Portuguese), which will serve regional demand for seeds of native species.

This work consists of identifying and demarcating species suited for collection of seeds, which will be processed and taken to the Flona nursery to produce seedlings. In the project's current stage, seeds have already been cultivated and seedlings are in the growth phase and will later be planted in an area before being used in pastures and within the conservation unit's management zone.

**IN AN EFFORT TO PROTECT
WELLSPRINGS AND WATER SOURCES AND TO
GUARANTEE OPERATIONS' COMPLIANCE WITH
ENVIRONMENTAL REGULATORY REQUIREMENTS,
WE PROMOTE ACTIONS TO PLANT SEEDLINGS
AND RECOVER AREAS AT OUR UNITS**

*Cachoeiro de
Itapemirim unit
(ES)*





LIMEIRA (SP)

40,000
seedlings
planted
from 2017
to 2018

- 20,000 set to be planted in 2019
- 2.6 hectares under recovery process

RIO CLARO (SP)

8,853
seedlings
planted
(5.31 hectares)

- 950 to form a green belt
- 7,903 on preservation areas and private rural properties

MACAÉ (RJ)

1.1
hectare
monitored
(1,600 seedlings
were planted
in 2017)

CHAPADINHA (MA)

1,796
seedlings
planted
(2.3 hectares)

SUMARÉ (SP)

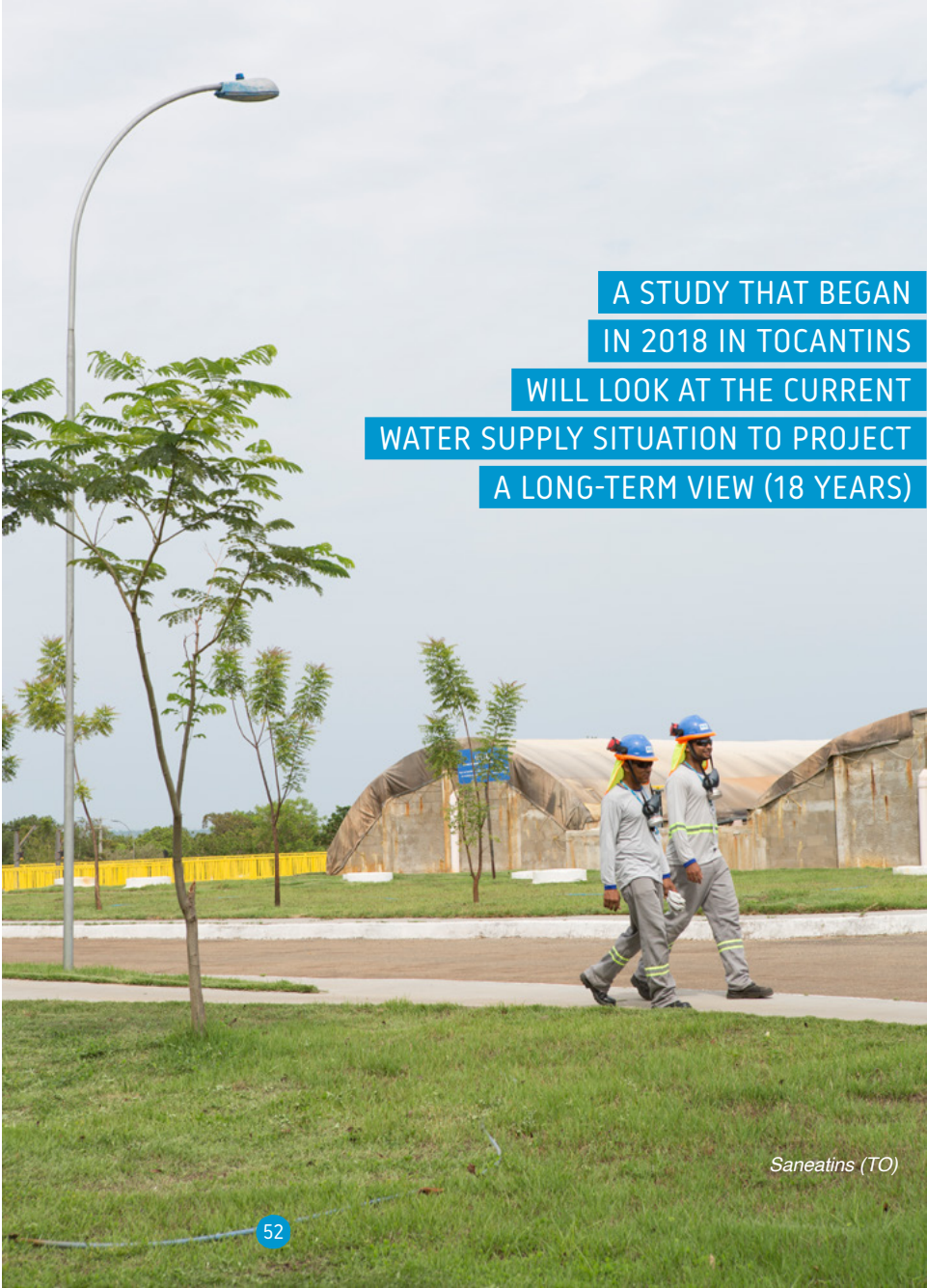
93
seedlings
planted
(0.1 hectare)

Water security and risk management

In 2018, we began a study in the state of Tocantins to develop a new assessment model for water security and availability to serve the public. Our goal is to evaluate the current situation of the Water Supply System in the region, where raw water collection takes place, and to design a long-term scenario (in 2036), considering aspects such as changes to land use, assessment of climate changes, risk analysis, hydrological monitoring plan and alternative solutions to guarantee water security.

In the study's first phase, which was finalized last year, we analyzed primary and secondary data on rain and flow in the region and identified the outlines of drainage basins, defining a hydrological monitoring plan. We also built models for regionalized analyses of data on water flow and water availability.

In the subsequent phases, we will study historical land use and occupation in the region, in an effort to evaluate the impact on water availability over time. We will also build a model to simulate rain volumes and flow in the basin, calibrating information with primary data obtained in field studies and creating a tool to assess water availability and risk analysis. With the support of these analyses, we expect to have grounds to propose measures and action plans to increase water security to supply the local population.



A STUDY THAT BEGAN
IN 2018 IN TOCANTINS
WILL LOOK AT THE CURRENT
WATER SUPPLY SITUATION TO PROJECT
A LONG-TERM VIEW (18 YEARS)

Saneatins (TO)

COMMITMENT TO COMMUNITIES

- Socio-environmental knowledge and development



*Landscape in
Tocantins state*

Commitment to communities

With a strategy aligned with global initiatives to promote sustainability, such as the Sustainable Development Goals (SDGs) and the Global Compact, we have extrapolated efficient management of assets and engineering plans to mobilize society in jointly planning and in implementing transformative actions, contributing to reinforcing the importance of basic sanitation to bring more health to Brazilians.

Our Sustainability and Socio-Environment Action Strategy began to be built in 2017, in conjunction with a wide-ranging project to reorganize the company and transform its corporate culture. Based on diagnosis of our practices and guidelines, we have defined our purpose of sustainability and three broad corporate programs that guide private socio-environmental investments.

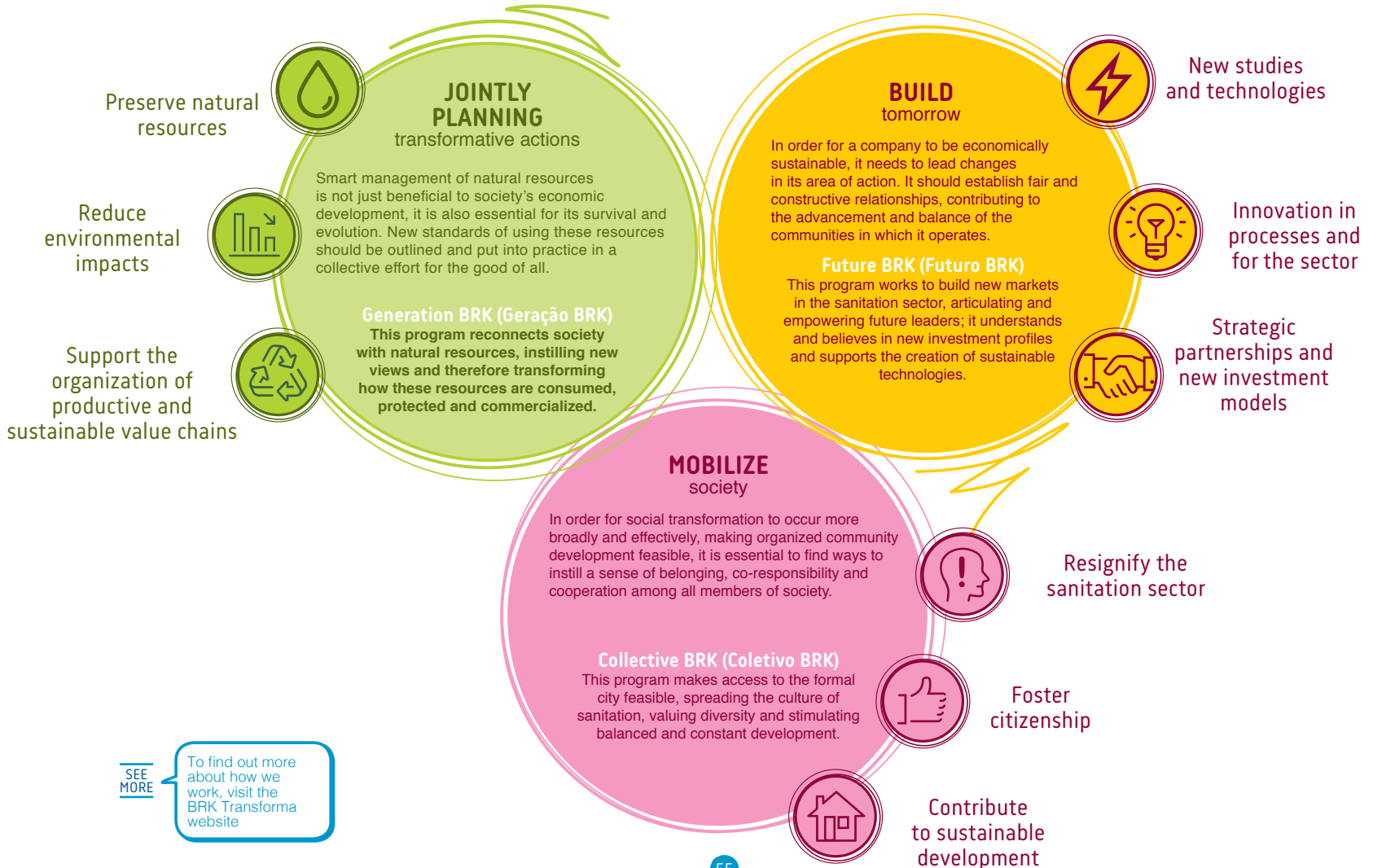
THE INVESTMENTS

WE MAKE IN SOCIO-ENVIRONMENTAL
PROJECTS ARE THE FINAL PIECE IN MAKING
OUR PURPOSE REAL, TO TRANSFORM
PEOPLE'S LIVES BY GUARANTEEING
QUALITY WATER AND SANITATION



Our sustainability proposal

To mobilize society, jointly planning transformative actions, in order to promote a sustainable future for Brazil





INITIATIVES IN THE THREE PROGRAMS WITHIN OUR SUSTAINABILITY AND SOCIO-ENVIRONMENTAL ACTION STRATEGY ARE IMPLEMENTED BY UNITS, ALWAYS IN LINE WITH THE CORPORATE TEAM

The three programs guide investment of funds and development of the social mobilization projects we conduct. Our goal is to use structured and integrated management to make it feasible to execute socio-environmental initiatives that contribute to meeting the specific demands of each region in which we are present. Units are responsible for planning and executing these activities in local communities, following guidelines and coordination by the corporate Sustainability area.

To support units in diagnosing local demands and areas of opportunity and in defining investment plans, connecting our socio-environmental action to our transformative purpose, we have developed the Socio-Environmental Work Project Creation and

Implementation Manual. With its clear language and practical examples, this document details our Strategy and guiding programs, in addition to introducing tools and methodologies for use in planning, implementing and assessing the impact of projects. In 2017, in addition to releasing support materials, we trained unit managers and began to make necessary adaptations.

One highlight in this new model of management and action was a project executed by the Tocantins unit, which was recognized last year with the Abap Sustainability Award, given out by the Associação Brasileira de Agências de Publicidade (Brazilian Association of Publicity Agencies). The initiative included development of an institutional campaign,

with a series of five videos and radio spots on the importance of proper use of water and wastewater systems from the standpoint of a family, discussing topics related to environmental conservation and conscientious use of water.

Another example of an initiative we have been conducting is professional training courses for residents in the municipalities where we operate. In the last year, in partnership with Senai, we offered 550 openings for training of plumbers and masons in the cities of Aparecida de Goiânia, Jataí and Rio Verde (GO). By the end of 2019, 30 groups will be formed, training residents to work at different companies in the region.

Socio-environmental knowledge and development

The Sustainability and Socio-Environment Action Strategy also guides BRK Ambiental's connection to external initiatives and to a significant capacity for social mobilization. Aligned with the three guiding programs, we direct investments toward support of different projects that promote environmental education and mobilization of society around universalization of sanitation.

The Drops of the Future (Gotas do Futuro) program, carried out in 2018, is within the line of action of Generation BRK, geared toward reconnecting society with natural resources and building new paradigms of consumption and management. Created by Instituto Trata Brasil and its ambassador, former gymnast Daiane dos Santos, the project takes place in public schools within the company's area of operation, promoting awareness among students, parents and teachers of how important it is to use water rationally and of the importance and benefits of wastewater collection and treatment.

Around 11,500 kids benefitted from fun activities and talks that were held at institutions of learning in 2018. Communication campaigns were also broadcast on radio, on websites, in newspapers and on TV stations in the cities where we have units.

Within the Future BRK program, geared toward educating young leaders in connection with a transformational agenda driven by basic sanitation, we support the Water Innovation Lab – WILBrasil. This initiative is a proposal by Waterlution, a Canadian NGO seeking to inspire changes in standards of water consumption and management.

WILBrasil is an action to engage young people with an innovative and leadership profile, using a methodology focused on accelerating collaborative innovations that promote water security and the achievement of the targets proposed by SDG 6: “ensure availability and sustainable management of water and sanitation for all.” Other events of this kind have already been held in several countries, with over 700 participants trained and 70 projects moved forward. In Brazil, 15 innovations will be accelerated, three of which have significant potential to contribute to universalization and improvement of basic sanitation services. In addition to supporting this action, we encourage our interns to take part in webinars and to discuss the relationship between innovation and water management with topics such as the empowerment of women, entrepreneurship, new technologies and more sustainable cities.



Mobilized over 100 participants

IN ON-SITE MEETINGS AND 39 GUEST MENTORS

Conducted 5 field visits,

4 WEBINARS AND 8 DAYS OF FACE-TO-FACE MEETINGS

Received over 400

WEBINAR REGISTRATIONS

Held 4 meetings

ON WATER AND INNOVATION

SEE MORE

Click here to learn more about WILBrasil



KNOWLEDGE ON BASIC SANITATION IS SHARED THROUGH EDUCATIONAL CONTENT AND STUDIES DEVELOPED BY BRK AMBIENTAL

The Collective BRK program, in turn, directs investments toward promoting a culture of sanitation, valuing diversity and continued sustainable development. Its goal is to drive effective social transformation, by raising awareness and promoting cooperation among society as a whole.

In this sense, we invested in producing an industry study on “Sanitation and the Life of the Brazilian Woman,” produced in partnership with Instituto Trata Brasil. This initiative also resulted in the creation of an online page – the mulheresesaneamento.com portal – for release of the report, which was also released globally through the participation by BRK Ambiental's CEO in a UN forum in Geneva (Switzerland).

SEE MORE

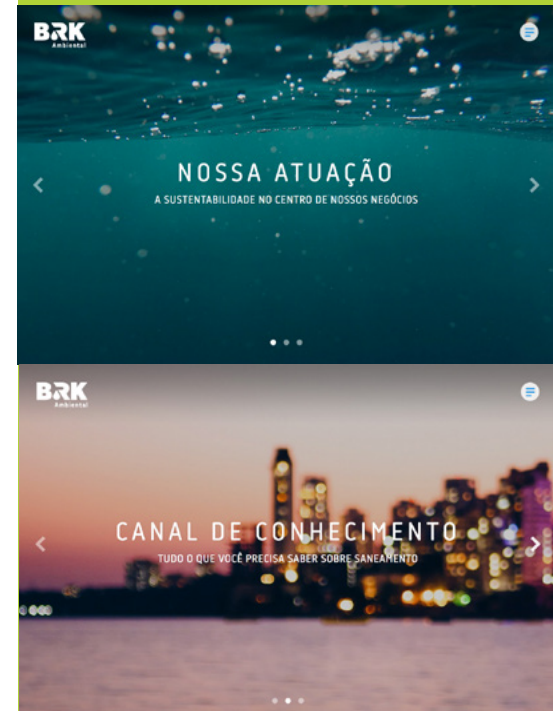
Click here and access our website for more information on presentation of the study on sanitation and women at the UN

ONLINE PORTAL

In the last year, we also launched the BRK Transforma portal to share our Sustainability Strategy and educational and informational content on basic sanitation in Brazil.

SEE MORE

Click here to see and learn more about this portal



Additional information on disclosures

102-3

The BRK Ambiental headquarters are located in the city of São Paulo.

102-8

Data on employees is extracted from the APEX information system, considering the payroll for December 2018. We rely on significant action from third parties in activities at work sites to expand the system.

Number of employees by job type	2018		2017	
	Full-time	Part-time	Full-time	Part-time
Men	4,551	114	4,296	76
Women	1,125	98	1,009	96
TOTAL	5,676	212	5,305	172

Number of employees by work contract	2018		2017	
	Permanent	Temporary	Permanent	Temporary
By gender				
Men	4,551	114	4,296	76
Women	1,125	98	1,009	96
TOTAL	5,676	212	5,305	172
By region				
Center-West	373	13	348	16
Northeast	1,271	73	1,272	39
North	1,250	45	1,136	42
Southeast	2,495	68	2,322	63
South	287	13	227	12
TOTAL	5,676	212	5,305	172

102-41

All full-time employees with permanent work contracts (which account for 98% of all employees) are covered by collective bargaining agreements or accords.

102-42

Prioritization of stakeholders in the materiality process considered the proximity of their relationship with the company, their power of influence over activities and the level of impact these stakeholders are subject to in their relationship with BRK Ambiental.

102-44

Based on the engagement approach and number of responses received from stakeholders, it is not possible to specifically indicate priority topics by stakeholder type.

102-48 and 102-49

Not applicable, as this is the first report by BRK.

102-56

External third-party verification only covers BRK Ambiental's economic and financial performance indicators, some of which are published in this Report. Other information related to GRI indicators, prioritized according to materiality matrix, was validated by internal, administrative and operational areas, without external verification.

205-3 and 406-1

We have no confirmed incidents of corruption or of discrimination received through the Confidential Channel.

302-1

Electricity consumption at BRK Ambiental is verified using the APEX information system and totaled 1.06 million gigajoules (GJ) in 2018.

303-3 and 303-4

No data is available on the water stress levels in regions where water is collected and effluents are discharged.

403-7

We spread a culture of safety at BRK Ambiental to all suppliers and service providers working within our operations. Upon contracting, we present health and safety requirements, which are assessed during the selection process. New verifications are made by our teams prior to the start of the contractor's activities and while services are provided. In addition, employees at operational units hold periodic meetings with partners to discuss topics related to safety.

403-9

Occupational safety indicators*	2018		2017	
	Employees	Other workers	Employees	Other workers
Number of man-hours worked	13,652,370	9,538,585	11,683,662	7,980,759
Total accidents	111	88	108	37
Total frequency rate of reportable accidents	8.13	9.23	9.24	4.64
Number of very severe accidents (excluding fatalities)	7	10	22	1
Frequency rate of very severe accidents (excluding fatalities)	0.51	1.05	1.88	0.13
Number of fatalities	0	0	0	0
Frequency rate of fatalities	0	0	0	0

*Rates are calculated considering a factor of 1 million man-hours worked.

413-1

All units are covered by local engagement initiatives, through the company's Sustainability and Socio-Environmental Action Strategy.

415-1

We do not make donations to political parties or to their candidates and representatives.

404-3

Our performance assessment cycle is conducted annually and covers all employees, except for those admitted in the month of October or after, interns, apprentices and workers on leave. This process is concluded in March, which is why in this report we present the results of the assessment cycle related to 2017 (finalized in March 2018). In this year, 4,444 employees were assessed, representing 81% of the staff at the time the assessment cycle was initiated.

Performance assessment cycle 2017	Employees assessed	Total employees	Percentage of total
By gender			
Men	3,634	4,396	83%
Women	810	1,094	74%
Consolidated	4,444	5,490	81%
By job level			
Executive Board	27	30	90.00%
Managers	128	144	88.89%
Coordinators	185	202	91.58%
Supervisors	218	234	93.16%
Administrative staff	1,136	1,372	82.80%
Operations staff	2,750	3,388	81.17%
Apprentices	0	120	0%
Interns	0	145	0%
Consolidated	4,444	5,635	78.86%

408-1 and 409-1

Through the due diligence processes we promote with our suppliers (see more on page 39), we did not identify any significant risk for incidents of child, forced or compulsory labor in our chain. In company operations, this risk does not exist, in line with our Compliance Program.

GRI content index

GRI Standard	Disclosure	Page	Omissions
GRI 101 Foundation 2016	General disclosures		
GRI 102 General disclosures 2016	Organizational profile		
	102-1 Name of the organization	14	-
	102-2 Activities, brands, products, and services	14	-
	102-3 Location of headquarters	59	-
	102-4 Location of operations	21	-
	102-5 Ownership and legal form	19	-
	102-6 Markets served	21	-
	102-7 Scale of the organization	22 and 23	-
	102-8 Information on employees and other workers	33 and 59	-
	102-9 Supply chain	39 and 40	-
	102-10 Significant changes to the organization and its supply chain	21	-
	102-11 Precautionary Principle or approach	45	-
	102-12 External initiatives	16	-
	102-13 Membership of associations	12	-
	Strategy		
	102-14 Statement from senior decision-maker	3 and 4	-
	Ethics and integrity		
	102-16 Values, principles, standards, and norms of behavior	14 and 38	-
102-17 Mechanisms for advice and concerns about ethics	37	-	
Governance			
102-18 Governance structure	19 and 20	-	

GRI Standard	Disclosure	Page	Omissions
GRI 102 General disclosures 2016	Stakeholder engagement		
	102-40 List of stakeholder groups	6	-
	102-41 Collective bargaining agreements	59	-
	102-42 Identifying and selecting stakeholders	59	-
	102-43 Approach to stakeholder engagement	6	-
	102-44 Key topics and concerns raised	6 and 59	-
	Reporting practice		
	102-45 Entities included in the consolidated financial statements	5	-
	102-46 Defining report content and topic Boundaries	6	-
	102-47 List of material topics	6	-
	102-48 Restatements of information	59	-
	102-49 Changes in reporting	59	-
	102-50 Reporting period	5	-
	102-51 Date of most recent report	5	-
	102-52 Reporting cycle	5	-
	102-53 Contact point for questions regarding the report	5	-
	102-54 Claims of reporting in accordance with the GRI Standards	5	-
	102-55 GRI content index	61, 62, 63 and 64	-
	102-56 External assurance	59	-
	Material topic Universalization of sanitation and opportunities		
GRI 103 Management approach 2016 ¹	103-1 Explanation of the material topic and its Boundary	6, 8, 9, 10, 11 and 12	-
	103-2 The management approach and its components	8, 9, 10, 11 and 12	-
	103-3 Evaluation of the management approach	8, 9, 10, 11 and 12	-
GRI 415 Public policy 2016	415-1 Political contributions	60	-
GRI 417 Marketing and labeling 2016	417-1 Requirements for product and service information and labeling	45	-

¹ The management approach refers to all GRI topics listed within the material topic "Universalization of sanitation and opportunities."

GRI Standard	Disclosure	Page	Omissions
Material topic Investments and operational efficiency			
GRI 103 Management approach 2016 ²	103-1 Explanation of the material topic and its Boundary	6, 23, 24, 25, 48 and 49	-
	103-2 The management approach and its components	23, 24, 25, 48 and 49	-
	103-3 Evaluation of the management approach	23, 24, 25, 48 and 49	-
GRI 201 Economic performance 2016	201-1 Direct economic value generated and distributed	24	-
GRI 302 Energy 2016	302-1 Energy consumption within the organization	49 and 59	-
Material topic Water and biodiversity			
GRI 103 Management approach 2016 ³	103-1 Explanation of the material topic and its Boundary	6, 42, 43, 44, 45, 46, 50, 51 and 52	-
	103-2 The management approach and its components	42, 43, 44, 45, 46, 50, 51 and 52	-
	103-3 Evaluation of the management approach	42, 43, 44, 45, 46, 50, 51 and 52	-
GRI 303 Water and effluents 2018	303-1 Interactions with water as a shared resource	42, 43, 44 and 52	-
	303-2 Management of water discharge-related impacts	46	-
	303-3 Water withdrawal	43 and 60	-
	303-4 Water discharge	46 and 60	-
GRI 304 Biodiversity 2016	304-2 Significant impacts of activities, products, and services on biodiversity	50	-
	304-3 Habitats protected or restored	51	-
Material topic Ethical conduct			
GRI 103 Management approach 2016 ⁴	103-1 Explanation of the material topic and its Boundary	6, 36, 37, 38, 39 and 40	-
	103-2 The management approach and its components	36, 37, 38, 39 and 40	-
	103-3 Evaluation of the management approach	36, 37, 38, 39 and 40	-
GRI 205 Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	59	-
GRI 406 Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	59	-
GRI 408 Child labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	60	-
GRI 409 Forced or compulsory labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	60	-

2. The management approach refers to all GRI topics listed within the material topic "Investments and operational efficiency."

3. The management approach refers to all GRI topics listed within the material topic "Water and biodiversity."

4. The management approach refers to all GRI topics listed within the material topic "Ethical conduct."

GRI Standard	Disclosure	Page	Omissions
Material topic Governance and people			
GRI 103 Management approach 2016 ⁵	103-1 Explanation of the material topic and its Boundary	6, 27, 28, 29, 30, 31, 32, 33 and 34	-
	103-2 The management approach and its components	27, 28, 29, 30, 31, 32, 33 and 34	-
	103-3 Evaluation of the management approach	27, 28, 29, 30, 31, 32, 33 and 34	-
GRI 403 Occupational health and safety 2018	403-1 Occupational health and safety management system	29 and 30	-
	403-2 Hazard identification, risk assessment, and incident investigation	30	-
	403-3 Occupational health services	30	-
	403-4 Worker participation, consultation, and communication on occupational health and safety	29	-
	403-5 Worker training on occupational health and safety	30	-
	403-6 Promotion of worker health	31	-
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	60	-
	403-9 Work-related injuries	31 and 60	-
	GRI 404 Training and education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	60
Material topic Private social investment			
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	6, 54, 55, 56, 57 and 58	-
	103-2 The management approach and its components	54, 55, 56, 57 and 58	-
	103-3 Evaluation of the management approach	54, 55, 56, 57 and 58	-
GRI 413 Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	60	-
Material topic Service quality			
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	6, 45, 46 and 47	-
	103-2 The management approach and its components	45, 46 and 47	-
	103-3 Evaluation of the management approach	45, 46 and 47	-

5. The management approach refers to all GRI topics listed within the material topic "Governance and people."



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CREDITS

General coordination

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