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aegea

ANNUAL

Sustainability report

2019



2019

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MESSAGE FROM

Management

🔹 GRI 102-14

In 2019, we presented consistent results while expanding the coverage of water and sewer systems, thus contributing to universal access to sanitation in Brazil. Our net revenue of R\$2.2 billion was 28.3% higher than in 2018, while EBITDA grew 47.1% to R\$1.2 billion.

This performance reflects the evolution of the operational performance of all our units, especially Águas de Manaus and Águas de Teresina, which we started operating more recently. It also demonstrates our ability to adapt our asset management model in different locations of the country.

In the year, Águas de Manaus, Brazil's largest private sanitation concession in terms of population density, completed one year and seven months of operation. In the municipality, where there are irregular settlements with houses built on stilts, we worked to regularize the basic sanitation system and serve these customers through the Program called "Vem com a Gente," and increased the number of households benefited by the Social Tariff. In this way, we expanded access to basic sanitation and, consequently, to health, by adding nearly

In 2019, we expanded access to basic sanitation and, consequently, to health, by adding nearly 40,000 new active households.

40,000 new active households. In addition, we more than doubled the concession's EBITDA compared with the previous year.

We also made progress in other concessions, prioritizing quality in service to the population while implementing measures to increase operational efficiency. In Águas de Teresina, for example, costs and expenses per consumption unit were reduced by 21.8%. The efficiency gains combined with increased revenue resulted in an EBITDA of R\$ 107.7 million, up R\$ 80 million from 2018.

At the corporate level, we continue to mature our practices in Compliance, Internal Controls and Governance—strategic pillars for sustainable growth.

R\$ 2.2 billion
in net revenue



R\$ 1.2 billion
in EBITDA



To this end, the Integrity Management became a Department that reports directly to the Board of Directors. This change gives the area greater autonomy and confirms our commitment to disseminating ethical and transparency principles in all our units and in stakeholder relations. As a result, in the period we maintained the international certification Anti-Bribery Management Systems - ISO 37001, awarded to few companies in Brazil.

Regarding the governance structure, more specifically the composition of the Board of Directors, we voluntarily adhere to the same standard required by B3's Novo Mercado, a differentiated listing segment. All members of the body are independent and have knowledge and skills in different segments—such as the Chairman, Fábio Galindo, who, when taking the position in 2019, strengthened diversity with his experience in Compliance and in the public sector.

In the period, part of our Board of Executive Officers was renewed and specific changes were made to the Executive Board of the subsidiaries. This process is in line with the Talent and Succession Management Program in force since 2015, whose purpose is to identify and train internal talent at all leadership levels and is guided by a structured career and competency development plan that enables vertical and horizontal movements in our team. Training and development of leaders in line with our culture are critical for us to keep moving forward. In this regard, we are announcing the appointment of Radamés Andrade Casseb to the position of Chief Executive Officer in view of the end

of Hamilton Amadeo's term of office. Radamés, who will take up the position in February 2020, joined our team in 2011, when he assumed the leadership of the Corporate Operations Department, having previously held similar positions in other infrastructure companies, in which he acquired solid experience in activities related to the area of regulated services.

In order to disseminate our principles and operating model in all the municipalities where we operate, we have also expanded the scope of the Aegea Academy. Approximately 4,600 people were trained in 2019, with emphasis on structuring a new front for higher education, which makes us the first basic sanitation company in Brazil to invest in a personalized undergraduate program for our sector. Another fundamental role of the Aegea Academy is the development of the Trainee Program's learning paths, which aims to prepare future leaders. Currently, five units are already headed by former trainees and another nine hold leadership positions in the corporate areas.

In November 2019, Aegea celebrated its victory in the bidding process promoted by Companhia Riograndense de Saneamento (Corsan) for the execution of sanitation works and services in nine municipalities in the State of Rio Grande Sul. This achievement marks our entry into the State of Rio Grande do Sul and formalizes our commitment to universal access to sewer coverage for an additional 1.5 million residents in a period of up to 11 years starting in 2021—when we will begin the operations of the Public-Private Partnership (PPP).

We also announced, in December 2019, the change in our ownership structure due to the end of the investment cycle of the International Finance Corporation (IFC) and Fundo de Investimento em Participações (IFC GIF Brasil). As a result, Grupo Equipav and GIC increased their ownership interest in the Company, which reinforces shareholders' confidence in our business model.

With an eye on the future, we continue discussions on the new regulatory framework for sanitation, which is currently underway in the Senate. We understand that its approval will represent an important advance toward universal access to sanitation in Brazil, leading to an increase in private participation in the sector.

Our long-term strategy will continue to be guided by sustainable growth, with a solid capital structure and diversification of financing sources. Financial leverage, measured by the ratio of net debt and EBITDA, ended 2019 at 3.1x while our cash position and financial investments totaled R\$ 967.4 million, giving us an adequate liquidity position.

As signatories to the United Nations Global Compact and members of the Brazilian Committee of the Global Compact, we are determined to follow our successful track-record of contributing to the development of the country, with respect to customers, shareholders, business partners, employees, suppliers, capital markets and society in general. We thank each of these stakeholders for their trust and contribution to the improvement of our operations.

THE ADMINISTRATION



We celebrated our
winning bid
at auction to operate
in 9 municipalities of
Rio Grande do Sul.

CORPORATE
profile





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We are Aegea Saneamento e Participações S.A., a Brazilian company, headquartered in São Paulo (SP) operating in the private sanitation sector in Brazil, in the entire water cycle process: water collection, treatment and supply, sewage collection and treatment. We operate through full (water and sewage) or partial (water only) concessions, sub-concessions and Public-Private Partnerships (PPPs).

💧 **GRI 102-1, 102-2, 102-3, 102-5**

We started our activities in 2010 with two full concessions in six municipalities, serving 1.6 million people. Since then, we have expanded our service to the current 40 concessions, one sub-concession, and four PPPs, covering 57 municipalities in Brazil and serving 8.9 million people¹. 💧 **GRI 102-4, 102-6, 102-7**

Our operations are managed through strict monitoring and control procedures, which ensures that our operating model can be quickly replicated anywhere in the country. We ask for permission to enter each municipality served, listening and dialoguing in order to strengthen the relationship with the communities and envision opportunities to transcend contractual obligations and contribute to local development.

Our 4,734 employees work day and night to ensure that clean water reaches homes, businesses, service providers and industries, and that sewage does not pollute rivers and other water sources. 💧 **GRI 102-6, 102-8**

1. Estimated population according to the latest IBGE release (July/2019).

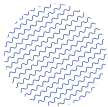
2. Considers all employees (active and on leave), regardless the type of employment contract.

3. Considers all company employees (active and on leave).

The way we conduct our activities with ethics and aiming to promote equality extends to the relationships with all our audiences: employees, partners, granting authorities, customers, investors, and other stakeholders.

💧 GRI 102-40

In this way, we have consolidated ourselves as a leader in the private segment in Brazil in terms of consumption units. Continuing the pace of growth, in 2019 Aegea won the PPP tendered by Companhia Riograndense de Saneamento (Corsan) for the execution of sanitation works and services. This achievement marks our entry into Rio Grande do Sul, where nine cities will be served. Operations in these cities will be carried out with the same passion dedicated to all our units. 💧 GRI 102-10



FOR MORE INFORMATION, GO TO
WWW.AEGEA.COM.BR.



MISSION, VISION, AND

Values

💧 GRI 102-16



MISSION

To develop sanitation solutions with excellence and corporate security, contributing to the improvement of the quality of life of the audiences served.



VISION

To be recognized as the best company in the development and management of sanitation business in Brazil and as a global benchmark.



VALUES

- Accessibility
- Austerity
- Collaboration
- Continuous Improvement
- Social Responsibility
- Transparency

Purpose

In recent years, we have reinforced and disseminated the elements of our culture. The work originated from an in-depth study to understand the needs of society—which is increasingly seeking inclusion, transparency and the perspective of a sustainable future—and to identify and reinforce our strengths to better respond to these demands.

As a result, we instated a manifesto that communicates our business purpose. The same brand identity, with the same values, has also become part of the identity of all concessionaires, which contributes to strengthening our presence throughout the national territory. We also drafted our five talents, presented below:



OUR TALENTS

Masters in “Brazicities”

The capacity to apply our operating model, with flexibility and respect, to the various regions where we operate.

Engineers of the Order

The ability to maintain in operation a system that connects people to treated water and, subsequently, properly disposes of sewage in a sustainable manner.

Ambassadors of Health

The main objective of our operations: to take health to all, including the environment.

More than Professionals

The understanding that we must transcend contractual obligations, in favor of municipal development, seeking a close relationship with the communities served.

Agents of Dignity

Performing our activities with ethics and aiming to promote equality and human rights.



MANIFESTO

💧 GRI 102-16

We love water.

After all, our life depends on it.

*It provides well-being while feeding cities,
environmental reserves, and better lives.*

Through water, we fight for healthier and happier lives.

That is our true nature.

*We respect the environmental order
and the rights of people.*

*For more dignified stories, for more
sustainable cities, for a bluer future.*

*Because we know the value of clean water,
of treated water, of refreshing water, of the water
that fuels communities and makes us strong.*

*Attentive to differences, we adapt to
the many different Brazils.*

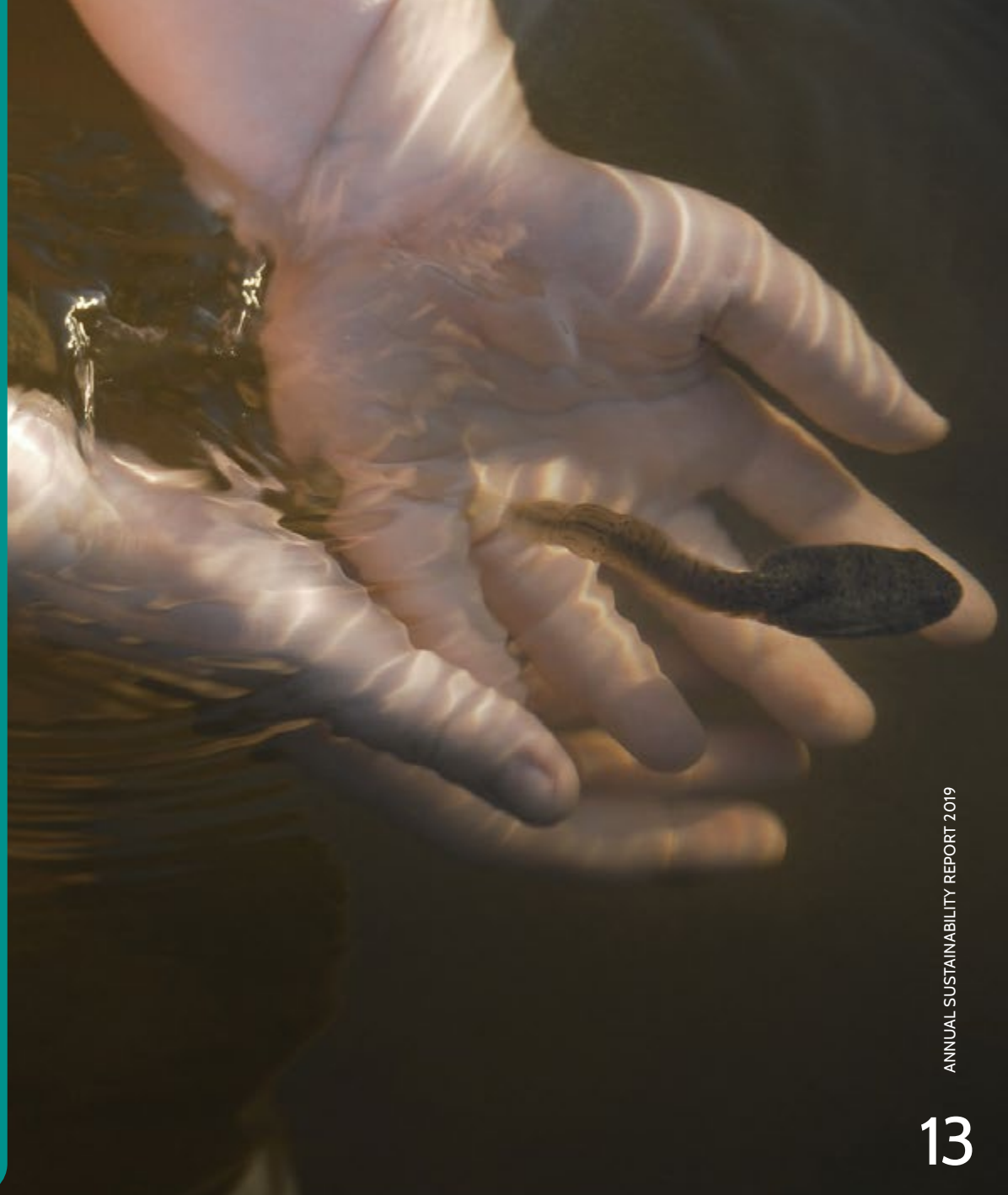
*We understand the beauty of each source,
of each city, in every corner of our country.*

That's why we go beyond what is expected.

*We fight to bring quality of life to families,
reestablishing the pure alliance between mankind
and the surrounding environment and rebuilding
life as it should be.*

Life of the water and of the people.

*Because our nature is knowing that we work,
from dawn to dusk, for lives filled with civism.*



OWNERSHIP

structure

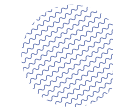
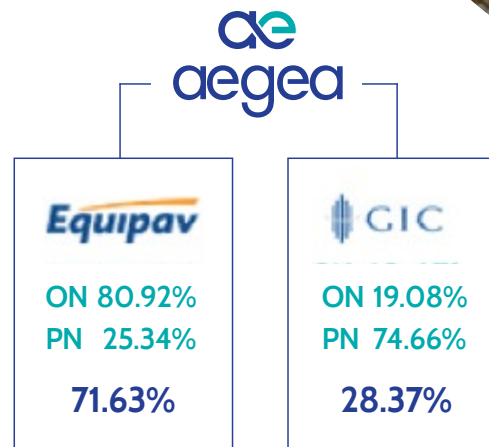
GRI 102-5



As a publicly traded Company registered at the Brazilian Securities and Exchange Commission (CVM - Comissão de Valores Mobiliários), we are controlled by Grupo Equipav, which has operated for over 50 years in the Brazilian infrastructure segment. We also rely on the Singapore Sovereign Wealth Fund (GIC Private Limited), an international investor who joined the shareholding structure in 2013.

The illustration below contains our shareholding structure with the corresponding percentages of the total capital.

In 2019, the International Finance Corporation (IFC) and the Global Infrastructure Fund (GIF) completed the investment cycle in Aegea that began in 2012 and 2013, respectively. In this sense, their shares were sold to Equipav and Aegea.

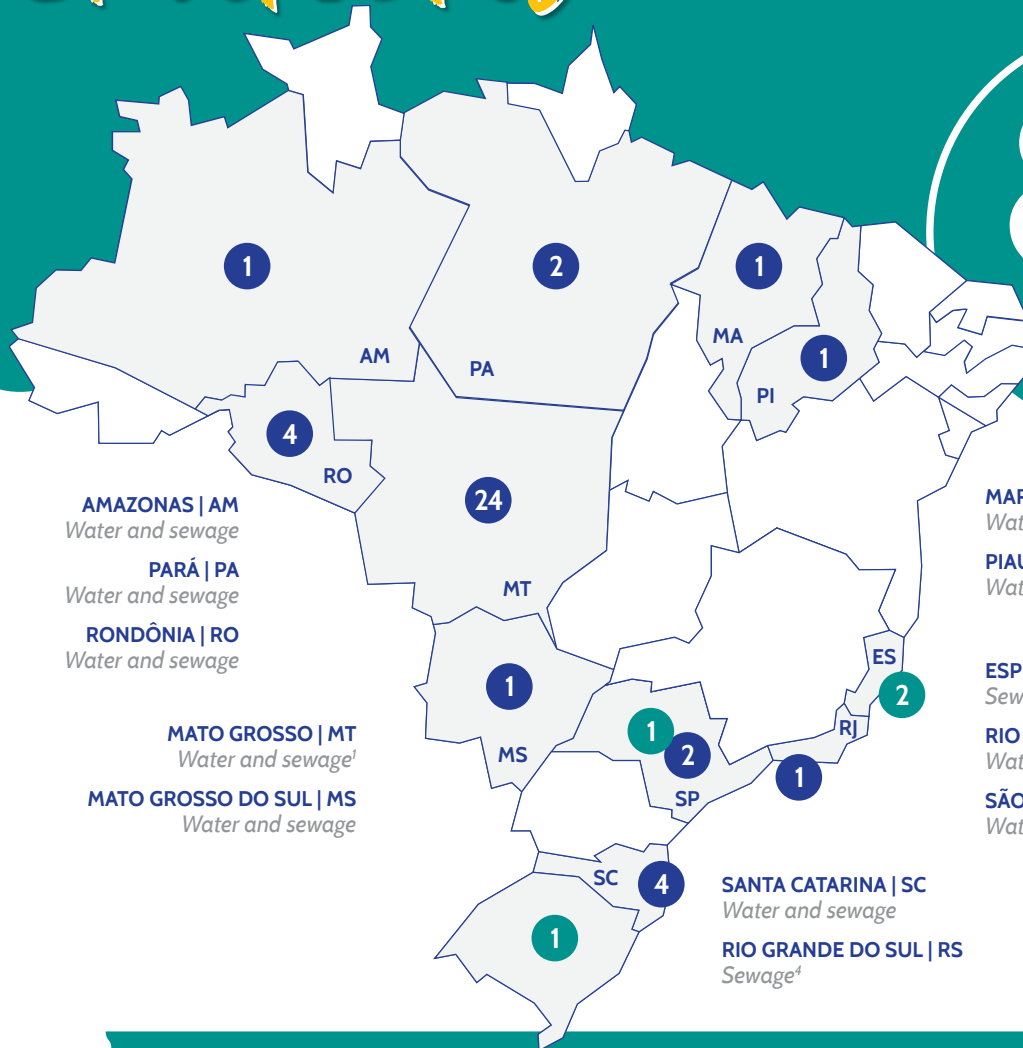


MORE INFORMATION ABOUT OUR CORPORATE STRUCTURE IS AVAILABLE HERE.

MAP OF

operations

🚰 GRI 102-4, 102-6



8.9
MILLION PEOPLE SERVED⁵

- 57 municipalities
- 12 states
- 40 concessions
- 1 sub-concession
- 4 public-private partnerships (PPPs) in sewerage

AMAZONAS | AM
Water and sewage

PARÁ | PA
Water and sewage

RONDÔNIA | RO
Water and sewage

MATO GROSSO | MT
Water and sewage¹

MATO GROSSO DO SUL | MS
Water and sewage

SANTA CATARINA | SC
Water and sewage

RIO GRANDE DO SUL | RS
Sewage⁴

MARANHÃO | MA
Water and sewage

PIAÚÍ | PI
Water and sewage

ESPÍRITO SANTO | ES
Sewage

RIO DE JANEIRO | RJ
Water and sewage²

SÃO PAULO | SP
Water and sewage³

The points highlighted on the map refer to the concession, sub-concession and Public-Private Partnership (PPP) agreements in effect.

- concessions
- public-private partnerships (PPP)

1. 20 water and sewage concessionaires and seven water concessionaires (Poconé, Nortelândia, Santa Carmem e Carlinda).

2. Serves five municipalities (Cabo Frio, Armação dos Búzios, Iguaba Grande, Arraial do Cabo e São Pedro da Aldeia).

3. The PPP is only responsible for collection and treatment of sewage.

4. Will serve nine municipalities: Alvorada, Cachoeirinha, Canoas, Eldorado do Sul, Esteio, Gravataí, Guaíba, Sapucaia do Sul, and Viamão. According to the schedule, the PPP contract is scheduled to be signed in March 2020.

5. Estimated population according to the latest IBGE release (October/2019).

OUR GROWTH

Track record

2010

- Municipality de Campo Grande (MS)¹
- Municipality de Cabo Frio (RJ)¹
- Municipality de Armação de Búzios (RJ)¹
- Municipality de Iguaba Grande (RJ)¹
- Municipality de Arraial do Cabo (RJ)¹
- Municipality de São Pedro da Aldeia (RJ)¹

1. These concessions were acquired before the establishment of Aegea Saneamento e Participações S.A. The Águas Guarairoba concessionaire, in the municipality of Campo Grande (MS), was acquired in 2005, and Prolagos, composed of the 5 municipalities in the state of Rio de Janeiro, was acquired in 2006.

2012

- Municipality de Piracicaba (SP)
- Municipality de Barra do Garças (MT)
- Municipality de Campo Verde (MT)
- Municipality de Carlinda (MT)
- Municipality de Cláudia (MT)
- Municipality de Jangada (MT)
- Municipality de Jauru (MT)
- Municipality de Marcelândia (MT)
- Municipality de Nortelândia (MT)
- Municipality de Pedra Preta (MT)
- Municipality de Peixoto de Azevedo (MT)
- Municipality de Primavera (MT)
- Municipality de Poconé (MT)
- Municipality de Santa Carmem (MT)
- Municipality de São José (MT)
- Municipality de Sorriso (MT)
- Municipality de União do Sul (MT)
- Municipality de Vera (MT)

2013

- Municipality de Penha (SC)
- Municipality de Matão (SP)
- Municipality de Confresa (MT)
- Municipality de Porto Esperidião (MT)
- Municipality de Barcarena (PA)

2014

- Municipality de Guarantã do Norte (MT)
- Municipality de Matupá (MT)
- Municipality de Diamantino (MT)
- Municipality de Sinop (MT)
- Municipality de Novo Progresso (PA)
- Municipality de São Francisco do Sul (SC)



2015

- Municipality de Holambra (SP)
- Municipality de São João de Meriti (RJ)²
- Municipality de Timon (MA)
- Municipality de Buritis (RO)
- Municipality de Pimenta Bueno (RO)
- Municipality de Rolim de Moura (RO)
- Municipality de Paranatinga (MT)
- Municipality de Camboriú (SC)

2016

- Municipality de Ariquemes (RO)
- Municipality de Bombinhas (SC)
- Municipality de Serra (ES)

2017

- Municipality de Vila Velha (ES)
- Municipality de Teresina (PI)

2018

- Municipality de Manaus (AM)

2019

- Municipality de Alvorada (RS)³
- Municipality de Cachoeirinha (RS)³
- Municipality de Canoas (RS)³
- Municipality de Eldorado do Sul (RS)³
- Municipality de Esteio (RS)³
- Municipality de Gravataí (RS)³
- Municipality de Guaíba (RS)³
- Municipality de Sapucaia do Sul (RS)³
- Municipality de Viamão (RS)³

2. The Águas de Meriti concessionaire is not listed in our portfolio of municipalities served, presented in this report, because its sewage treatment and collection operations in São João de Meriti (RJ) are temporarily suspended due to contractual impediments that impair the effective execution of the operation of the systems that was granted to us through Concession Agreement No. 86/98. Measures are in place to resolve such impediments and thus proceed with the operational plan of the unit's activities and investments, of which R \$ 15 million have already been invested. We also reaffirm our purpose to provide solutions and services in basic sanitation that lead to healthier and more decent lives.

3. Operations related to International Tender No. 001/2019, promoted by Companhia Riograndense de Saneamento (Corsan) to operate in a Public-Private Partnership (PPP) agreement and whose result was published in December 2019. According to the schedule, the PPP contract is scheduled to be signed in March 2020.

AWARDS AND

recognition



**PRÊMIO
ODS**
PACTO GLOBAL
2019

2019 WATER AND SANITATION SUCCESS STORIES

We won the “2019 Water and Sanitation Success Stories award (Sustainable Development Goal, SDG 6),” in the Water, Sanitation and Hygiene (WASH) and Human Rights category. The award recognizes the most innovative business projects, developed by members of the Global Compact Brazil, and that favor sustainability practices in the area of water and sanitation in their operations and supply chains. Our story, “From marginalized to protagonists: dignity and innovation for regions with stilt houses and irregular settlements in Brazil’s Northern and Northeast States,” demonstrates efforts to regularize the basic sanitation system in communities in Teresina (PI) and Manaus (AM).



**RANKING ABES DA
UNIVERSALIZAÇÃO
DO SANEAMENTO**

UNIVERSAL ACCESS TO SANITATION

For the third consecutive year, Piracicaba (SP), where we operate through the Mirante concessionaire, has led the Universal Access to Sanitation Ranking, organized by Associação Brasileira de Engenharia Sanitária e Ambiental (ABES). With 500 points, the municipality achieved maximum score in the survey that analyzes the coverage and expansion rates of the water and sewage treatment system, in addition to the number of diseases caused due to the absence of these services.



VALOR INOVAÇÃO BRASIL

In 2019, we were the second most innovative company in the Infrastructure category in the fifth edition of the Valor Inovação Brasil award, held by Valor Econômico and Strategy &, PwC's strategic consultancy. In the overall ranking, we rank 59th among the 150 most innovative companies in the country—a climb of 38 places in comparison with the previous year.



DIVERSITY AND INCLUSION

We received the Diversity and Inclusion award, promoted by Associação Brasileira de Treinamento e Desenvolvimento do Paraná (ABTD-PR). The recognition reflects our work under the “Respeito Dá o Tom” Program, in favor of racial equality.



BEST COMPANIES TO WORK FOR

For the third consecutive year, our concessionaire Águas Guariroba was featured among the 150 Best Companies to Work For in Brazil in 2019, according to magazine Você S/A, published by Editora Abril. The publication is a reference in the country for topics on career, people management and human resources.



SUSTAINABILITY AWARD

Three of our concessionaires were cited as an example in promoting best practices for the sanitation sector. The recognition is from Associação Brasileira das Concessionárias Privadas dos Serviços Públicos de Água e Esgoto (ABCON) and from Sindicato Nacional das Concessionárias Privadas de Serviços Públicos de Água e Esgoto (SINDCON). Mirante and Ambiental Serra won first and third places, respectively, due to their work to engage the communities in topics about the importance of sanitation for health and environmental preservation. Águas Guariroba was highlighted with the third place in the Management category for its program that promotes the reconstruction of water sources around the Guariroba stream river basin, which has the support of local farmers, who are paid for reforesting the region.



VALOR 1000

We were featured among the 1,000 largest companies operating in the Brazilian market, according to the 19th edition of the Valor 1000 ranking. In the overall ranking, we won the 285th place and, specifically in the “Water and Sanitation” category, we were featured among the first five. The survey considers the methodology of Fundação Getúlio Vargas (FGV), based on figures obtained by Serasa Experian.



BIGGEST AND BEST 2019

We ranked 200th among the 500 largest companies operating in the Brazilian market, according to the Exame Maiores e Melhores 2019 Yearbook.

HIGHLIGHTS

of the year

R\$ 2.2 billion
in net revenue.

EBITDA of

R\$ 1.2 billion

Nearly

4,600
people trained at
the Aegea Academy.

Reduction of

21.8%

in costs and expenses
per consumption unit
in Águas de Teresina.

Close to

40,000
new active households
connected in Manaus (AM),
under the “Vem com
a Gente” Program.

Evolution of the
operational performance of
all units, especially the most
recent - Águas de Manaus
and Águas de Teresina.

Victory in the tender
conducted by Companhia
Riograndense de Saneamento
(Corsan) for the execution of
sanitation works and services in
nine municipalities in the State
of Rio Grande Sul.

Consolidation
of strategic movements
within the Talent and
Succession Management
Program (see page 85).

Maintenance of
the international
certification Anti-Bribery
Management Systems -
ISO 37001.

MAIN

indicators

GRI 102-7



FINANCIAL

	2019	2018 ¹	Var. 2018 e 2019	2017
Gross revenue (R\$ thousand)	3,115,026	2,464,731	26.4%	1,851,228
Net operating revenue excluding construction revenue (R\$ thousand)	2,222,434	1,731,570	26.7%	1,343,319
Consolidated EBITDA (R\$ thousand)	1,191,919	810,072	47.1%	675,138
Consolidated EBITDA margin (%)	53.6%	46.8%	6.8 p.p.	50.3%
Net income (R\$ thousand)	294,412	176,147	67.1%	145,008
CAPEX (R\$ thousand)	638,413	636,276	0.3%	327
Net debt (R\$ thousand)	3,701,140	2,458,174	50.6%	2,017,720
Leverage, measured in net debt/EBITDA (times)	3.11	3.03	-	2.99

1. The year 2018 consolidates only seven months of results of Águas de Manaus.

2. Excludes construction revenues with near zero margin (OCPC05). Amount includes revenue from government payments under Public-Private Partnerships (PPP) at Concessionaires Ambiental Serra e Ambiental Vila Velha (CPC47).



OPERATIONAL

	2019	2018 ¹	Var. 2018 e 2019	2017
Water consumption units (thousand)	1,768.6	1,678.0	5.4%	1,232.3
Sewage consumption units (thousand)	1,088.1	1,056.2	3.0%	935.8
Water and sewage consumption units (thousand)	2,856.7	2,734.2	4.5%	2,168.2
Volume of water billed (million m ³)	289.7	248.8	16.4%	178.5
Volume of sewage billed (million m ³)	136.2	127.3	7.0%	106.6
Losses in water distribution	54.6%	51.2%	6.6 p.p.	38.0%

1. The year 2018 consolidates only seven months of results of Águas de Manaus.



SOCIAL

	2019	2018 ¹	Varição entre 2018 e 2019	2017
Cities served	57 ²	49	-	48
Population served (million)	7.8	7.7	1.3%	5.5
Private social investment (R\$ million)	7.8	6.7	16.1%	3.1
Employees	4,734	4,239	11.7%	3,081
Training hours	125,382	348,907	-64.1%	69,735
Average hours of training per employee	27.59	82.31	-66.5%	22.63

1. The year 2018 consolidates only seven months of results of Águas de Manaus.

2. Considers the nine municipalities that make up the PPP Ambiental Metrosul, not yet in operation (contract was signed in March/2020).



ENVIRONMENTAL

	2019	2018 ¹	Varição entre 2018 e 2019	2017
Energy consumption (GJ)	1,852,553.88	1,605,156.00	15.4%	1,084,358.37
Energy consumption avoided (GJ) ²	49,350.65	15,196.00	224.8%	N/A
Percentage of renewable energy consumed in relation to total consumption	88.5%	86.7%	1.8 p.p.	83.4%

1. The year 2018 consolidates only 7 months of results of Águas de Manaus.

2. Calculation basis takes into account the efficiency index (kWh/m³) of the unit shortly after project implementation.

BUSINESS

model

💧 GRI 103-2, 103-3



Concern for Environmental, Social and Governance aspects is embedded in our day-to-day activities—from operation to management—and is an opportunity to measure the impact of our operations.

From an environmental standpoint, our core activity is to distribute quality water, with the lowest loss rate; and safely take sewage to treatment facilities. We are committed to returning water to nature in better conditions than those found in the withdrawal phase.

From a social standpoint, regular supply of drinking water and sewage treatment are directly related to the reduction in the number of diseases and hospitalizations resulting from lack of basic sanitation. According to the most recent study by Instituto Trata Brasil, entitled “Benefícios Econômicos e Sociais da Expansão do Saneamento Brasileiro 2018” (Economic and Social Benefits from the Expansion of Brazilian Sanitation 2018”), savings projected for the period 2016–2036 due to the health improvement of the Brazilian population, based on the number of absences from work and hospitalizations in 2016, should be an average of R\$ 297 million.

8.9 million
people served¹

1. Considers the nine municipalities that make up the PPP Ambiental Metrosul, not yet in operation (contract was signed in March/2020).

BETWEEN
2004
AND
2016,

more than
142,000 jobs



and R\$ 13.6 billion
generated per year
by the sector



The study also shows that investments in the sector supported 142,000 jobs per year in the country and generated income of R\$ 13.6 billion per year in the Brazilian economy between 2004 and 2016, a relationship that shows the income multiplier effect of investments in sanitation.

Once completed, the works also contribute to local development, with an increase in trade and services. In addition, sanitation can further boost demand for areas with tourism vocation. At the same time, properties located in the regions served tend to appreciate in value.

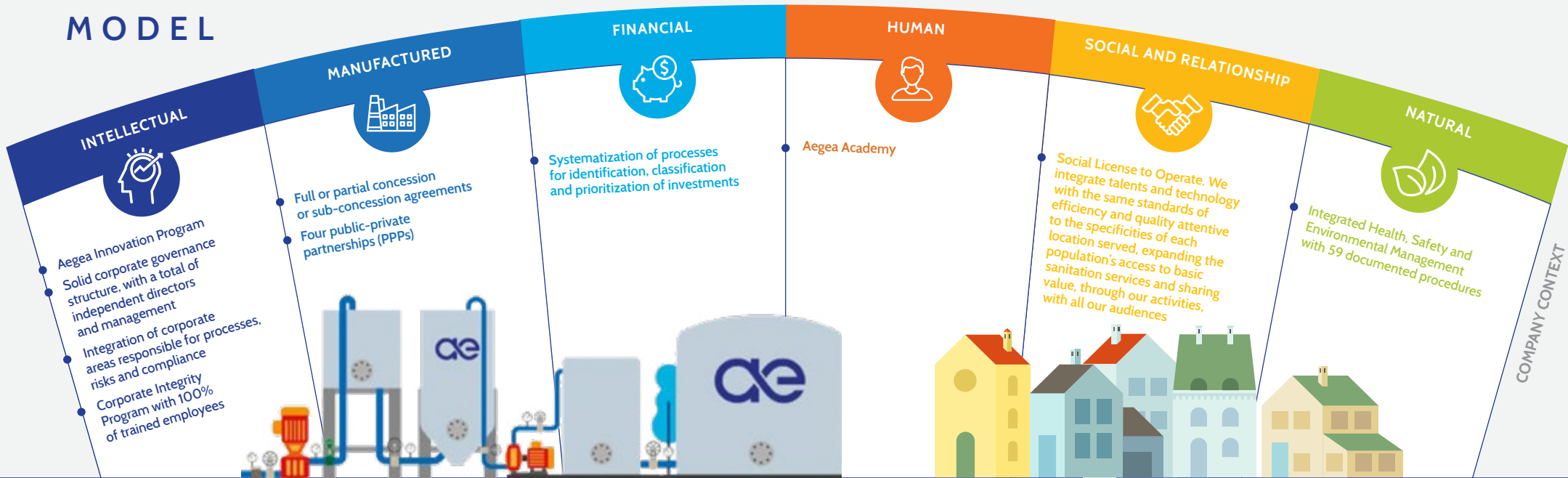
Universal access to basic sanitation, based on information presented by Trata Brasil, will have effects on labor productivity. A gain in income of R\$ 190.3 billion is expected between 2016 and 2036, equivalent to an annual gain of R\$ 9.5 billion. The return of these resources to governments alone would represent a significant source for the expansion of water and sewage services.

Faced with this scenario, our activities are supported by a solid structure of corporate governance, compliance and internal controls—which aims to ensure a healthy relationship with our stakeholders.

Even though we are not listed on the stock exchange, we have practices in place that go beyond regulatory and legal requirements of a publicly listed company. Our management structure, for example, is voluntarily shaped in line with the requirements applied to companies that have shares traded in the B3's Novo Mercado segment (see page 37).

In accordance with the principles of the International Integrated Reporting Council (IIRC), we prepared the representation of the following business model in order to demonstrate how we create and share value.

BUSINESS MODEL



WE INTEGRATE TALENTS AND TECHNOLOGY

WITH THE SAME STANDARDS OF EFFICIENCY AND QUALITY

ATTENTIVE TO THE SPECIFICITIES OF EACH LOCATION SERVED

EXPANDING THE POPULATION'S ACCESS TO BASIC SANITATION SERVICES

AND SHARING VALUE, THROUGH OUR ACTIVITIES, WITH ALL OUR AUDIENCES

More than **100** projects on four strategic fronts - Loss Control Management (GCP), Energy Management and Efficiency (GEE), Process Management (GPROC) and Innovation and Water Resources

14 energy consumption units in Free Procurement Environment (ACL) and migration of additional 83 by 2021

Distributed solar power generation projects in 8 Brazilian locations

R\$ 638.4 million invested in 2019

47.1 % increase in consolidated EBITDA compared with 2018, totaling R\$ 1.2 billion

Net income of **R\$ 294.4 million**

4,734 direct jobs generated

125,382 hours of training and capacity building

All business partners are evaluated by our internal Integrity team

48 Brazilian municipalities served, totaling a population of 7.7 million; and 9 additional cities will be served in 2020, expanding access to our services to more than 1.5 million new customers

Water and sewage regularizations

Customers benefited by Social Tariff

R\$ 7.8 milhões em projetos sociais e atividades de relacionamento com as comunidades

289.7 million m³ of water treated

136.2 million m³ of sewage collected



VALUE CREATED IN 2019

ANNUAL SUSTAINABILITY REPORT 2019

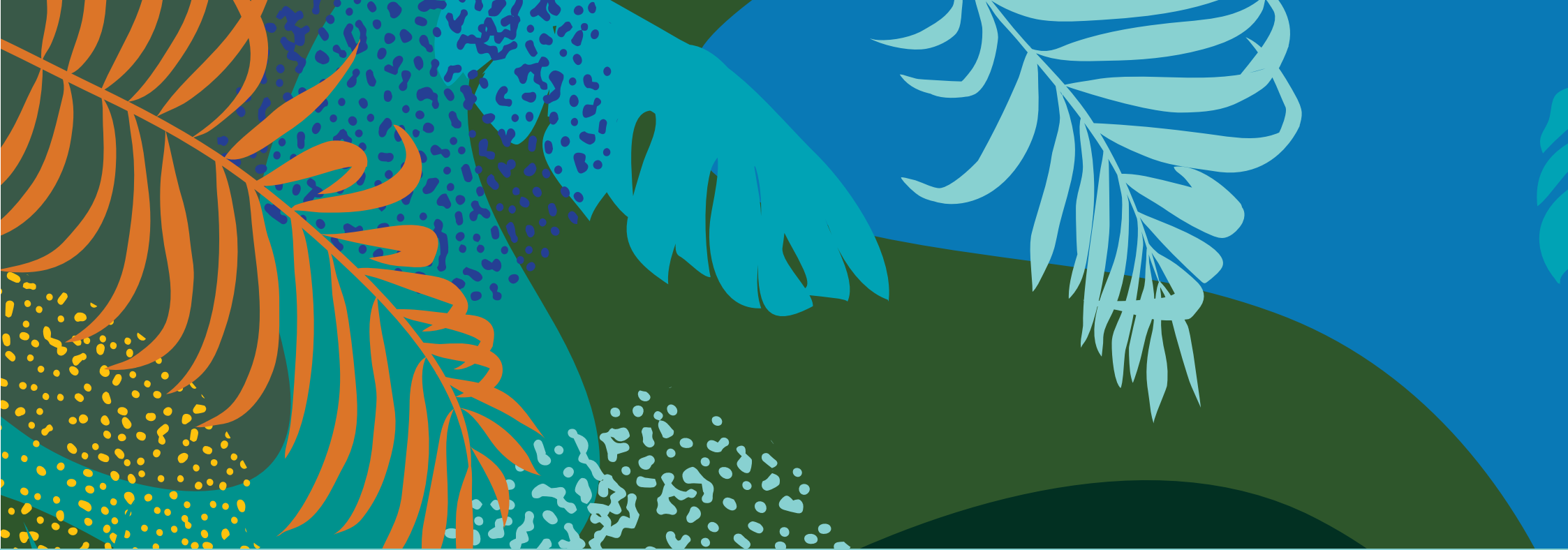


Strategy



💧 GRI 103-2, 103-3





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We grew through the expansion of water and sewer systems in the locations where we operate, through new concession or sub-concession agreements, full or partial, in addition to public-private partnerships (PPPs).

When signing an agreement, we prioritize quality in water supply and gradually expand the service coverage systems—always based on established goals. At the same time, measures are in place to increase operational efficiency by reducing losses in water distribution, capturing synergies with other units, improving processes, among other factors.

We also seek social license to operate. In addition to ensuring quality in customer service, we strengthen ties with local communities in order to contribute, through our operations, to sustainable development and conservation of the surrounding environment.

We are supported by a flexible operating model—which allows us to combine better technologies, processes and people—and by a solid strategy, defined with the objective of becoming a benchmark in basic sanitation services provided in an innovative, efficient, sustainable and competitive way, promoting health and social development while increasing the return to our investors.

We seek opportunities to expand the portfolio with a track record of successful investments, as we did in Mirante, a PPP signed in 2012 for sewage collection and treatment in Piracicaba (SP), where we provided universal access to sewer coverage in only two years of activity. In the last eight years, more than R\$ 400 million have been invested in the modernization of two Sewage Treatment Plants (STP), in the construction of another three STPs and 17 Sewage Pumping Stations, and in the implementation of a modern Operational Control Center (CCO) to integrate and monitor all equipment in its operation. As a result, the city of Piracicaba is in the lead, with the highest score in the Ranking Universal Access to Sanitation, of Associação Brasileira de Engenharia Sanitária e Ambiental (ABES), which lists

almost 2,000 cities with populations of more than 100,000 (see more on page 18). Specifically in terms of water treatment, the work of our Águas de Timon unit stands out for providing universal access to this service in the city, which is the first in Maranhão to accomplish this.

Our most mature concession, Águas Guariroba, responsible for water and sewage services in Campo Grande (MS), is also an example of success. Since 2005, when we started the agreement, the unit has already reduced losses in water distribution, from 55.9% to 19.4% - the lowest rate of water losses in Brazil, according to the Basic Sanitation Ranking 2019, released by Instituto Trata Brasil.

In Teresina (PI), where we began operations in 2017, we focused on reducing intermittent water supply, especially between September and December, when temperatures exceed 40°C and consumption increases by around 20%. We also invested in reservoirs, sectorization and automation. As a result, in the last two years we have expanded the sewer system, which went from 19% to 38%, reduced water losses from 58.6% to 50.8%, and reached a population satisfaction rate of 84.3%.

More recently, in June 2018, we acquired the largest private sanitation concession in Brazil - Águas de Manaus -, in which we have already invested approximately R\$ 300 million. Through the concession, we have in place the "Vem com a Gente" Program (learn more on page 60), which expanded access to treated water to communities living on the banks of the Igarapés (creeks) and to other districts in the city. In just over a year, 516,700 consumption units were connected to the system, an increase of 49,000 consumption units compared with the end of 2018.

Examples like these reflect the rigor and discipline with which we analyze capital allocation. We have structured a solid investment management governance, which systematizes the processes for identification, classification and prioritization of contributions to be allocated to concessionaires for the coming years.

1. Methodology that integrates interconnections of existing systems, construction of new ones, pressure mapping, leak inspections, mapping of the system for proper pumping to regions of the city, among other interventions.

over
R\$ 400 million
invested in
Piracicaba (SP).



over
R\$ 300 million
invested in
Manaus (AM).



The work is conducted by a multidisciplinary team, composed of representatives from each region where we operate. Subsequently, the investments to be made are submitted for the approval of the Board of Directors, whose decisions are made based on subsidies from the Finance and Project Evaluation Committee (see our governance structure on page 41 of this report).

Projects compete for a volume of resources and are approved based on a systemic view of operations and with transparency of criteria - such as the nature of each project and maintenance of our financial strength and fundamentals of credit.

Throughout the year, the quarterly budget forecasting process allows for adjustments in the package of projects and, consequently, reallocation between priority projects. This gives us dynamics and the possibility to rapidly respond to the local demands of the concessions..

We diversified the sources of financing using specific lines of credit for the sanitation sector provided by the National Economic and Social Development Bank (BNDES - Banco Nacional de Desenvolvimento Econômico e Social) and by Caixa Econômica Federal; financing from multilateral agencies and commercial banks; ample access to the capital market through the issue of debentures in the local market and bonds in the foreign market; and shareholder contributions.

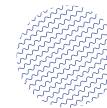
Our indebtedness management is anchored by maintaining financial leverage, measured by the ratio of net debt and EBITDA, below 3.5x and a hedge of 100% of funding in foreign currency, avoiding exposure of our results to exchange rate variations.

Successive credit rating upgrades reiterate the soundness of our operational and financial strategies:

		2012	2013	2014	2015	2016	2017	2018	2019
<i>Fitch Ratings</i>	<i>Brazilian Scale</i>	A(bra)	A+(bra)	A(bra)	A(bra)	AA-(bra)	AA(bra)	AA(bra)	AA(bra)
	<i>Global Scale</i>	-	-	-	-	-	BB	BB	BB
<i>Moody's</i>	<i>Brazilian Scale</i>	-	-	-	-	-	-	Aaa.br	Aaa.br
	<i>Global Scale</i>	-	-	-	-	-	-	Ba1	Ba1



R\$ 638.4
million
invested
in 2019



MORE DETAILS
ABOUT OUR
STRATEGY CAN BE
VIEWED HERE.

SUSTAINABILITY

policy

💧 GRI 103-2, 103-3

Our strategy is supported by a Sustainability Policy in order to raise and maintain in our team the awareness that respecting the environment and people is inherent to the provision of water supply and sanitation services.

This Policy defines guidelines on the economic, environmental and social pillars, which drive strategies and operational processes within our Quality, Environmental, Occupational Health and Safety Management System and Social Responsibility (see next item). The Executive Board is involved in the topic and is responsible for regular critical assessments in order to guide the continuous improvement of this work.



We have contributed to the
achievement
of the Sustainable Development Goals (SDGs).



ECONOMIC PILLAR

- Value creation in all links of our chain.
- Continuous improvement and sustainable processes.
- Constant search for innovative solutions.
- Transparency and accountability in disclosing information.



ENVIRONMENTAL PILLAR

- Pollution prevention and actions to protect the environment.
- Management of aspects and impacts associated with our activities.
- Continuous quest for energy efficiency.
- Sustainable use of natural resources, especially water.
- Minimization of losses, reduction of waste generation, and water reuse.
- Continuous improvement of the environmental performance.



SOCIAL PILLAR

- Prevention of injuries and diseases of employees through risk management and risk analysis.
- Continuous improvement of performance in Occupational Health & Safety.
- Ethical and transparent behavior in the stakeholder relations.
- Humanized development of the communities where we operate.
- Promotion of human rights: fight against corruption, child labor, moral and sexual harassment, forced or compulsory labor.
- Prevention of all forms of discrimination, and respect for diversity.

Committed to the topic, we have been signatories to the United Nations Global Compact since 2016, having, as of the following year, joined the Brazilian Committee of the Global Compact, the body that manages the network's activities in Brazil. We coordinate the Water and Sanitation Thematic Front, which aims to collaborate on building a water governance agenda by engaging the private sector in adopting sustainable practices in their operations and supply chains to promote the efficient use of water. We have also collaborated to the achievement of the Sustainable Development Goals (SDG), especially goal 6 - "Ensure availability and sustainable management of water and sanitation for all." **GRI 102-12**

In addition to the development of infrastructure for universal access to basic sanitation services in the country, our work aims to mitigate the negative environmental impact, to reduce water losses in distribution and, consequently, energy consumption. We also work with local communities to develop social and environmental programs in order to increase the Human Development Index in the municipalities (HDI-M) where we operate.

We are also signatories to the Equator Principles, which ensures that projects are conducted in accordance with universal criteria of social and environmental responsibility. **GRI 102-12**

INTEGRATED HEALTH, SAFETY AND ENVIRONMENTAL

management (EH&E)

💧 GRI 103-2, 103-3

In order to standardize procedures that ensure healthy and safe workplaces and enforce our environmental policies in all units, the Health, Workplace Safety and Environment Management has had in place the Interage Program since 2017.

The work is focused on strengthening the policy that manages these topics, in line with regulatory standards established by the Ministry of Labor and Employment (MTE) and internationally recognized standards (such as Occupational Safety and Health Administration - OSHA and IFC Performance Standards), so that it is possible to measure the performance of the units. 💧 GRI 403-4

There are 59 documented procedures that cover the environmental, occupational medicine, safety, and social responsibility activities. Standardization ensures control over the risks inherent to the operations in order to anticipate best environmental practices and prepare healthier and safer workplaces. 💧 GRI 403-3

More than institutionalizing procedures, the purpose of the initiative is to disseminate best practices in communication and investigation of non-compliance and establish plans for corrective and management actions based on performance indicators.

In 2018, the units were instructed to adapt standards and procedures and assessed remotely through questionnaires to verify their performance concerning adherence to the program. In 2019, on-site monitoring was conducted. The only exception in the program was Águas de Manaus, which, being the most recent operation, has not yet undergone on-site monitoring, scheduled for the first half of 2020.




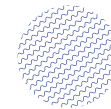
However, in the period, the unit completed important steps, which involved standardization of procedures, training of employees and contractors. The entire implementation of the program in the concession focused on mapping operational hazards, recognizing legal requirements, and defining controls.

Safety Committees were implemented, with professionals meeting at least once a month to discuss and monitor action plans and issues relevant to the topic, under the management of the executive directors of the units and regional offices.

Safety inspections were enhanced through the SESuite app for Android. Using smartphones, safety technicians started recording in real time the information collected, including photos and comments on situations that require attention and reporting by area managers.

The results are submitted to the professionals responsible for handling any non-conformities. They are also the basis for decision-making, since the report includes the number of regularities/conformities; items that are conforming, not applicable and with pending issues resolved; and number of outstanding non-conformities arising from missed deadlines and/or ineffective treatment actions.

The consolidation of the results is also aimed at carrying out a critical analysis of this mass of data so that it can be incorporated into the continuous improvement process for prevention of environmental impacts, occupational health and safety hazards and risks and adjustments to inspection procedures.  **GRI 403-3**



SEE MORE INFORMATION ON PAGES 87 AND 97 OF THIS REPORT.

TECHNOLOGY AND

innovation

💧 GRI 103-2, 103-3



Ensuring water availability and expanding sewer coverage, in line with our strategic planning, involves adhering to high service standards and employing the best technology available in the industry. For this reason, in the last three years we have been structuring the Efficiency and Technology Center, responsible for searching and creating solutions to increase operational efficiency and reduce losses.

The structure conducts over 100 projects on four strategic fronts - Loss Control Management (GCP), Energy Management and Efficiency (GEE), Process Management (GPROC) and Innovation Management (GI), and Water Resources -, which are monitored monthly by the Executive Board for strategic decisions. In 2019, R\$ 22 million was directed to these initiatives, in addition to investments in Information Technology, totaling approximately R\$ 60 million contributed in the period.

The technologies adopted include, among others, georeferencing, which shows geographic data of consumer locations; remote sensing and statistical control, to quickly detect any anomaly in the flow; and the use of software for hydraulic modeling of networks, in order to fully understand the operational condition of networks and plan interventions in the system in the short, medium and long term and reduce losses in water distribution.

IN 2019:

Launch of
our first
digital
twin



and start of the
Aegea
Innovation
Program



We have also conducted, since 2018, the project called Infra Inteligente for virtual management of our assets from the Building Information Model (BIM). In 2019, the first digital twin was launched. Without leaving Santa Barbara d'Oeste (SP), the 30 members of the multidisciplinary technical committee of the Infra Inteligente project visited the virtual replica of the Bela Vista Sewage Treatment Plant (STP), of the Mirante concessionaire, in Piracicaba (SP).

Since the replica is similar to the physical structure - with all the information about the asset: treatment capacity, installed equipment, number and type of pumps, etc. -, it is possible to simulate situations that are very close to the real ones, which allows greater agility and confidence in decision-making and up to 85% reduction of errors in the design phase of the projects.

Infra Inteligente advances on several work fronts. This is because the completion of a digital twin entails the involvement of different areas for a complete mapping of the structures. The inventory of the assets of all units is expected to be completed within three years. Concurrently, with the support of the Aegea Academy, we are developing learning paths for acculturation of the internal audience.

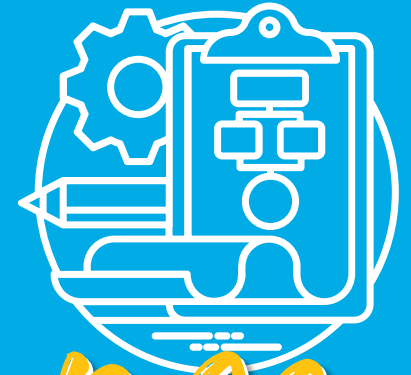
In 2019, we also implemented the Aegea Innovation Program, which covers all actions related to this topic. The initiative was developed from academic literature - based on authors such as Alan G. Robinson and Dean M. Schroeder -, which indicates that nearly 80% of a company's innovation potential stems from employees directly involved in front-line processes.

As part of this program, and in continuity with previous years, we held the third edition of the Innovation Award that takes place within the programming of the Aegea Efficiency and Technology workshop, which aims to recognize ideas internally; and we launched Inova, a platform that drives innovation among employees, allowing everyone to submit their ideas in an integrated environment. In the first month after the launch, we already had 113 registered projects, in addition to more than 1,300 "likes" and 600 comments - this is because Inova was created in a collaborative gamification format that rewards participants with virtual currencies (AegeaCoins) that can be redeemed for prizes on the platform itself.

Working together with the Innovation area, the Aegea Academy made available the Innovation Toolkit, which is composed of several methodologies, with emphasis on Design Thinking and Agile. In addition, the Innovation area monitors the market, searching for potential in startups and partnerships with universities, among other players. In 2019, we partnered with sanitation companies in England, the United States and Australia to create the World Water Innovation Fund (WWIF). More recently, a company from Spain and another from Singapore have joined the initiative. The members of this group are committed to investing in innovative projects and technologies and to sharing their experiences.

CORPORATE

governance



💧 GRI 103-2, 103-3



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We are a publicly held corporation (category B), not listed on the stock exchange, which works in accordance with the criteria, regulations and concepts of excellence of the global market. We improve our corporate governance practices year by year, following internal self-assessments and local and international regulatory trends, of the Brazilian Corporate Governance Code and of the Brazilian Corporate Governance Institute (IBGC).

Since 2019, for example, our Board of Directors has only been composed of independent members - which places us at the best levels of governance required by B3's Novo Mercado, a segment aimed at trading shares of companies that adopt corporate governance practices in addition to those required by Brazilian law.

WE ADOPT BEST GOVERNANCE PRACTICES

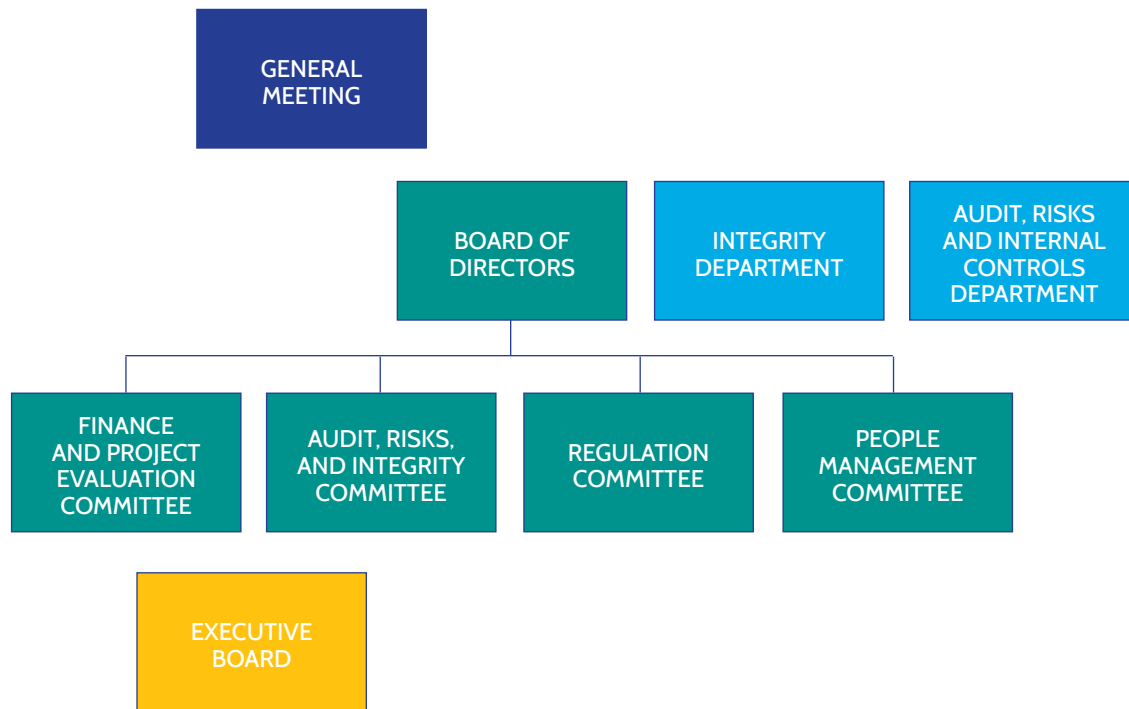
- Segregation of duties of the Chairman of the Board of Directors (BD) and the CEO.
- Board of Directors formed exclusively by independent members.
- Integrity Department reporting directly to the Board of Directors.
- Integrity Program with 18 policies implemented and ethics channel with outsourced service.
- Risk Management Policies and Risk Map approved by the Board of Directors.
- Executive Board Succession Plan regularly evaluated by the People Management Committee and Board of Directors.
- Regular evaluation of the Board of Directors, Committees and Governance Department.
- Internal Audit, Risks and Internal Controls Department, with a fixed reporting schedule to the Audit Committee and Board of Directors.
- Corporate Governance Department reporting to the Chairman of the Board of Directors.
- Advisory committees coordinated by independent advisers;
- Transparent and timely communication with the capital market, following best market practices (annual event to present strategy and results; conference calls with investors after disclosure of results; simultaneous disclosure in English and Portuguese of relevant facts).



GOVERNANCE

structure

GRI 102-18





GENERAL MEETING

Established in ordinary meetings in the first four months after the end of the fiscal year and, extraordinarily, whenever required, our shareholders elect and/or remove directors, analyze the financial statements and decide on distribution of dividends, in addition to other duties described in Bylaws.



BOARD OF DIRECTORS

Composed of seven members, five appointed by Equipav and one chosen by GIC (proportionate to their share), in addition to one director jointly chosen by both shareholders. All are independent and have a unified one-year term, with possibility of re-election. They are responsible for deciding on all other matters relating to the business, with the exception of those under the responsibility of the Executive Board and the General Meeting.



ADVISORY COMMITTEES

As provided for in the bylaws, the Board of Directors has four advisory committees that assist it in evaluating strategic issues. Each committee consists of three to five members elected by the Board of Directors, in accordance with the rules for appointment and election provided for in the Shareholders' Agreements and Internal Regulations. Their technical opinions are merely indicative, in other words, they are not binding and do not prohibit any type of action or decision by the Board of Directors. Members have one-year terms, with possibility of re-election.

Finance and Project Evaluation Committee

Advises on issues related to financial planning, capital structure, sources and allocation of resources for new concessions and possible investments.

Audit, Risks, and Integrity Committee

Ensures that business is conducted in compliance with laws, by-laws, shareholder agreements, regulations, standards, procedures, codes of conduct and ethics. It also assesses the risks, the transparency of financial statements, and internal controls.

Regulation Committee

Provides guidance on management of concession agreements; regulatory scenario for the sanitation sector; regulatory environment in which concessions operate with assessment of risks and opportunities for stakeholders.

People Management Committee

Contributes to the processes for selecting the executives and the criteria for their remuneration, for defining policies on Human Resources, talent retention, benefits, goals for performance evaluation, and to the analysis of policies in relation to market practices.




EXECUTIVE BOARD

Responsible for the administration, planning, and operational and financial performance of the business. Composed of six members elected by the Board of Directors for a one-year term, with possibility of re-election.

DIVERSITY OF KNOWLEDGE AND SKILLS OF THE BOARD OF DIRECTORS

We believe on the diversity of knowledge of the Board of Directors. In this way, all board members are professionals with experience in various segments of the economy, including in the third sector, in addition to having different academic backgrounds, which, in addition to being a good governance practice, broadens the ways of perceiving and interpreting social, regulatory and market trends.

The Board of Directors is regularly evaluated using the 360° methodology, i.e., evaluation of Shareholders, Directors, Executive Board, Consignors and Governance Department, conducted by a company specializing in the matter. The result is shared among all participants in the evaluation, generating an action plan, which is monitored by the Board of Directors.

MORE INFORMATION REGARDING THE COMPOSITION OF THE BOARD OF DIRECTORS, COMMITTEES AND EXECUTIVE BOARD CAN BE FOUND ON THE INVESTOR RELATIONS WEBSITE, AND MORE INFORMATION ON THE DUTIES OF THESE BODIES CAN BE FOUND IN OUR REFERENCE FORM, AVAILABLE HERE.  GRI 405-1



INTEGRITY

management

GRI 103-2, 103-3



Our Integrity Program completed two years in 2019, and matured to consolidate the commitment to ethics and compliance practices in place since the beginning of our activities, in 2012, when we implemented the first Code of Conduct and established the Ethics Channel. Since then, we have made significant progress

In 2013, attentive to changes in legislation, indicated by Law 12.846 (Brazilian Anti-Corruption Law), we conducted a thorough diagnostic with the support of external consultants in order to guide us on required adaptations in management to support our growth in a trustworthy and transparent manner.

This work resulted, in 2016, in the completion of the mapping of compliance risks and in the institutionalization of the Integrity Management Group, which, in the following year, evolved to become a management and, in 2019, turned into a department, with a team fully dedicated to disseminating the topic among all areas and concessions.

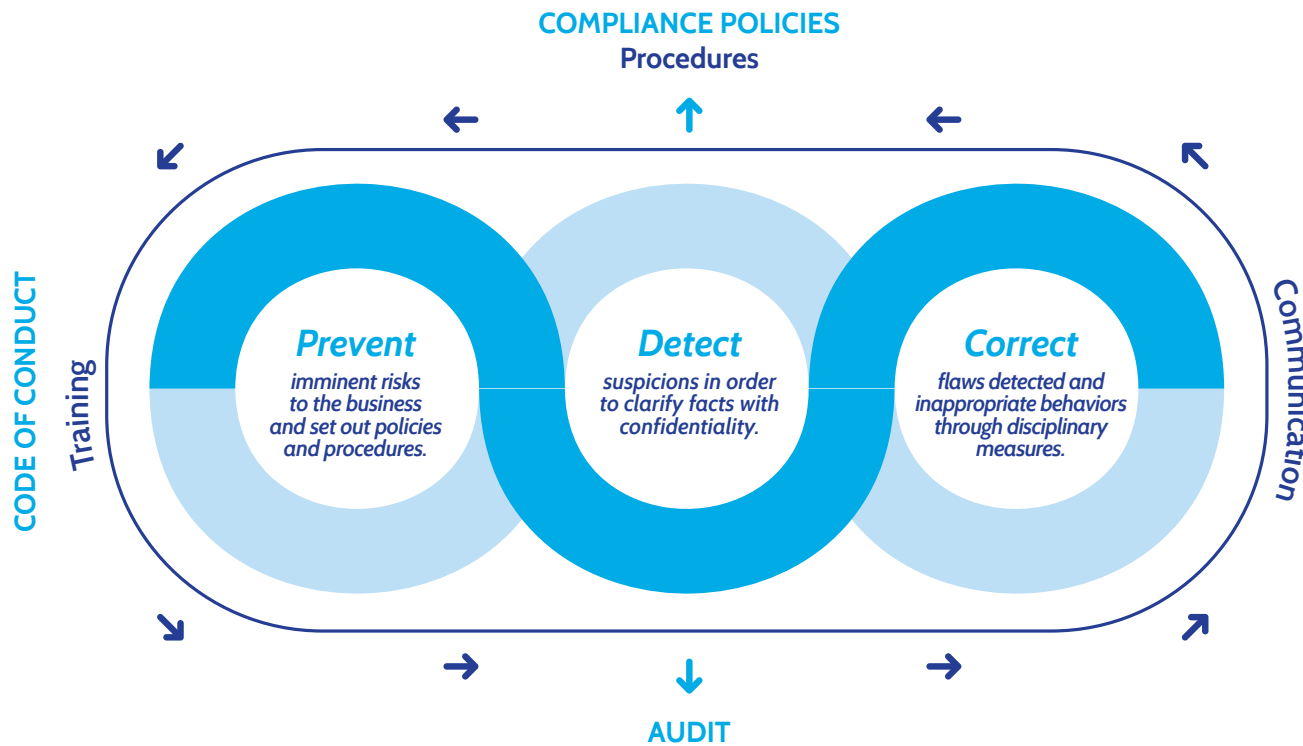


100%
of the workforce trained in issues related to ethics and human rights.

In 2019, the Integrity area, responsible for conducting the program, became a Department and reports directly to the Board of Directors. This ensures greater autonomy and independence in managing the topic and reiterates our commitment to disseminating ethical and transparency principles in all units and in stakeholder relations.

The international certification Anti-Bribery Management Systems (ISO 37001) confirms the seriousness with which we handle this topic. We are currently one of the few companies in Brazil that have been awarded the seal.

Three pillars support our Integrity Program:



Prevention

Consists of establishing policies and procedures that are supported by ongoing communications and training for employees, suppliers and business partners. In 2019, an intense training agenda was fulfilled in all of our offices. With this, we trained 100% of the workforce in issues related to ethics, compliance, anti-bribery practices and respect for human rights. **GRI 205-2, 412-2**

Detection

Reported suspicions are investigated in order to clarify the facts and identify the truth. The process is conducted in confidentiality and with respect to those involved.

Correction

Failures and inappropriate attitudes must be corrected immediately and, where appropriate, disciplinary measures are recommended.



Throughout the year, the area worked on the integrity assessment carried out before hiring business partners—all contracts signed in 2019 were evaluated by our Integrity team—and on employee awareness and training. Knowledge paths were developed with support from the Aegea Academy, which included online content, with seven modules conducted by speaker, philosopher and writer Mario Sergio Cortella, addressing topics related to ethics, morality and other related topics fundamental to our activities. In addition, a distance learning course, developed with gamification techniques to further engage employees in the topic, will be launched next year.

Also noteworthy is the campaign called “O compliance vai até você,” which trained 100% of the staff in all units and at all hierarchical levels. In the year, there were more than 930 hours of training specifically related to the Code of Conduct. These trainings courses are developed according to the needs of each unit, identified based on data collected through the Ethics Channel, which has been growing stronger year by year as a reliable tool for recording concerns regarding behavior that violates the Code of Conduct and legislation (read more in the following items). [GRI 205-2](#)

Specifically, leaders and managers were involved in training on our Government Relations Policy, which provides measures for records and controls regarding the relationship between our executives and local political authorities. [GRI 205-2](#)

Another highlight of the year was the synergy of the Integrity, Legal and Information Technology (IT) areas to adapt internal processes to the new General Personal Data Protection Act (LGPD). We are one of the sponsoring companies of ISO/IEC 27001, a standard for information security management system published in 2005 by the International Organization for Standardization and the International Electrotechnical Commission. The works reinforce our care in handling data of our stakeholders under our management.

Concurrently, the Integrity Department was involved in the investigation of the charges related to Operation Sevandija and Operation Lama Asfáltica, in order to keep all important information updated and regularly disclose it in our Financial Statements and Reference Form, both available on the Investor Relations website.

INTEGRITY POLICIES

💧 GRI 102-16, 205-2, 412-2

- *Compliance with the Code of Conduct*
- *Anti-bribery and anti-corruption*
- *Government Relations*
- *Money laundering*
- *Prohibition of facilitation payments*
- *Anti-trust and competitor relations*
- *Moral and sexual harassment*
- *Conflict of interests*
- *Preparation and management of contracts*
- *Relationship with business partners*
- *Gifts and hospitality*
- *Donations, contributions and sponsorships*
- *Information handling*
- *Use of company assets*
- *Accounting records*
- *Ethics Channel*
- *Consequences and disciplinary measures*
- *Compliance with laws and regulations*

CODE OF CONDUCT AND COMPLIANCE POLICIES

💧 GRI 102-16

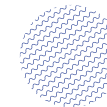
The Code of Conduct was developed based on Brazilian legislation and guides actions and relationships with stakeholders. The document applies to all employees, including directors and members of the Board of Directors. In 2018, we extended the application of the document to business partners, with a version prepared exclusively for this audience. Thus, everyone is required to perform their activities in accordance with our guidelines.

In addition, internal policies were developed that regulate each item of the Code of Conduct in detail and break them down into several practical rules. The goal is to make clear what can and cannot be done, as these are procedures that are part of the routine of operations.

ETHICS CHANNEL 💧 GRI 102-17

The Ethics Channel is available 24x7 to employees, suppliers, users, authorities, civil servants and other audiences with whom we interact. All reports are kept confidential and anonymous. In line with best practices, the tool is operated by an independent company. In the period, reports increased 23% compared with the year before, which shows the confidence of the audience in relation to our channel.

The reports made are submitted for analysis by the Investigations Group, composed of members of Management, who convene monthly and are accompanied by two members of Senior Management and one member of the Board of Directors, in order to guarantee the integrity of the work carried out in any investigations.



OUR ETHICS CHANNEL CAN BE ACCESSED
BY PHONE (0800 648 6301) OR AT
WWW.CONTATOSEGURO.COM.BR/AEGEA.

RISK

management



💧 GRI 102-11, 102-15, 103-2, 103-3, 201-2

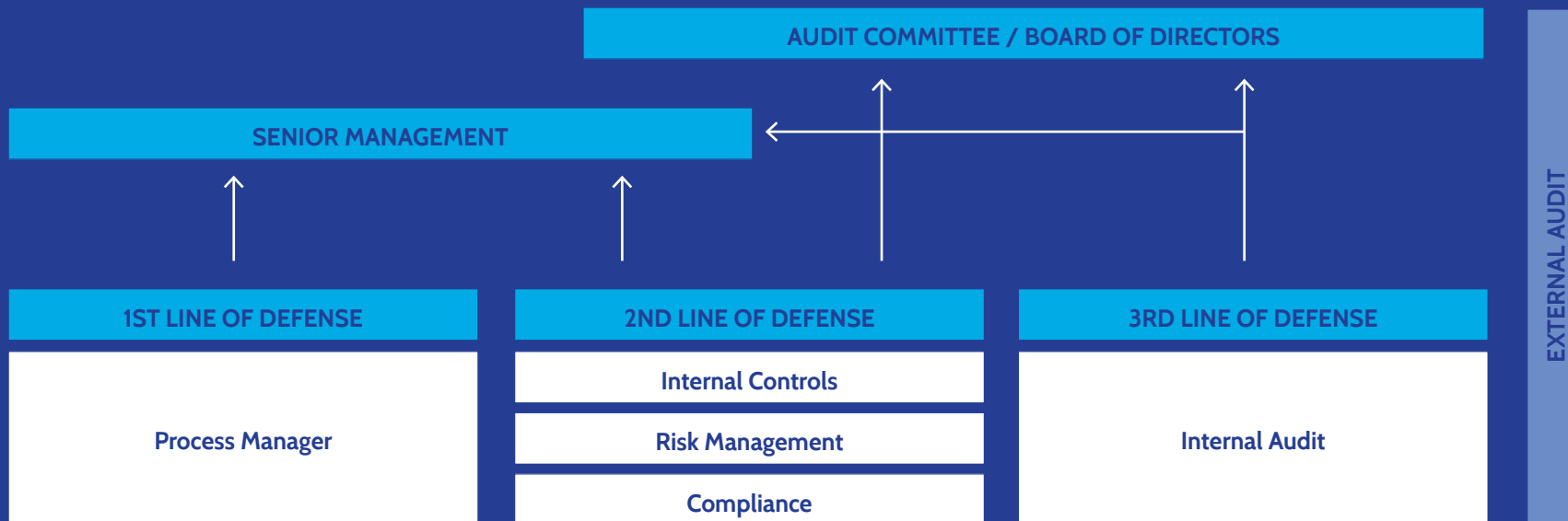


In 2019, we strengthened our Corporate Governance structure (see page 37). We created the Integrity Department, which is an evolution of the Integrity Management, and established the Internal Audit, Risks and Internal Controls Department. The areas have autonomy and submit issues to the Audit, Risks, and Integrity Committee and the Board of Directors.

In addition, we launched the Policy on the Performance of the Audit, Risks and Internal Controls Department, whose purpose is to further disseminate the concept of Corporate Governance, and instituted the Internal Controls and Risk Management policies, which provide general guidelines for mapping processes, identifying, analyzing and assessing risks, and assessing and testing controls.

The main goal is to challenge all areas to understand the risks inherent to each of the operations and the context in which they are inserted. Thus, we instruct professionals from all teams to identify internal or external factors that can impact the financial and operational results, as well as the image of our brand and the achievement of the objectives set out in the strategic planning.

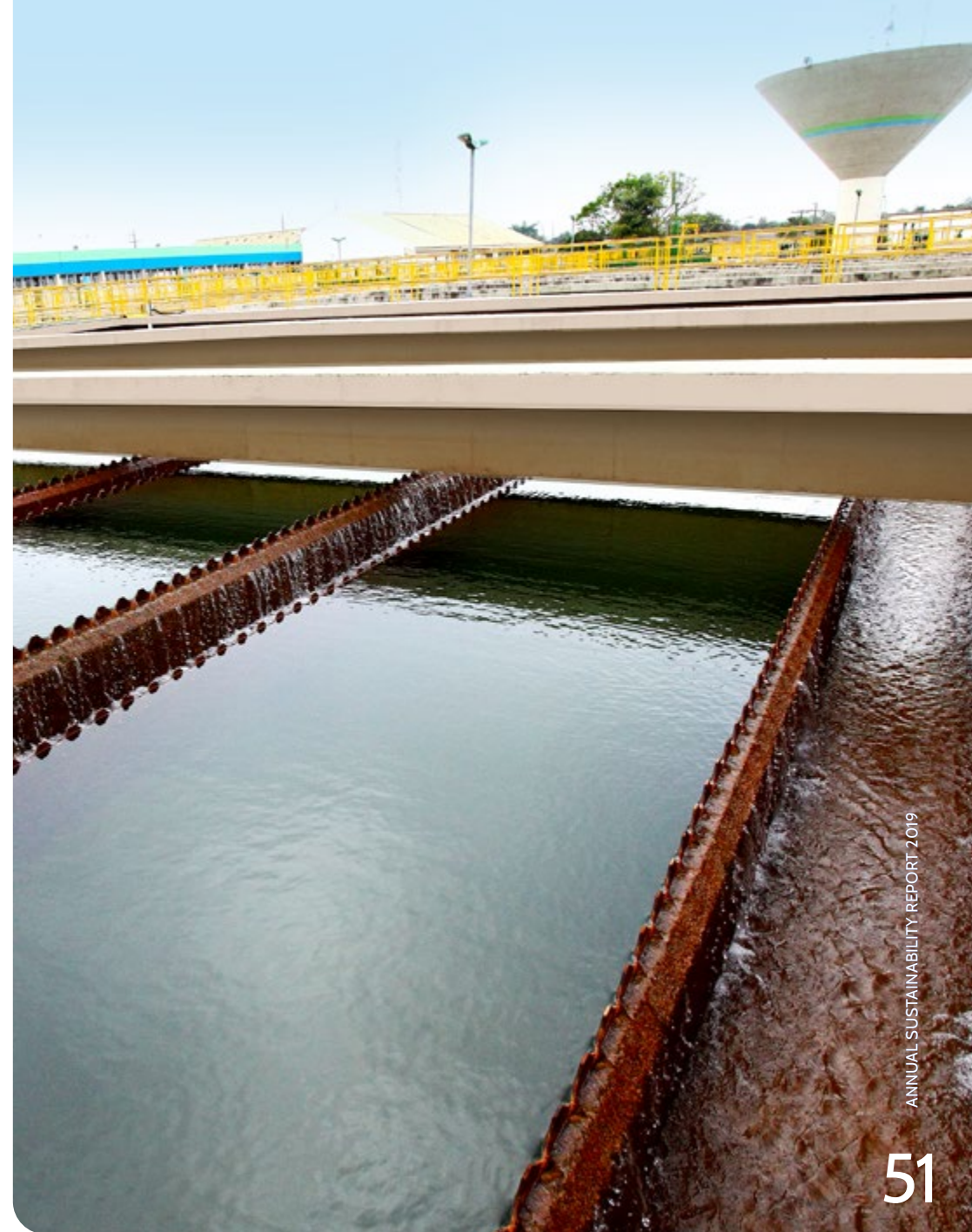
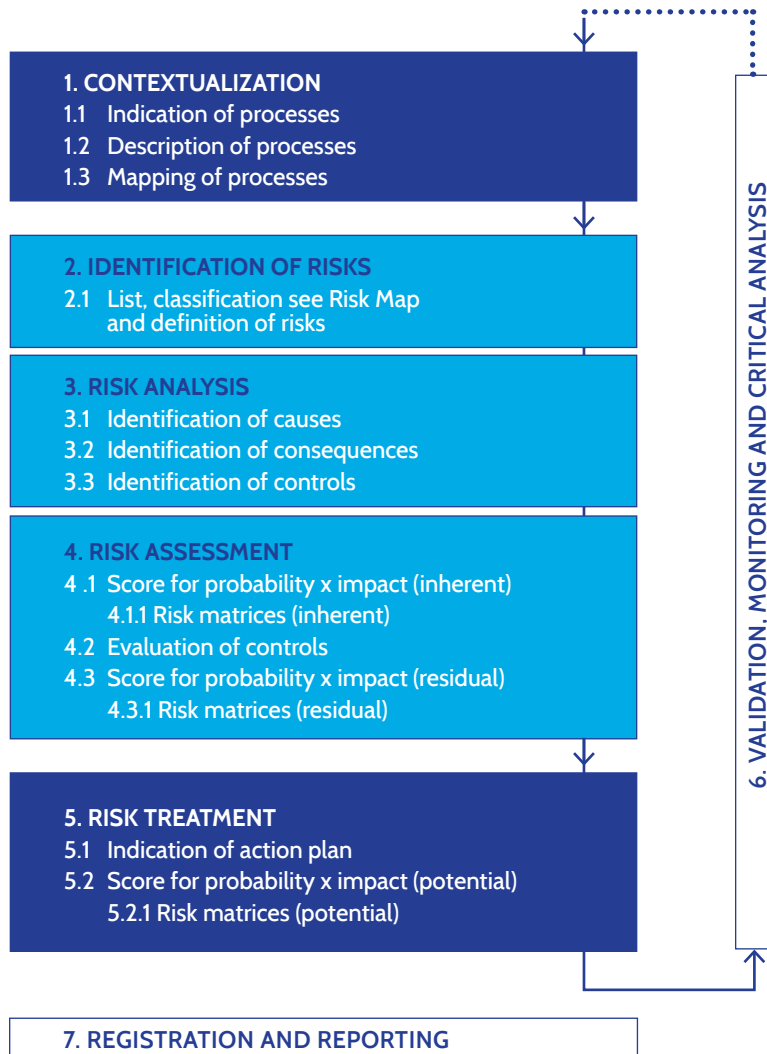
This movement reinforces all lines of defense that were established: first, managers, responsible for identifying risks and establishing controls; then, the compliance, risk management and internal controls teams, which support managers in the front line; and, finally, Internal Audit, responsible for constantly evaluating and improving defense procedures.



Adapted from Guidance on the 8th Company Law Directive da ECIIA/FERMA, article 41

Our Risk Management model also adheres to the ISO 31000 guidelines—which makes it possible to replicate the methodology in all concessionaires—and has the following structure:



AEGEA'S RISK MANAGEMENT MODEL (ADAPTED FROM ISO 31000)




The processes must be indicated, described and mapped, which makes it possible to understand the chain of activities performed, as well as the interrelationships between the different areas.

Subsequently, the risks inherent to each operation are listed, classified, analyzed and evaluated in order to identify causes, consequences and control measures to be adopted.

Risks are mapped in seven categories, approved by the Board of Directors in 2019, broken down as follows:

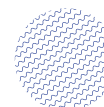
Category	Type of risk	Type of manifestation
 Reputation	Integrity	Cases of fraud or corruption, as well as other acts that could violate the principles that govern our Code of Conduct and the current legislation.
	Corporate image	Negative news on any media (print, digital and/or audiovisual).
	Corporate governance and internal rules	Non-compliance with our corporate policies and best market practices.
	Adverse events of great magnitude	Any event with severe damage to local communities, employees and/or partners.
 Political-legal	Relationship with granting authorities	Adverse political and economic context that implies unfavorable conditions for the performance and management of contracts.
	Sector regulation	Changes in sanitation legislation at municipal, state and federal levels.
	Contractual	Inefficiency in performing contractual obligations.

Operational	Type of risk	Type of manifestation
	Processes	Operational and procedural failures.
	Equipment and technology	Obsolescence of equipment and technologies, causing reduced productivity, loss of quality, environmental damage, among other risks.
	Cost of inputs and services	Imbalance between cost increase and tariff readjustment.
	Suppliers	Deficiency in approval, contracting and performance management of suppliers.
	Human Resources	Deficiency in managing successors and new talents, as well as in hiring, remuneration, development, and retention of employees
	Electricity	Increase in electricity consumption.
	General regulations	Non-compliance or questionable practices about the applicable regulations (legal, tax, accounting, fiscal, capital market).
	Fiscal-tax	Changes in fiscal and tax legislation that affect the company's results.
	Climatic conditions	Adverse climatic conditions, which affect the performance of operations. GRI201-2
	Capital planning	Definition of the amount of capital to be invested is in disagreement with the needs of the current concessions and in complying with contractual obligations.
Revenue	Reduction in volume consumed due to unforeseen factors.	
Sabotage	Intentional contamination of water sources, treatment plants or water distribution systems, as well as intentional damage to sanitation assets.	

Category	Type of risk	Type of manifestation
Financial 	<i>Financial indices</i>	<i>Interest rate volatility, variation in inflation and exchange rate variation, leading to an increase in debt interest.</i>
	<i>Access to capital</i>	<i>Restrictions on sources of financing due to external factors.</i>
	<i>Delinquency</i>	<i>Increase in the total volume and/or in the period for settling late bills.</i>
Protection of data and transactions 	<i>Information security and protection</i>	<i>Inadequate routine for protecting, monitoring and safeguarding systems, data and information.</i>
	<i>Segregation of duties</i>	<i>Access profiles/operational privileges that could cause conflict of interest and be detrimental to activities.</i>
	<i>Unavailability of systems</i>	<i>Partial or total unavailability of systems in one or more units.</i>
Health, Safety and Environment 	<i>Occupational health and safety</i>	<i>Situations that pose a threat to the physical and mental integrity of workers.</i>
	<i>Environmental regulations</i>	<i>Non-compliance with current environmental legislation.</i>
	<i>Environmental accidents</i>	<i>Contamination of bodies of water, reservoirs or water distribution system for various causes, internal or external; spills of chemicals reaching external areas; irregular disposal or destination of waste and rejects; flood or pollution of air, water or soil, causing damage to the environment.</i>
New business 	<i>Due diligence</i>	<i>Points not identified during the due diligence process, implying the assumption of risks and unforeseen expenses.</i>
	<i>Situation of assets</i>	<i>Actual situation of the assets does not correspond to that described in the public notice and in the concession agreement.</i>
	<i>Competition</i>	<i>Decrease in the representation of our brand in the private sanitation market.</i>

After the risks are assessed, they are allocated in a matrix, which visually expresses probability and impact, and classified as acceptable, manageable, mitigable or intolerable. This classification is directly related to risk appetite, defined by Senior Management. In general terms, treatment of risks may involve one or more of the following options:

- **Avoid the risk:** decision not to start or continue with activity that causes the risk;
- **Remove the risk:** decision to eliminate the causes of the risk;
- **Reduce the probability:** decision to implement preventive measures;
- **Reduce the impact:** decision to implement protective measures;
- **Share the risk:** decision to share the effects of risk (through insurance, for example);
- **Retain/assume the risk:** decision to proceed with the risk, being aware of its effects.



MORE INFORMATION REGARDING RISK MANAGEMENT CAN BE FOUND IN OUR REFERENCE FORM, AVAILABLE HERE.

INTANGIBLE
assets



📍 GRI 103-2, 103-3



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OPERATING *model*

We provide services in municipalities of various sizes - from 3,500 to more than 2.1 million inhabitants - which demonstrates flexibility in adapting to different social and economic realities.

This capacity is the result of knowledge accumulated over the last ten years of trajectory (see page 16). It also reflects a diversified asset base, with long-term contracts, relatively inelastic demand and predictable cash flows.

1. The average remaining concession period is 34.3 years.
2. Considers the nine municipalities that make up the PPP Ambiental Metrosul, not yet in operation (contract was signed in March/2020).

Our operating model is implemented in the concessions we add to our portfolio. In this way, we can provide quality water to the population; reduce intermittency in water supply; increase the operational efficiency of the concessions; reduce losses in water distribution and, consequently, consumption of electricity and chemicals; collect and treat sewage, ensuring the clean-up of rivers, water sources and aquifers; and expand the water and sewer coverage systems, ensuring access to basic sanitation for the population we serve.

Such conditions allow us to support our growth, especially in view of the prospects of increasing private sector participation in the market in which we operate - which has been driven by discussions around a new regulatory framework for sanitation (see page 95).



Our operating model is already present in
57 *Brazilian municipalities².*

INTERNAL *talents*

Establishing efficient and competitive ways to attract, retain, develop and motivate our employees is one of the fundamental elements of our strategy.

To this end, every year we strengthen the Aegea Academy, whose professionals are dedicated to new corporate education strategies and to the development of the training to be offered (see page 86).

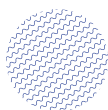
The topics covered include, among others, the search for operational efficiency, occupational safety, ethics and innovation. There are also language courses, courses on financial education and other skills required in the job market.

The Academy operates at the Aegea Administrative Center (CAA), in Santa Bárbara d'Oeste (SP), and has a digital platform, which is accessible via computers, tablets and smartphones to all employees anywhere in the country and at any time.

The structure also acts as an important development arm of the Trainee Program, whose goal is to recruit and prepare future leaders. Currently, five units are already headed by former trainees. An example is the operation in Teresina (PI), which in only two years under our management, has significantly improved the performance indicators. Another nine former trainees stand out in leadership positions at the concessionaires and at the corporate headquarters.

The Aegea Academy also supports training of executive leaders through the development of technical and behavioral skills indicated in the Talent and Succession Management Program.


The purpose of this Program, initiated in 2015, is to identify and train internal talents in a structured, systemic and continuous manner at all levels of company leadership - coordinators, managers, directors, vice presidents up to the CEO - through a career and competency development plan, enabling vertical and horizontal movements in our team.



SOCIAL LICENSE

To operate

For us, a concession goes beyond contractual agreements with granting authorities - it is a commitment to people, established for the social development of the locations where we operate.

We seek a social license to operate, valuing the excellence of the basic sanitation services provided (legitimacy); the close relationship with the communities through transparent dialogue (credibility); and the investment in improving the quality of life of the population and the Human Development index of the municipalities (trust), thereby ensuring the continuity of operations.  GRI 413-1

The Social Responsibility Management and related areas in all concessionaires have a fundamental role in the search for social license, based on our operation strategy - which considers the pillars of the Human Development Index of the municipalities (HDI-M) where we operate in order to develop the projects undertaken. We also have a Private Social Investment Policy in place, which concentrates our corporate guidelines on this topic.

The goal, however, is not to standardize the initiatives, but to outline scopes of projects that are adapted to the reality of each region, so that they respond to social demands, strengthening the relationship and dialogue with the communities.



In 2019, we allocated approximately
R\$ 7.8 million
to social projects and community relations activities.

INSTITUTO AEGEA

In order to keep up with the most advanced practices in Brazil and in the world in the areas of social investment and impact business - especially in the areas of healthcare, education and income generation - we have established the Instituto Aegea.

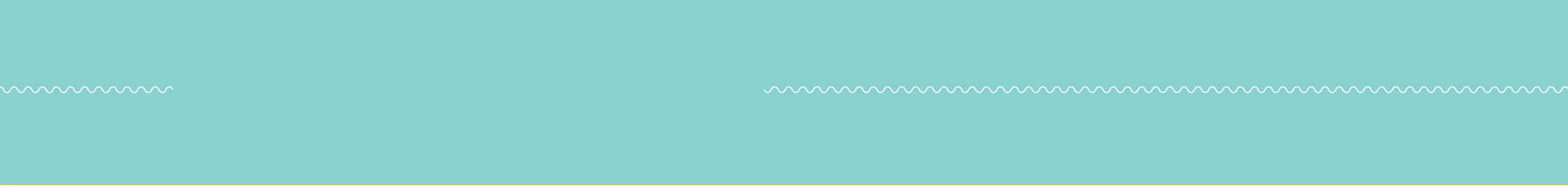
Constituted as a Civil Society Organization of Public Interest (OSCIP), the entity produces technical information; establishes exchanges with other third sector institutions, mainly NGOs, foundations and business institutes; and identifies opportunities for integrated actions aimed at territorial development; in addition to other duties that guide our decision-making on topics related to our social activities.



OPERATIONAL
performance



💧 GRI 103-2, 103-3, 203-1





We work tirelessly to develop a system that supplies and takes care of entire cities, allowing the connection with all cells (residential, commercial, services, and industrial) in an intelligent and sustainable way.

In Brazil, the work is even harder. According to the National Sanitation Information System (SNIS), nearly 35 million people still do not have access to treated water, and almost 100 million are not served by sewage collection in the country.

Faced with this scenario, in 2019 we increased the number of total consumption units served by 4.5% compared with the previous year - from 2.7 million to 2.9 million. The number of households with water service increased by 5.4% compared with 2018, totaling 1.8 million. Sanitation grew by 3%, with approximately 1.1 million consumption units served.

This increase reflects the investment of R\$ 638.4 million in basic sanitation infrastructure works, which includes the implementation of water treatment stations, extensions of water system, extensions of sewer system, and expansion of the transportation and sewage treatment system.

One of the highlights is Águas de Manaus, our most recent concession and through which we aim to reach, by 2030, 80% of the sewage collected and treated in the capital city of the State of Amazonas. This means increasing the city's current capacity by five times.

The region has irregular settlements with houses built on stilts, whose system is also irregular and improvised, taking the sewage directly to the rivers and streams. Before we took over the operations, the population in these places consumed untreated water, and illegally.

Given this scenario, the teams of the concessionaire began to implement the "Vem com a Gente," Program whose goal is to bring this population closer to the concessionaire. We implemented innovative overhead systems for distribution of treated water and itinerant service initiatives, debt negotiation, inspections, installation of water meters, change of account holder, guidelines for conscious consumption, among others. Since August 2018, nearly 32 kilometers of system extensions have been implemented, 170,000 consumption units have been visited, 26,000 consumption units have been regularized, and 11,000 new consumption units have been connected.

In the period, we also worked to strengthen the capacity of the supply system with the construction of five water reservoirs. The structures expand the

city's water reserve capacity by 20 million liters—sufficient to fill more than 40,000 water tanks in the format commonly used in homes in the region.

The main demands of the population began to be identified through the relationship with community leaders who are part of the Afluentes Program (see page 91). Communication with this audience was enhanced through the use of tools such as WhatsApp, which help streamline solutions. We also integrated the concessionaire's call center service with the Customer Service Center in Teresina (PI), which concentrates the call centers of Águas de Teresina, Águas de São Francisco and Águas de Timon and whose operators receive regular training to enhance relationship and conflict resolution skills.

As a result, the concessionaire in Manaus reduced the average response time for service calls from 39 hours to only 12 hours. The mean time to repair water leaks has dropped to 15 hours and maintenance services in sewer systems are being completed in up to 18 hours.

Another focus of our operations in Manaus (AM) was the loss of treated water, which exceeds 70%. In this sense, we started in 2019 a physical survey of the entire concession infrastructure to map system specifications. The data collected was stored in a system to simulate supply improvement and loss reduction scenarios, which made it possible to put in place action plans and an intensive sensor deployment program. Improvements in loss indicators will be more significant as of 2022, after completion of the works planned for the expansion of water mains and system reinforcement in some neighborhoods.



2.9 million
total consumption
units served

4.5%
increase



**HIGHLIGHTS
OF THE VEM
COM A GENTE
PROGRAM**

Since
August 2018:

About
32 km
of system
extensions
implemented

170,000
households
visited

170,000
households
regularized

11,000
new
households
connected

The goal is to reproduce the results achieved in Campo Grande (MS), where the loss rate in the water distribution system, based on the SNIS, decreased from 57% to 19%, while the national average was 38%. The operation already shows our ability to integrate the actions of the commercial, operational and service teams in executing the strategies outlined by the Efficiency and Technology Center, which develops the Loss Control Management (GCP) programs for all units (see page 35).

The city of Teresina, capital of the State of Piauí, has also been taking major strides towards becoming a benchmark in basic sanitation in Brazil. Investments to expand sewage collection, removal and treatment services show that, even in the short term, the benefits already include more families. In only one year of operation, Águas de Teresina was able to expand water supply by 15%—the goal is to provide universal access to this service by next year—and sanitation coverage increased from 19% to 31%.

To advance access to treated sewage, the concessionaire launched the Program called “Teresina Saneada,” which provides for the construction of seven pumping stations and the implementation of 400 kilometers of sewage system in the coming years. In 2019, the unit revitalized 12 units that included sewage treatment plants (STP) and sewage pumping stations (SPS). Improvements included changing equipment and overhauling plants. More than 30 pumping stations and 13 STPs were modernized.

In order to provide universal access to treated water in 2020, Águas de Teresina began in July the implementation of two new water mains and the expansion of the Água Norte Treatment Station. The amount invested exceeds R\$ 21.6 million, and approximately 170,000 residents of Teresina will be directly benefited.

According to data from the Municipal Department of Urban Development, Teresina (PI) has more than 270 irregular areas, with nearly 90,000 families. Faced with this situation, we joined the efforts of the city and of the Public Ministry of the State of Piauí to regularize the situation and start serving this vulnerable population through the Social Tariff.

Our strategies to regularize the basic sanitation system in communities in Teresina (PI) and Manaus (AM) were recognized in the 2019 Water and Sanitation Success Stories Award, of Global Compact Network Brazil, as a contribution to the achievement of the sixth Sustainable Development Goal (SDG) - “Ensure availability and sustainable management of water and sanitation for all.”

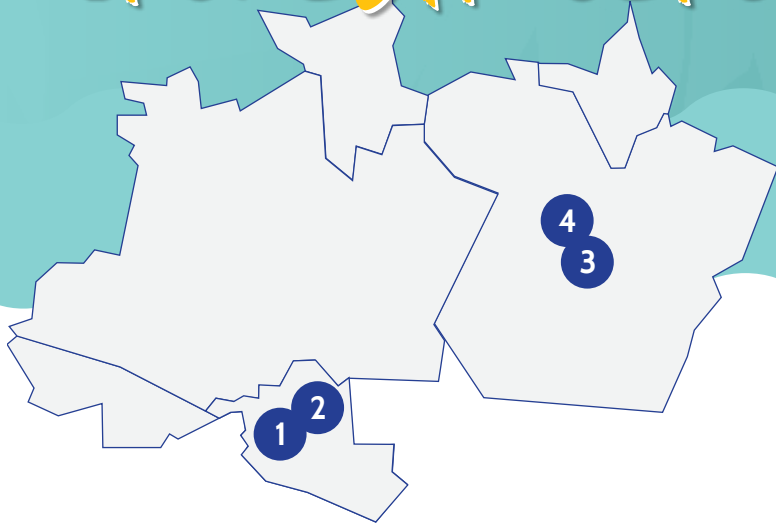
In addition to expanding access to basic sanitation and, consequently, promoting improvements in aspects such as health, education and income generation, our efforts enabled new customers connected to the system to obtain their first proof of residence—a fundamental document for opening bank accounts, having access to credit and other financial services

*In less
than two years,
we doubled
the sewer coverage
in Teresina (PI).*

OTHER

investments

💧 GRI 203-1



NORTH

1. Águas de Rolim de Moura

In a little over a year, we invested about R\$ 2.5 million, with emphasis on the installation of a new water treatment plant - ETA Gratt - which currently treats 6 million liters of water per day and supplies the entire city.

2. Águas de Pimenta Bueno

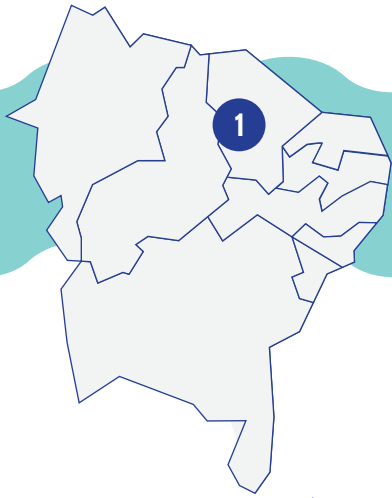
Águas de Pimenta Bueno began the implementation of the water supply system in Urucumacua, a district 91 kilometers from the city's urban region. In total, the system has more than seven kilometers to serve the approximately 750 people who live in the area.

3. Águas de São Francisco

In Barcarena (PA), multitasking teams have been working to combat leaks, on maintenance and improvements, standardization of connections, inspection of irregularities, installation and replacement of water meters, and on initiatives for adherence to and registration in Social Tariff. The concessionaire also organizes educational lectures in schools. All of these actions are being carried out under the "Água pai-d'êgua" project.

4. Águas de Novo Progresso

One point of attention at Águas de Novo Progresso includes the works that ensure regular supply of treated water. Thus, approximately R\$ 100,000 was invested to reinforce the water supply system by drilling a deep tube well. Approximately 500 families will be directly benefited after the work is completed. In addition, pressure reducing valves (PRV) were installed to control leaks in the city's system.

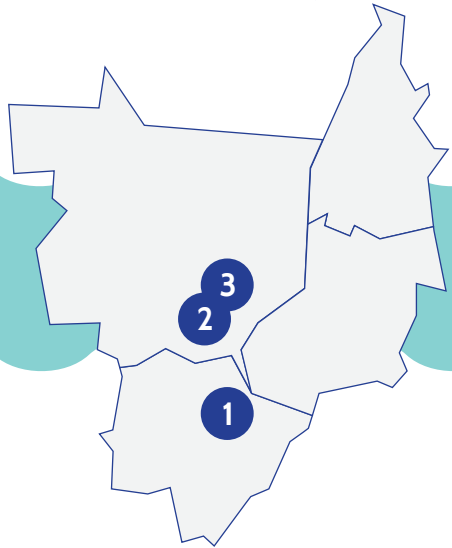


NORTHEAST

Águas de Timon

Our unit in the State of Maranhão continues to promote improvements in the Timon (MA) supply system, which includes doubling a 2,000-meter-long water main, connecting the Alarico and Bagaçu reservoirs. The goal is to increase treatment capacity by approximately

360,000 liters of treated water per hour. The concessionaire is also involved in the new water main project in the district of Cidade Nova, which is more than 1,000 meters long. The structure is expected to benefit approximately 16,000 residents of the city of Timon.



MIDWEST

1. Águas Guariroba

The unit is involved in the modernization of water systems in several streets in Campo Grande (MS). The goal is, by 2020, to expand monitoring of system's water production, which is currently 4,000 kilometers long.

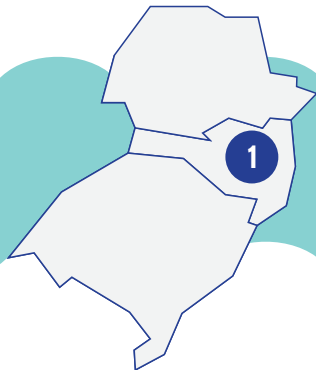
2. Águas de Primavera

In Primavera do Leste (MT), operational improvements were made to the sewage pumping station in the district of Buritis, whose pumping capacity is 70 liters per second. The Sewage Pumping Station (SPS) of the

district Jardim Universitário was also overhauled, increasing its pumping capacity from 30 to 75 liters per second. The investments are part of the plan to modernize the sewage collection and treatment system in the city.

3. Águas de Sinop

In Sinop (MT), our concessionaire accelerated the works and actions for operational improvements in the water distribution systems, in new and asphalt resurfacing connections. The purpose of the initiative is to keep up with the continuous growth of the municipality.

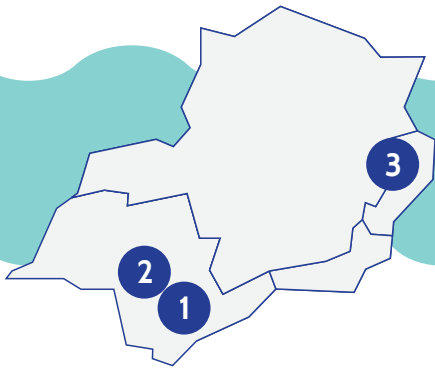


SOUTHEAST

1. Águas de São Francisco do Sul

In 2019, the unit was involved in the implementation of the Sanear São Chico project. Among the various actions in place is the onset of construction works of the sanitary sewage collection and treatment

complex, which includes the construction of the Sewage Treatment Plant (STP) of the Resorts. When completed, the structure will put into operation the collection system, which is being built concurrently.



SOUTH

1. Águas de Holambra

Holambra (SP) has received another sewage treatment plant. Operated using Dutch technology, energy consumption is up to 60% lower when compared to other conventional methods.

2. Águas de Matão

The Reservation Center in Matão (SP) was modernized during the year. As a result, its flow capacity was increased by 20%. Because it is an important and complex project, the concessionaire held

three face-to-face meetings with the community, gave interviews to the press, and provided updates on progress of the works through its digital communication channels.

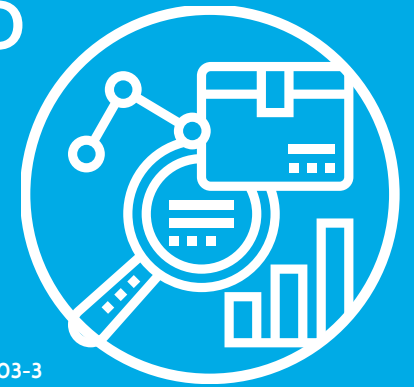
3. Ambiental Serra

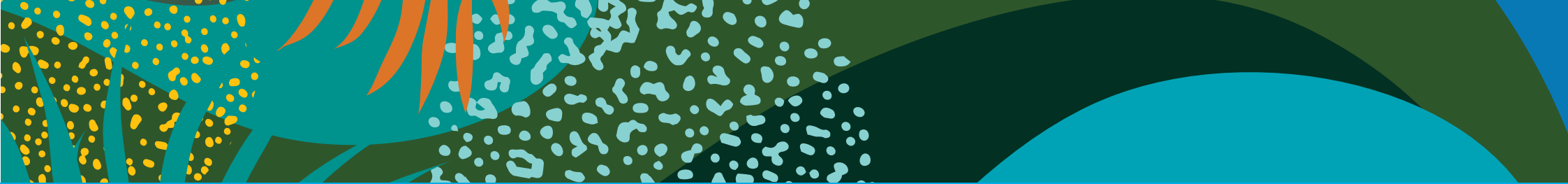
Other districts in the municipality of Serra (ES) received investments from Ambiental Serra in 2019. The goal is to provide universal access to the sewer system in the municipality by 2023.

ECONOMIC AND
FINANCIAL

results

💧 GRI 103-2, 103-3





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NET

revenue

We ended 2019 with net operating revenue¹ of R\$ 2,222.4, up 28.3% (R\$ 490.9 million) from the previous year (R\$ 1,731.6 million)².

This growth results mainly from the contribution of revenues from Águas de Manaus—which accounted for 56.2% (R\$ 276.1 million) of the increase compared with 2018, when only seven months of results of Águas de Manaus were consolidated due to the start of operations in June of that year—and from the increase in revenues from the Águas Guariroba, Prolagos and Águas de

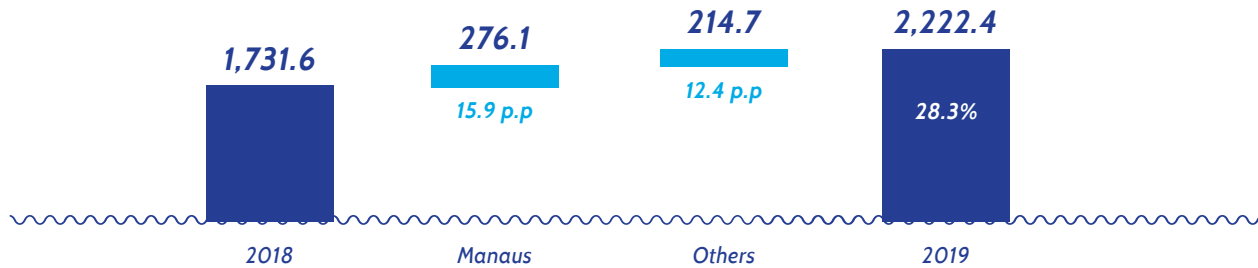
Teresina concessionaires, which, combined, contributed 33.7% (R\$ 165.5 million) to the result. Revenue growth in these most recent concessions is a result of (i) ordinary tariff adjustments; (ii) extraordinary tariff review due to tariff rebalancing processes and (iii) increase in sewer parity in Teresina, as provided for in the concession agreement.

NET OPERATING REVENUE (R\$ THOUSAND)				
	2019	2018	Varição entre 2018 e 2019 (%)	2017
Water revenue	1,872,858	1,404,101	33.4	1,047,417
Sewer revenue	503,921	417,455	20.7	357,505
Other revenue	-	-	-	182
Construction revenue	92,644	110,527	-16.2	127,232
Deductions from revenue	(246,989)	(200,513)	23.2	(189,017)
Total	2,222,434	1,731,570	28.3	1,3343,319

1. Considers only the seven months of consolidation of Águas de Manaus due to the start of operations in June of that year.

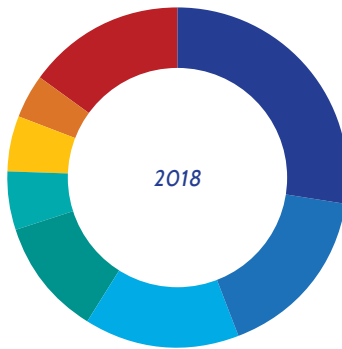
2. Excludes construction revenue and costs with zero margin (ICPC 01 and OCPC 05).

NET REVENUE EVOLUTION BETWEEN 2018 AND 2019 (R\$ MILLION)

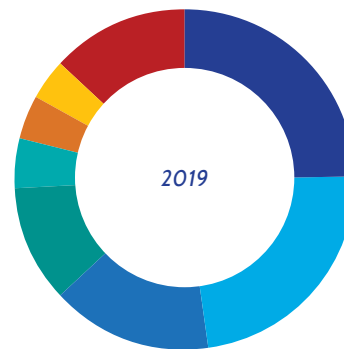


REVENUE BREAKDOWN BY COMPANY³

- 27,7% Guariroba
- 16,6% Prolagos
- 14,7% Manaus
- 11,1% Teresina
- 5,5% Nascentes do Xingu
- 5,5% Serra
- 4,1% Mirante
- 14,8% Others



- 24,8% Guariroba
- 23,1% Manaus
- 15,3% Prolagos
- 11,1% Teresina
- 4,7% Nascentes do Xingu
- 4,1% Mirante
- 3,9% Serra
- 13,0% Others



In the period, we began to further diversify the sources of revenue, with Águas de Manaus increasing its share in total sales.

3. Excludes construction revenue and costs with zero margin (ICPC 01 and OCPC 05) and includes revenue from government payments under Public-Private Partnerships (PPP) from the Ambiental Serra and Ambiental Vila Velha Concessionaires. Calculation considers sales net of cancellations.

Delinquency

In 2019, expenses for expected credit losses decreased by 9.6% (R\$ 5.2 million) compared with 2018.

This reduction is due to ongoing disconnection campaigns, incentive for consumers to renegotiate overdue bills and greater adherence to payment via automatic debit - which led to significant reversal in past due receivables, especially at Águas de Manaus because of the “Vem com a Gente” Program (see page 60). As a result, the delinquency rate stood at 2.3%, down 0.9 p.p. from the prior-year period..

4. Calculation of delinquency: gross revenue excluding cancellations/ costs and expenses for expected credit losses Amounts in the last 12 months (LTM), considering 360 days for private customers and 720 days for public customers



9.6%
reduction in expenses
for credit losses (PECLD)
between 2018 and 2019.

COSTS AND

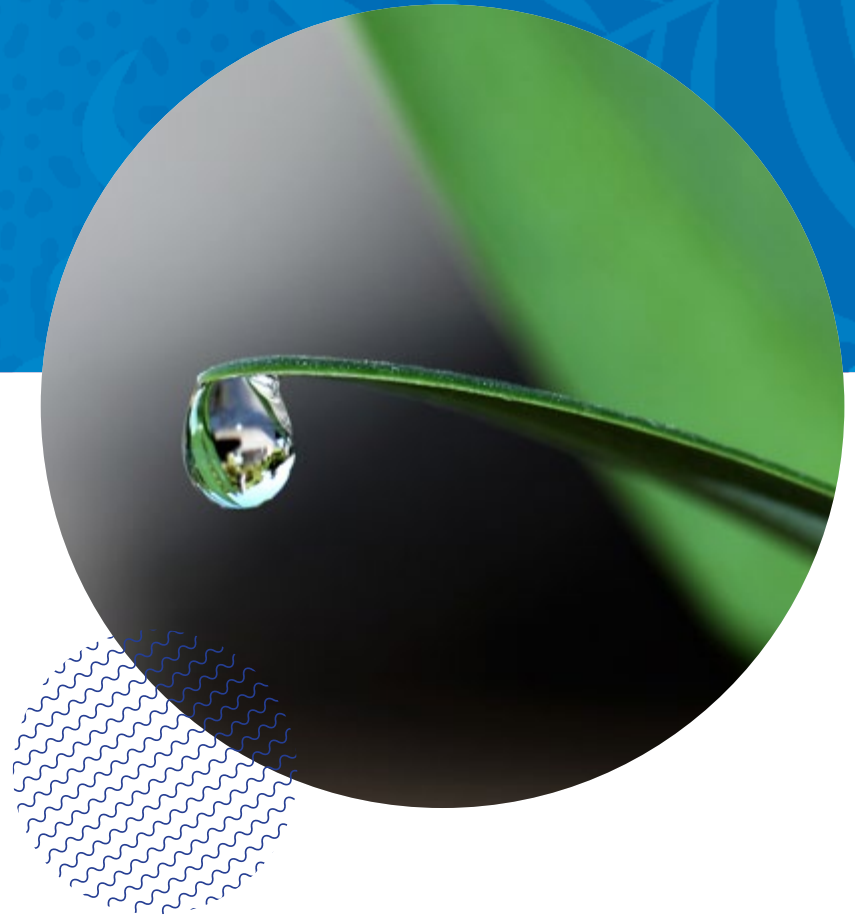
expenses

In the period, costs and expenses increased 11.8% (R\$ 109.0 million) compared with the previous year, due to the longer consolidation period of Águas de Manaus in 2019.

Excluding the impact of different consolidation bases in Águas de Manaus, costs and expenses decreased by 0.9% (R\$ 7.0 million).

Personnel costs and expenses increased by 50.3% (R\$ 116.8 million) between 2018 and 2019. This variation is mainly due to the 12.6% increase in active employees compared with the previous year because of the incorporation of 286 employees in Águas de Manaus and 228 in other concessionaires.

Electricity, which is our second highest cost, increased by 33.2% (R\$ 59.4 million) in the same period. This increase reflects the 12-month consolidation of Águas de Manaus operations, which impacted the consolidated result by R\$ 46.6 million (78.5%) of the increase in costs and expenses in this category (read more on page 97).



COSTS AND EXPENSES (R\$ THOUSAND)				
	2019	2018	Variation between 2018 and 2019 (%)	2017
Personnel	(349.155)	(232.309)	50.3	(218.226)
Outsourced services ¹	(143.991)	(141.785)	1.6	(113.325)
Outsourced services for sewage treatment	(15.407)	(14.013)	9.9	(14.419)
Conservation and maintenance	(46.966)	(44.817)	4.8	(20.227)
Materials, equipment and vehicles	(23.625)	(22.718)	4.0	(21.168)
Concession costs	(25.191)	(18.268)	37.9	(10.941)
Electricity	(238.504)	(179.109)	33.2	107.498)
Chemicals	(44.189)	(30.172)	46.5	(14.016)
Travel and lodging	(18.898)	(21.974)	-14.0	(15.589)
Provision for Doubtful Debts ²	(49.160)	(54.358)	-9.6	(8.976)
Provision for lawsuits	(9.171)	(23.281)	-60.6	(6.920)
Research and Development (R&D)	(10.606)	(15.857)	-33.1	(17.313)
Lease	(17.114)	(21.478)	-20.3	(12.476)
Other costs	(190)	(53.865)	-99.6	(44.929)
Construction costs ³	(38.348)	(47.495)	-19.3	(54.634)
Subtotal	(1.030.515)	(921.499)	11.8	(668.181)
Amortization and depreciation	(243.713)	(194.390)	25.4	(129.015)
Total	(1.274.228)	(1.115.889)	14.2	(797.196)

1. Includes technical services, purchase of operating water, consulting, audit, legal, advisory and other services.

2. Estimated Losses with Doubtful Debts, reversal in past due receivables, and recovery of written-off notes under Other Operating Income.

3. Construction costs at the concessionaires Ambiental Serra and Ambiental Vila Velha related to the construction works carried out and basis for calculation of construction revenue of these concessionaires (CPC47).

EBITDA

Earnings before interest, tax, depreciation and amortization (EBITDA) in 2019 totaled R\$ 1.2 billion, up 47.1% (381.8 million) from the previous year.

The EBITDA margin stood at 53.6%, 6.8 p.p. higher than the 2018 margin, which reflects the increase in our operational efficiency.

The increase in EBITDA is mainly due to (i) the improvement in the results of Águas de Manaus; (ii) the improvement of the results of Águas de Teresina; and (iii) the changes arising from the economic and financial rebalancing at Águas Guariroba.

EBITDA (R\$ THOUSAND)				
	2019	2018	Variation between 2018 and 2019 (%)	2017
Net income	294,412	176,147	67,1	145,008
(-) Financial result	(420,984)	(307,720)	36,8	(236,689)
(-) Income taxes	(232,810)	(131,815)	76,6	(164,426)
(-) Amortization and depreciation	(243,713)	(194,390)	25,4	(129,015)
EBITDA	1,191,919	810,072	47,1	675,138
EBITDA margin (%)	53,6	46,8	6,8 p.p.	50,3

**R\$ 1.2 billion
of EBITDA**

**53.6%
EBITDA margin**

FINANCIAL

result

The financial result in 2019 was an expense of R\$ 421.0 million, representing an increase of 36.8% or R\$113.3 million from 2018.

The main impacts refer to an increase in expenses for discounts granted and the monetary variation on loans, financing and debentures, mainly due to the higher net indebtedness between the years analyzed. The average cost of debt for the fiscal period was 6.8% p.a., down 3.1 percentage points from the previous year, in line with the reduction in the CDI rate.



NET

income

R\$ 294.4
million in 2019



R\$ 176.1
million in 2018



67.1%

INCREASE IN NET
INCOME



CAPITAL

expenditure

R\$ 638.4 million
invested in 2019,

contributing to
universal access to
sanitation in Brazil.



Indebtedness

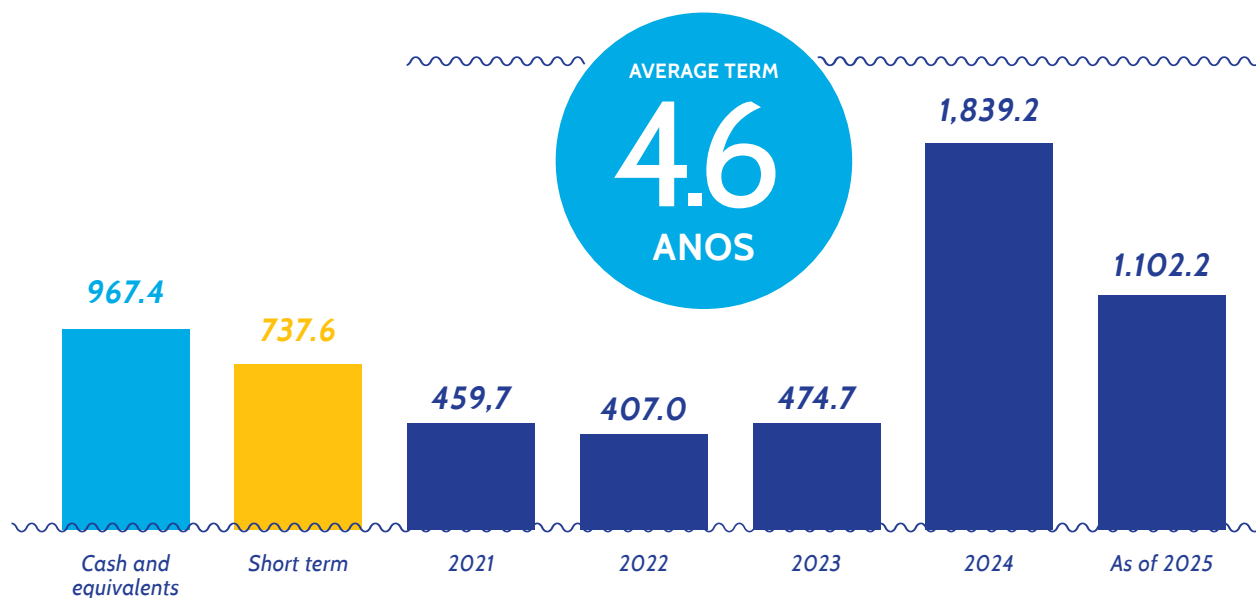
Net debt totaled R\$ 3.7 billion, 50.6% (R\$ 1.2 billion) higher than in 2018.

The variation reflects investments made in the period, which totaled R\$ 638.4 million; payment of the second installment of the acquisition of Águas de Manaus, in the amount of R\$ 338.4 million; and disbursement of R\$ 106.6 million for the acquisition of a portion of the shares of International Finance Corporation - IFC and of Fundo de Investimento em Participações - IFC GIF Brasil.

Financial leverage, measured by the ratio between net debt and EBITDA, ended 2019 at 3.1x, giving us an adequate liquidity position.

The average maturity of debt was 4.6 years, with short-term debt accounting for 14.7% of total indebtedness.

CASH AND DEBT AMORTIZATION SCHEDULE⁵ (R\$ MILLION)



5. The amortization schedule considers the position of short- and long-term loans, financing and debentures of the balance sheet.

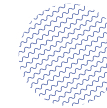
VALUE ADDED

statement

GRI 201-1

VALUE ADDED STATEMENT (R\$ THOUSAND)

	2019	2018	2017
Revenue	3,004,617	2,425,626	1,817,281
Inputs acquired from third parties	(1,496,195)	(1,314,418)	(836,513)
Gross value added	1,508,422	1,111,208	980,769
Amortization and depreciation	(243,713)	(194,390)	(129,015)
Net value added produced	1,264,709	916,818	851,753
Value added received in transfer	819,664	667,955	136,532
Total value added for distribution	2,084,373	1,584,773	988,285
Value added distribution	2,084,373	1,584,773	988,286
Personnel	307,724	198,149	186,788
Taxes, fees, and contributions	476,217	348,710	349,462
Remuneration of third-party capital	1,066,020	861,767	307,027
- Interest	988,810	840,151	294,472
- Lease	17,210	21,616	12,555
Remuneration of equity capital	294,412	176,147	145,008
- Dividends	284,897	141,433	25,068
- Profit retained/loss in the period	14,995	36,689	101,089
- Non controlling interest in retained profits	(5,480)	(1,975)	18,851



MORE INFORMATION ON OUR FINANCIAL PERFORMANCE CAN BE FOUND IN OUR FINANCIAL STATEMENTS, AVAILABLE HERE.

RELATIONSHIP

management



🔹 GRI 102-40, 102-43



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Employees

🔹 GRI 103-2, 103-3

We ended the year with 4,734 employees¹ –3,490 men and 1,244 women. All direct employees are covered by collective bargaining agreements or a collective bargaining convention.

🔹 GRI 102-8, 102-41

1. Considers all employees (active and on leave), regardless the type of employment contract.

ATTRACTION AND RETENTION

Our Trainee Program has been developed to recruit new graduates from different academic areas and aims to prepare talents for top positions in our team (see page 57). In the year, each trainee who had been selected in 2018 was ent to one of our units.

We also offer opportunities for young adults aged 14 to 24 to enter the job market through the Young Apprentice Program, supported by the Federal Government's Apprenticeship Law.



The Trainee Program is one of the main ways to join our team.

TALENT AND SUCCESSION MANAGEMENT

In order to retain and make the best use of internal talents, we have mechanisms in place so that the internal audience is the first to learn about available positions.

Additionally, as part of our business growth and sustainability plan, in 2015 we implemented the Talent and Succession Management Program, whose goal is to identify and train internal talent in a structured, systemic and continuous manner by means of a career and competency development plan of internal candidates for vertical and horizontal succession, at various management levels—from coordinators, managers, directors, vice presidents to the CEO—in addition to including the Y-career of specialists.

As a result of the program, we have our succession plan, structured based on the diagnosis of critical competencies, mapping of high performing professionals and identification of development gaps.

Based on the details of this information, the Aegea Academy works in conjunction with senior management and managers in the preparation of the talent training and capacity building plan.

In 2019, we implemented actions related to this program. In this regard, revisions were made to the structure and composition of the Executive Board, in addition to specific changes to the Board of Executive Officers of our subsidiaries. An example of this is the appointment of Radamés Andrade Casseb to the position of Chief Executive Officer in view of the end of Hamilton Amadeo's term of office, which occurred after the period covered by this report.

Radamés, who will take up the position in February 2020, joined our team in 2011, when he assumed the leadership of the Corporate Operations Department, having previously held similar positions in other infrastructure companies, in which he acquired solid experience in activities related to the area of regulated services.



DIVERSITY

All selection processes are conducted in accordance with the guidelines of the “Respeito Dá o Tom” Program, which provides for mandatory participation of blacks and browns in the final selection stages for hiring.

The initiative has been in place since 2017 in order to promote equality in work opportunities and the professional growth of employees. Three pillars support the program: employability, development and relationship.



48,188
trained in 2019.

We provided more than
125,000 hours
of training in the year.

Regional Committees on Diversity and Racial Equality, which foster ethnic-racial debate and support the implementation of affirmative initiatives under the program have been implemented in all units. The members of these committees are trained to better understand racial issues.

Debates, lectures and workshops are held to raise awareness of the entire internal audience. The meetings are attended by representatives of local black movements and other guests.

Aiming at employability and inclusion in our workforce, we require the participation of black professionals in all selection processes, including the Young Apprentice and Trainee programs. These initiatives gained even more momentum after the completion, in 2018, of the census data tabulation, answered by 78.4% of employees. The survey showed that our workforce is mostly composed of blacks (57%), but still with little representation in leadership positions. This census resulted in awareness-raising actions in 2019, through lectures and discussions that involved all hierarchical levels. Strategic planning focused on stimulating diversity, especially racial, including in leadership positions, is planned for 2020.

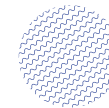
Due to the work performed, we received the Diversity and Inclusion award, promoted by Associação Brasileira de Treinamento e Desenvolvimento do Paraná (ABTD-PR).

TRAINING AND CAPACITY BUILDING

Since 2014, we have invested in the Aegea Academy, responsible for developing technical and behavioral training. In 2019, a total of R\$ 4,387,397.17 was invested in training and capacity building. The number of participants in the year was 48,188, totaling 125,382 hours of training.

Partnerships with other institutions expand the potential of the Aegea Academy. Hydrus, an institution specializing in training courses for the sanitation sector, and the Fundação Dom Cabral, one of the most well-respected institutions in leadership development, stand out in this regard.

In the year, we partnered with Centro Universitário de Jaguariúna UniFAJ, with which we prepared the course on Management Processes with Emphasis on Sanitation, whose focus is to develop professionals in specialized technical and leadership careers. As a result, we are the first basic sanitation company in Brazil to invest in a personalized undergraduate program for our sector.



OCCUPATIONAL SAFETY

The initiatives implemented in 2019 related to occupational safety were guided by action plans, established for each unit, after the on-site monitoring phase - the last stage of implementing the Interage Program (see page 33).

As a result, we established safety committees in all concessionaires, which have the involvement of the unit's Executive Director and of a safety multiplier - an employee of the corporate Health, Safety and Environment team, responsible for guiding local teams in the proper execution of the procedures established. The idea is to set goals, starting next year, in order to monitor the progress of each operation.

Another advance was the systematization by means of SOC, an integrated occupational and safety management software. The purpose of the tool is to promote an interface between Health, Safety and Environment Management, the Human Resources area and the medical clinics that provide occupational medicine services.

The software has operational modules divided into: Occupational Health, which includes items such as vaccination, social assistance consultations and training; Workplace Safety, which includes a Corrective Action Plan for non-compliance; Social security; Administration; Process Management; among others.

In this way, after an employee is registered, the system itself indicates the skills required for the position, lists the complementary exams that need to be done, identifies whether or not there are any impediments, and points out the need for training.

The innovation results from a comprehensive mapping of employees and their positions in all units, which also included a review of the risks to which they are exposed, making it possible to more effectively determine prevention and control measures.

Regarding training, we give special attention to traffic behavior. To this end, we perform activities to raise awareness among employees and contractors, especially those authorized to drive the vehicles in our fleet. Highway Patrol agents gave lectures on safe driving and the importance of safety items. Employees also participated in the Daily Safety Dialogue (DDS - Diálogo Diário de Segurança).

This initiative reinforces our commitment to contribute to reducing the number of traffic accidents. In 2018, we changed the composition of the fleet, prohibiting circulation of motorcycles, the main cause of accidents recorded by our units. In 2019, we implemented the Fleet Management Safety Policy in order to ensure adherence of operations to the safety requirements established by us and the Brazilian Traffic Code.

Our entire fleet already has tracking devices for monitoring and speed control. Based on the information collected, we refer drivers to educational activities at the Aegea Academy.

Workers are also engaged in safety issues through compliance with legislation. We acquired a system for mapping the main regulatory standards and their associated functions. With that, we developed a package of distance courses, which are mandatory according to the activity performed by each worker.

In addition, all of our units have Internal Accident Prevention Commissions (CIPAS), which, despite being sized based on the number of employees of each concession, serve all professionals and third parties.. **GRI 403-1**

*We remain committed
to contribute to
reducing
the number of
traffic accidents.*

COMPENSATION AND BENEFITS

Employees are also recognized through the Policy on Positions and Salaries, in place since 2015 and in line with market practices adopted by other companies of the same size. In addition to a fixed salary, our employees receive a benefits package that includes transportation vouchers, meal allowances, food vouchers, child day care allowance, pharmacy assistance, life insurance, in addition to medical and dental assistance extended to direct dependents.

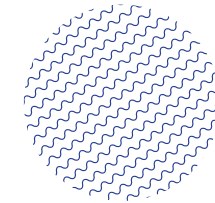
The set of benefits aims to provide well-being in the work environment and improve the quality of life of the professionals in our team. In 2019, this package was expanded to include gym assistance, with access to discounts in more than 20,000 studios and gyms throughout Brazil; and Support Services, which, offered with the support from a partner company, provide psychological, legal, financial and social guidance. These benefits also extend to legal dependents.

Another benefit was the granting of credit by means of a pre-approved Mastercard credit card, available to all active employees. The card can be used for purchases and services at various establishments and the total is deducted from payroll.

VOLUNTEERING

In the second half of 2019, we launched the Volunteering Program, conducted by a working group composed of the teams in the areas of Social Responsibility, Human Resources, Communication, Aegea Academy, and of the “Respeito Dá o Tom” Program. The goal is to enhance the initiatives already in place in the units and strengthen the relationship with the community. In addition, as employees engage in volunteer activities, they improve leadership and teamwork skills.

The Volunteering Handbook and the Volunteering Program Policy, containing the main guidelines on how to organize a solidarity action, were published to disseminate the initiative. The topic is further addressed through a learning path, prepared by Academia Aegea and which includes videos, podcasts and other interactive resources. Local committees were also created to support program mobilization and planning.



*While engaging in
**volunteer
work,**
our employees
improve leadership
and teamwork skills.*

Customers

Our customers are directly served by local concessionaires. In order to streamline customer service and improve satisfaction, each unit has a multi-channel platform, which includes a website, digital social media and telephone service, in addition to printed materials and in-person service in physical stores - in line with modern market practices.

In 2019, for example, Prolagos implemented a Monitoring Center. In this way, it was possible to scale the teams according to demand, reducing or avoiding queues and offering a good experience for users. As a result, between January 2 and 9, a total of 65,212 calls were recorded, an increase of 260% compared with the same period of the previous year. WhatsApp, available 24x7, was the most used channel, accounting for 47% of the calls.

In addition, customer satisfaction is regularly measured through surveys (annually or every two years). The contacts recorded allow the concessionaires to identify opportunities for improving service.



8.9
million
people served
across Brazil¹



2.9
million
total
consumption
units served

We prioritize ethics, quality and respect in everything we do for our customers.

1. Considers the nine municipalities that make up the PPP Ambiental Metrosul, not yet in operation (contract was signed in March/2020).

BUSINESS *partners*

💧 GRI 103-2, 103-3

We established a commercial partnership with manufacturers of inputs for our operations, suppliers of office supplies, service providers and technical consulting firms.

💧 GRI 102-9

The partner selection process involves a minimum of three quote requests, analysis by the Contract and Measurement Department and by the Administrative Management, and approval from manager, director, and president of the concessionaire. In certain cases, depending on the amount of the contract, the decision process also requires approval from the Executive Board and/or the Board of Directors.

Since 2018, hiring has been preceded by the completion by the companies of a questionnaire to determine adherence to our ethical and compliance principles. In 2019, the survey was applied to 100% of the contracts. High-risk partners for the operation were automatically referred for training at the Aegea Academy. 💧 GRI 412-1, 412-3, 414-1

All contracts contain clauses associated with human rights and measures to fight corruption, bribery, child or forced labor, among other behaviors that violate our compliance policies (see page 47). In addition, we have a Code of Conduct exclusively dedicated to partners, available here. 💧 GRI 408-1, 409-1

We prioritize the hiring of local suppliers. In addition to contributing to the generation of jobs in the regions where we operate, this practice facilitates carrying out technical inspections. All inspection visits are conducted regularly and, should any irregularity be identified, such partner is notified and payments may be suspended until the situation is rectified—with a risk of contractual termination in the case of recurrence.

COMMUNITIES

served

🔹 GRI 413-1, 103-2, 103-3

We conduct several social projects to address the different needs in each region.

In 2019, we invested approximately R\$ 7.8 million in social projects and community relations activities. This alignment is instrumental and is guaranteed thanks to our platform Cidades+, which gathers, in a virtual environment, all information about our social programs and their implementation, the target audiences, the expected results, and the materials required for the implementation.

The units identify local needs and, under guidance provided by our Social Responsibility department, define which initiatives will be replicated in each location—always considering the applicable adjustments. The activities are recorded on the Cidades+ platform through documents, reports, indicators and photos.



HEALTH:
One of the main forms of improving health indices in a municipality is by providing universal access to water and sanitation services.



EDUCATION:
Improving education indices involves reducing illiteracy and school dropout rates.



INCOME GENERATION:
The purpose of this pillar is to drive income generation, especially among the most vulnerable population.

Our performance is based on the pillars that compose the Human Development Index of municipalities (HDI-M) where we operate (health, education and income generation), which allows us to adopt a methodology to gauge the impact of the projects.

In the Health pillar, our objective is to further expand the Social Tariff, a mechanism that gives the most vulnerable population access to water and sewer services, by granting a 50% discount on water and sewer services bills - in 2019, close to 77,000 families benefited from this program. By offering an alternative that meets the needs of the vulnerable population, we reinforce a development model centered on people, keeping them integrated into society.

The Education pillar concentrates several projects adaptable to different educational realities. The initiatives involve students and teachers from public Elementary, Middle and High schools. A highlight in the year was the project called “Estação Fonte do Saber,” a playful and interactive exhibition about the water cycle and sewage treatment in the STPs or WTPs, including virtual reality devices. Also worth mentioning is the Pioneiros project, an initiative based on requests from community leaders. The project involved lectures and field activities about the corporate world of sanitation for public high school students aged 15 -18. The activity was carried out in Teresina (PI), Timon (MA), Piracicaba (SP), and Cabo Frio (RJ), offering up to 30 openings in each of these municipalities. After the period of exposure to this

content, these young adults prepared projects related to sanitation in the districts where they live. The projects presented were examined by a panel formed by executives from each concessionaire. At the end of this phase, the students participated in graduation ceremonies in each company, with the presence of family members and authorities. All participants received diplomas as “Pioneers in Health” and prizes such as laptops and tablets. The award-winning projects in each unit were submitted to Aegea and an executive committee of the company will select the best to compete for the Innovation Award - Young Pioneers category, to be given in 2020. In the Income Generation pillar, we are involved in the development of initiatives related to access to micro-credit and training for entrepreneurship.

One of the main starting points for identifying social demands is the Afluentes Program. This initiative, which is conducted in all units, looks to establish a communication and exchange relationship between business units and local leaders in the municipality, aiming to continuously improve the provision of sanitation services. Communication with community leaders allows us, in addition to hearing suggestions and opinions about the services provided, to have a closer contact with communities and their needs.

Approximately R\$ 7.8 million
allocated to social projects and
community relations activities in 2019.





That is how, for example, we entered Manaus (AM) in 2018. Afluentes was the first initiative conducted in the city, in order to address the concerns of leaders from the various areas of the city, especially those most socially vulnerable. After completing a thorough diagnostic, we started other projects, such as “Mãos e Obras” and “Água na Boca,” related to the HDI’s Income Generation.

The first deals with the offer of a free course on plumbing, intended to train labor and promote the inclusion of participants in the job market. Approximately 20 people learned the techniques used for minor pipe repairs and internal leaks in homes, with practical activities at the concessionaire. The “Água na Boca” project offered training in gastronomy to an additional 20 residents of Manaus who already had some experience in the trade.

It also raised awareness on the importance of water quality in the kitchen and addressed the basics of business management. The technical portion of the course was taught by chef Débora Shornik, from Caxiri Amazônia, a traditional restaurant in the city. The content on entrepreneurship was offered in partnership with the National Service for Industrial Learning (SENAI).

In one of the main reservoirs, we also presented the city with a work of art in graffiti signed by Raiz Campos. In that same place, on a wall, the contour made by the same artist was painted by members of the community, invited to leave their marks on this trajectory that we are starting in the capital of the State of Amazonas.

We ask for permission to enter each municipality served, listening and dialoguing.

CIDADES NO CORAÇÃO (CITIES IN THE HEART)

In 2019, we launched a new brand that encompasses our social responsibility projects and expresses the commitment of the local concessionaire to the population of the city where it operates: #cidadesnocoracao. The idea is to unify all other project brands that have been used by concessionaires, reinforcing a single purpose.

#sãochicoNO❤️ #portoNO❤️ #barraNO❤️ #cláudiaNO❤️
#pimentaNO❤️ #campograndeNO❤️ #JangadaNO❤️
#sãoJoséNO❤️ #matãoNO❤️ #marcelândiaNO❤️
#barcarenaNO❤️ #iguabaNO❤️ #camboriúNO❤️
#penhaNO❤️ #bombinhasNO❤️ #uniãoNO❤️ #búziosNO❤️
#nortelândiaNO❤️ #buritisNO❤️ #piracicabaNO❤️
#diamantinoNO❤️ #ariquemesNO❤️ #sorrisoNO❤️
#holambraNO❤️ #brasilNO❤️ #vilavelhaNO❤️
#santacarmemNO❤️ #teresinaNO❤️ #matupáNO❤️
#veraNO❤️ #sinopNO❤️ #cabofrioNO❤️
#guarantãNO❤️ #arraialNO❤️ #sãopedroNO❤️
#pedrapretaNO❤️ #camponverdeNO❤️ #paranatingaNO❤️
#confresaNO❤️ #timonNO❤️ #peixotoNO❤️ #serraNO❤️
#JauruNO❤️ #novoprogressoNO❤️ #primaveraNO❤️
#rolimNO❤️ #carlindaNO❤️ #manausNO❤️ #poconéNO❤️

TRADE

associations

💧 GRI 103-2, 103-3

We dialogue with municipal, state and federal governments in order to contribute to the development of the sector in which we operate.

Since 2017, we have held the vice presidency of Institutional Relations that coordinates our integration with trade associations such as Instituto Trata Brasil; Associação Brasileira de Infraestrutura e Indústrias de Base (ABDIB); Associação Brasileira das Concessionárias Privadas dos Serviços Públicos de Água e Esgoto (ABCON); and Associação Brasileira de Engenharia Sanitária e Ambiental (ABES). 💧 GRI 102-13

The goal is to monitor discussions, especially those regarding regulatory aspects. That is because we believe that universal access to water and sewer services can be streamlined by revising the legislation and through cooperation between public and private sectors.



We work in cooperation with sector entities in order to lead the advances we seek for Brazil.

BILL 3,261/2019

In December 2019, the House of Representatives approved the basic text of the new Brazilian legal framework for basic sanitation, which resulted from debates that had started in previous terms. The project paves the way for increased participation of the private sector.

Private companies account for only 6% of the basic sanitation market in Brazil, but represent more than 20% of the investments to expand and improve the system that serve the population. The potential for cooperation between public and private operators to expand investments is undeniable. According to the Federal Government's Infrastructure Development Department, through this measure, the plan is to invest approximately R\$ 700 billion by 2033.

Another important component of the new regulatory framework is the establishment of well-defined goals and deadlines for advancing the coverage of these services - which, today, are only included in contracts with the private sector; the contracts will be conditioned to the proof of the contractor's economic and financial standing. All contracts entered into after the text is sanctioned must be compliant with such new text, under risk of penalties for bad operators.

In addition to ensuring that public and private operators follow the same requirements, the measure reinforces legal support for private investment by assigning to the National Water Agency (ANA) the responsibility for issuing baseline standards for regulation of services. Adherence to the rules will be conditional for service providers to have access to federal public resources.

Finally, the Bill also provides for the possibility of replacing program contracts entered into with state-owned companies for a new concession agreement, in the event of a transfer of control of a public company or quasi-public corporation.

The Bill must once again return to the Senate, the instance where the procedure started, before being sent for a presidential sanction. We believe that this would be one of the first major advances that the government - Executive Branch and Congress - could signal to the market and the Brazilian people.

In 2019, we promoted the Regulation Seminar, with participation of industry specialists, who addressed topics related to the changes proposed by the new regulatory framework and the modeling of concession agreements. The event was attended by executives from all regions where we operate.

Additionally, we participated in several discussion forums on the topic, including in a Public Hearing, in the Special Commission of Bill 3,261 that reviews the basic sanitation framework, the experiences in modeling and sub-delegation and public-private partnerships in the area of sanitation, highlighting the success case of the PPP Mirante, in the city of Piracicaba (SP).

ENVIRONMENTAL



performance

💧 GRI 103-2, 103-3



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Preserving natural resources is part of our everyday life in all locations where we operate. This is because our operations consist in the distribution of quality water, with the lowest loss rate, and safely take sewage to treatment facilities.

The levels of control and monitoring are established and tracked by the Occupational Health, Safety and Environment Department, within the scope of the Interage Program (see page 33). The goal is to help units - through the documentation of procedures and normative instructions - to identify and mitigate environmental impacts arising from our activities, in addition to ensuring compliance with legal, regulatory and corporate requirements; and assess the quality of the services.

During the year, training and awareness-raising activities were conducted. With the support of an attorney specializing in the areas of occupational safety and the environment, we alerted managers of all units about their civil and criminal responsibilities. Training lasted three months and involved executives, including the executive directors of the concessionaires.

We also act pursuant to Ordinance 240/19 of the Ministry of Justice and Public Security, which establishes new procedures for the control and inspection of chemical products and defines those chemicals subject to control by the Federal Police. The new rules came into force in October, when our professionals had already completed the online training courses provided by the Aegea Academy.

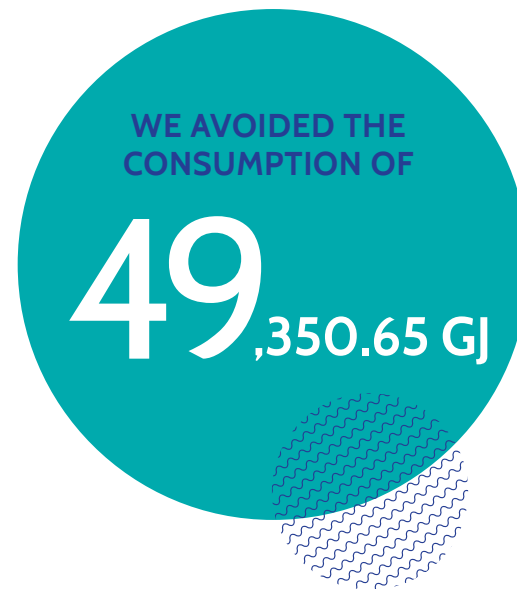
Energy

Energy consumption in 2019 totaled 1,852,553.88 GJ. The increase over the previous year (1,605,156.00 GJ) is in line with the growth of the volume billed. However, a consumption of 49,350.65 GJ of energy was avoided as a result of the implementation of improvement projects.

💧 GRI 302-1, 302-4

This performance confirms the adherence of the newest concessions to the standards of the Energy Management and Energy Efficiency team, associated with the Efficiency and Technology Center (see page 35).

The team's main purpose is to define, disseminate, implement and manage corporate policies and programs related to energy management and energy efficiency. To this end, it operates in three dimensions:



COST MANAGEMENT | Involves energy cost management. In this sense, since the acquisition of Águas de Manaus, we have been involved in a comprehensive program to increase the purchase of energy in the free market. Currently, 14 consumer units of Águas de Manaus and Águas Guariroba are already in a Free Procurement Environment (ACL), and we have already executed a contract to migrate additional 83 in Prolagos, Águas de Teresina, Águas de Timon, Mirante, Águas de Matão, Ambiental Serra and Ambiental Vila Velha. In this way, by 2021, more than 80% of the energy will be acquired outside the captive market and from 100% renewable (wind) sources, which can represent a reduction in expenses for this input of up to 20%, in addition to increasing the purchase of energy from 100% renewable sources.

To reduce energy expenses for units that do not meet the requirements to enter the Free Procurement Environment, we are undertaking distributed solar power generation projects, based on Normative Resolution No. 482, of the National Electric Energy Agency (ANEEL). Eighteen business units will benefit from the implementation of eight solar power plants, which together will have an installed capacity of MWp. The project plans savings of approximately 4% in energy costs.

MANAGEMENT OF ENERGY EFFICIENCY |

Covers energy efficiency programs and projects applied in our operations and which are broken down into: Physical Aspects of Design (actions focused on the design phase of operations, when considering, for example, more efficient equipment and the correct sizing of systems, among other criteria); Physical Aspects of Efficiency (performance in existing units to increase efficiency, such as in drive systems, equipment resizing, substitution

of technologies, generation alternatives, as well as other measures); Aspects of Systems Operation (operational alternatives of the systems, such as frequency control, sectorization, loss control, water modeling, among other methods).

BUDGET MANAGEMENT AND PLANNING |

Includes monitoring of performance indicators associated with energy management, as well as projections for the short, medium and long terms.

TOTAL ENERGY CONTRACTED FROM THE FREE MARKET

Years	In GWh	In GJ
2019	210.3	757,080
2018	139.6	502,560
2017	44.9	161,640

CONSUMPTION OF RENEWABLE AND NON-RENEWABLE ENERGY

	In GWh		In GJ	
	Renewable	Non-renewable	Renewable	Non-renewable
2019	438,55	57,06	1,578,780	205,416
2018	361,36	55,44	1,300,896	199,584
2017	220,7	43,95	794,520	158,220

Water

💧 GRI 303-1

One of the main pillars of our Sustainability Policy and an important contractual milestone to be reached in our units is the increased efficiency in the consumption of natural resources, which includes reductions in the loss rate in water distribution.

Guided by this policy, advanced international models and the experience acquired in our more mature units, in recent years we have put in place the Loss Control and Management System (GCP - Sistema de Gestão e Controle de Perdas), which integrates the Efficiency and Technology Center at corporate level (see page 35) and is replicated in all concessionaires.

The GCP includes tools to monitor the entire distribution system and standardize procedures to combat actual losses (leaks in reservoirs, water mains, water distribution system and piping between the system and water meters) and apparent losses (unauthorized consumption) due to fraud or measurement inaccuracies).



Minimizing losses in water distribution is one of the commitments expressed in our Sustainability Policy.

It also considers constant adjustments of pressure levels in the system, in order to reduce the volume leaked and the risk of new leaks; measures to detect hidden underground leaks, in order to expedite corrective actions; heat maps to manage operational infrastructure, among other methodologies.

In this sense, the consolidated loss ratio in distribution was 54.6%. The 3.4 p.p. increase over the previous year was impacted by the start of operations in Águas de Manaus and Águas de Teresina. Excluding those concessions, the loss rate was 33.8%, a reduction of 0.9 p.p. compared with 2018, which demonstrates greater operational efficiency in more mature concessions.

In Águas Guariroba, we reached 19.0%, a loss rate 50.6% below the Brazilian average of 38.5%, according to the SNIS. In the past two years, the units were involved in actions to combat irregularities in the system (see page 60).

In 2019, the total volume treated and distributed by our concessionaires was 646,997,884.37 m³ of water. The higher volume compared with the previous year (508,077,450.62 m³) reflects the organic growth of the distribution system, especially after the start of operation of Águas de Manaus and of new water mains. In addition, the start of operation of the Águas de Manaus unit, in July 2018, significantly contributed to this increase.

We do not collect reclaimed water for distribution to the population, since this is not allowed in Brazil. In addition, we use reclaimed water to cleaning common areas and backwashing treatment units.

💧 GRI 303-3

At the Prolagos concessionaire, in the city of Armação dos Búzios, Region of the Lakes, the Reclaimed Water Treatment Station (RWTS) was the first in the state of Rio de Janeiro in the sector of basic sanitation with a tertiary treatment level. The Búzios RWTS has the capacity to produce more than 2 million liters of reclaimed water per month, the equivalent of 200 tank trucks.

Reclaimed water can be used for a variety of purposes, such as power generation, equipment cooling, industrial processes, construction and cleaning of streets and squares. In Búzios, part of the water produced by the station already serves the Golf Course on a daily basis. 40,000 liters of reclaimed water per day are used to irrigate the grass, which, given its differentiation, requires the use of water with a high level of potability.


TOTAL VOLUME OF WATER WITHDRAWN, BY SOURCE (M ³)			
	2019	2018	2017
Surface water	433,488,582,53	376,678,343,30	169,814,237,00
Groundwater	213,509,301,84	122,559,600,46	106,875,047,00
Municipal supply	8,768,191,88	8,839,506,86	9,203,379,00
Total	646,997,884,37	508,077,450,62	285,892,663,00

Effluents

Our environmental guidelines for management of effluents aim to prevent pollution resulting from the collection and treatment of sanitary sewage; to ensure compliance with legal, regulatory and corporate requirements; and to prevent corporate and liability risks.

In the year, approximately 165 million m³ of sewage were treated by the concessionaires providing this service. Efficiency in removing the organic load is analyzed based on the ratio between the total volume of treated sewage and the minimum rate (60%) required by the applicable legislation (CONAMA No. 430/2011), except for units that must comply with stricter standards, according to requirements from environmental agencies.

Whenever possible, we seek to avoid discharge of treated water at Water Treatment Plants (WTP). Wastewater is returned to feed the WTPs and corresponds to less than 10% of the abstraction flow rate. Treatment methodologies include the use of flocculants, decanters and sand filters or disinfection in underground abstraction wells. More recently we began to consider the installation of biological filters that can be used both to remove

nutrients from contaminated water from wells and in sewage treatment, since it allows the removal of nitrates and ammoniacal nitrogen. The methods to treat wastewater include lagoon system, activated sludge, Upflow Anaerobic Sludge Blanket Reactors (UASB), physical-chemical treatments, septic tanks, among others.  **GRI 306-1**

The sludge from the sewage treatment process goes through centrifugation processes and is sent to landfills, containing about 20% of solids content. We are currently conducting research to minimize production of this waste. One of the options includes the installation of biocatalysts that accelerate the activity of microorganisms, improving the operation of the STPs and reducing the generation of sludge by up to 50%.

Another innovation has been studied by the Operations and Engineering areas of Mirante and consists of a solar drying system. This technology was implemented in 2019 by the concessionaire and involved the construction of a concrete base, the installation of an agricultural greenhouse and the acquisition of equipment for sludge management. With a capacity to receive up to 25 tons per day, the structure allowed reducing from 750 tons generated per month to just 203 tons. In addition, a reduction in transportation expenses was achieved for the disposal of sludge - which accounted for nearly 17% of the unit's operating costs.



We regularly analyze water quality upstream and downstream from the point of discharge of effluents into water bodies to ensure that their primary characteristics are not affected. Additionally, annual reports on monitoring of the treated effluents and respective discharge points are submitted to environmental agencies.

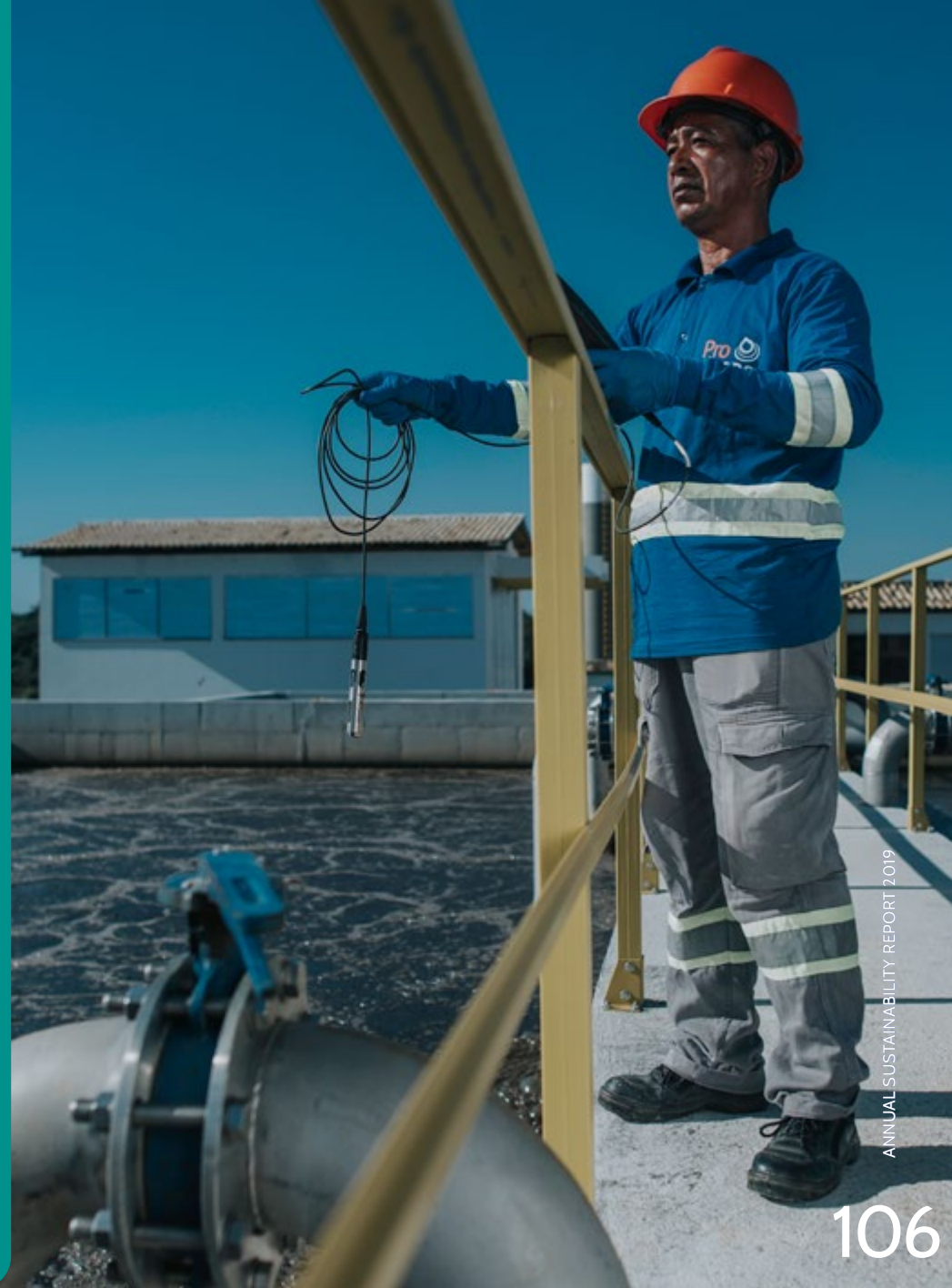
SIZES OF WATER BODIES AFFECTED BY WATER DISCHARGES GRI 306-5

Unit	Name of the water body affected by water discharge	Size of the water body (Km ²)	Unit	Name of the water body affected by water discharge	Size of the water body (Km ²)
Águas de Barra do Garças	Rio Araguaia	5.67	Mirante	Rio Piracicaba	12.5
	Rio Garças (Córrego Fundo)	11.73		Ribeirão Tijuco Preto	N/D
Águas de Campo Verde	Rio São Lourenço	11.38		Ribeirão Anhumas	N/D
	Rio das Motes	8.47	Ribeirão Piracicamirim	N/D	
Águas de Cláudia	Ribeirão Leda	28.67	Prolagos	Laguna Araruama	61.00
Águas de Diamantino	Rio Diamantino	5.56		Rio Una	12.00
	Córrego do Ouro	10.81	Canal da Marina	21.00	
Águas de Confresa	Córrego Gameleira	10.42	Ambiental Serra	Canal dos Escravos	1.00
Águas de Guarantã	Afluente do Rio Braço Sul	10.68		Ilha do Lameirão	8.91
	Rio Jurigue	3.13		Lagoa Jacuném	1.30
Águas de Peixoto de Azevedo	Rio Peixoto	6.20		Lagoa Maringá	2.06
Águas de Porto Esperidião	Rio Aguapeí	1.48		Córrego Barro Branco	6.20
	Córrego Traíras	12.94		Córrego Irema	1.10
Águas de Sorriso	Córrego Golçalves	63.56		Ribeirão Brejo Grande	11.00
	Afluente do Rio Lira	6.55		Rio Jacaraípe	36.71
	Rio Lira	6.55		Córrego Laranjeiras	13.00
Águas Guararoba	Rio Teles Pires	4.36		Córrego Manguinhos	1.60
	Córrego Bandeira	6.10		Rio Reis Magos	N/D
Águas de Holambra	Córrego Imbirussú	58	Afluente Dr. Robson	0.59	
	Ribeirão Cachoeira	1.90	Córrego Garanhões	1.4	
Águas de Matão	Rio São Lourenço	59.80	Águas de Teresina	Rio Poti	52.57
				Rio Paraíba	20.07
			Ambiental Vila Velha	Rio Jucu	1.56
				Afluente do Rio da Draga	N/D
				Córrego Xuri	1.6
				Canal da Draga	N/D

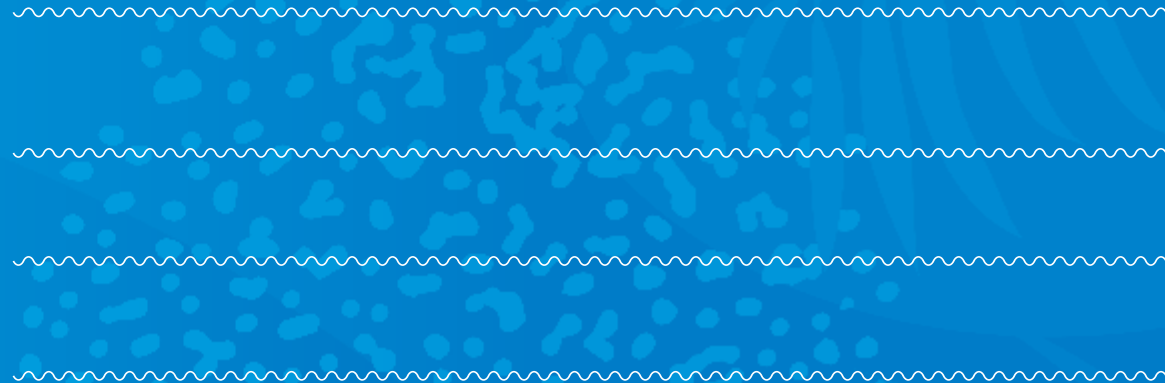
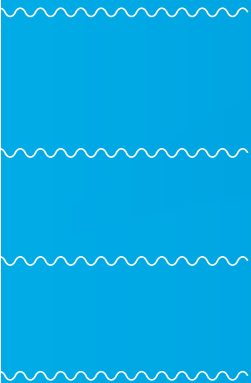
TECHNOLOGY FOR THE ENVIRONMENT

The positive environmental impact related to the proper disposal of sewage is embedded in our history. In this sense, we highlight the reclamation, by Prolagos, of the Araruama Lagoon, where fishing, tourism, and sports activities have resumed.

Nonetheless, some sites are still adversely affected by the accumulation of waste from years of untreated sewage discharge - before our concession began its operation. Therefore, in 2019, we began to prepare the digital hydrological modeling of the Araruama Lagoon. The purpose is to analyze how the ecosystem will react to possible interventions. This pioneer study in the country is being conducted with the support of the Fundação Coordenação de Projetos, Pesquisas e Estudos Tecnológicos (COPPETEC), linked to Coppe/UFRJ, and has already involved Secretaries of the Environment, fishermen, representatives of environmental agencies, Consortium and Committee of the Lagoas São João River Basins in technical meetings and exchange of information.



Annexes



POSITION IN REGARD to Covid-19¹

In view of the spread of the SARS-CoV-2 virus that causes the Covid-19 respiratory disease, which has already spread to more than 100 countries on the five continents and that led the World Health Organization (WHO) to declare, on 11 March, 2020, a pandemic -, we communicate that we are adopting, along with our subsidiaries, monitoring and prevention measures in order to protect employees, service providers and the entire population served, ensuring the continuity of the services provided, which are essential for the public. In this sense:

- We restricted movement and gatherings on our premises;
- We suspended, for all employees, traveling, on-site training and participation in events;
- We determined a home office regime for employees whose roles allow for this type of work, and isolation of all employees classified as at risk (over 60 years of age and with chronic illnesses, as recommended by public agencies);
- We intensified internal communication of preventive measures, and availability of 24-hour medical assistance channels to support employees and their families, in addition to internal communication channels for employees, focusing on care related to the pandemic;

- We optimized the use of technology to ensure virtual customer service, impacting the least possible our administrative and operational activities; and
- We have put in place contingency plans required to ensure water availability and sewage treatment in the municipalities where we operate.

We are also monitoring potential effects on working capital arising from an eventual increase in accounts receivable, due to the restriction of movement of people in some locations, and we are taking measures to preserve and optimize the use of resources. We remain confident that we will overcome the impact of Covid-19, ensuring the quality of services provided to the population.

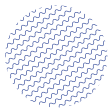
1. Fact subsequent to the period covered by this report.

ABOUT THIS

report

We reaffirm our principles of transparency, equality, accountability and corporate responsibility when disclosing this Annual Sustainability Report to employees, partners, granting authorities, customers, investors and other stakeholders. **◆ GRI 102-40, 102-52**

The document shows the performance and consolidated results of our operations in the period from January 1 to December 31, 2019, as well as opportunities taken, challenges faced and strategies adopted. **◆ GRI 102-45, 102-50**



QUESTIONS CONCERNING THIS REPORT CAN BE DIRECTED TO OUR INVESTOR RELATIONS TEAM VIA E-MAIL: RI@AEGEA.COM.BR OR BY TELEPHONE: +55 11 3818-8150 **◆ GRI 102-53**

In following national and international reporting standards, we comply with the criteria set out by the Brazilian Association of Publicly-Held Companies (ABRASCA); and with the Global Reporting Initiative (GRI) Standards: Core Option; with the guidelines of the International Integrated Reporting Council (IIRC); and with the principles of the United Nations Global Compact, to which we have been signatories since 2016.. **◆ GRI 102-54**

The Financial Statements were submitted to external assurance by Ernst & Young Auditores Independentes and the social and environmental data were verified internally, with oversight from Senior Management **◆ GRI 102-56**

PRIORITY TOPICS

◆ GRI 102-42, 102-44, 102-46, 102-47, 102-49, 103-1

The content of this report highlights our perspective on issues that could affect our value creation in the short, medium and long terms, identified through the materiality process, revised in 2018 based on sector studies and on the demands of audiences with whom we regularly interact and classified according to the approach and frequency of engagement.

TOPICS	CAPITALS (IIRC)	ASPECTS (GRI)	INDICATORS (GRI)	PRINCIPLES (GLOBAL COMPACT)	SUSTAINABLE DEVELOPMENT GOALS (SDG)
People management	Human	Training and education	404-1	6	4, 5 and 8
		Diversity and equal opportunity	405-1	6	5 and 8
			405-2	6	5, 8 and 10
		Human rights assessment	412-2	1	No relation
		Occupational Health and Safety	403-1	No relation	8
403-2			3 and 8		
403-3			3 and 8		
Compliance, ética and medidas anticorrupção	Financeiro	Anti-corruption	205-2	10	16
		Public policies	415-1	10	16
		Anti-competitive behavior	206-1	No relation	16
		Environmental compliance	307-1	8	16
		Socioeconomic compliance	419-1	No relation	16
		Child labor	408-1	5	8 and 16
		Forced or compulsory labor	409-1	4	8
		Human rights assessment	412-3	2	No relation
		Supplier social assessment	414-1	2	5, 8 and 16
		Customer privacy	418-1	No relation	No relation

TOPICS	CAPITALS (IIRC)	ASPECTS (GRI)	INDICATORS (GRI)	PRINCIPLES (GLOBAL COMPACT)	SUSTAINABLE DEVELOPMENT GOALS (SDG)
Management of operational efficiency	Manufactured, Natural and Intellectual	Energy	302-1	7 and 8	7, 8, 12 and 13
			302-4	8 and 9	7, 8, 12 and 13
		Water	303-3	8	6, 8 and 12
Economic and financial performance	Financial	Economic performance	201-1	No relation	2, 5, 7, 8 and 9
Risk management	Financial and Intellectual	Economic performance	201-2	No relation	13
Environmental protection	Natural	Biodiversity	304-2	8	6, 14 and 15
		Effluents and waste	306-5	8	6 and 15
Respect for local communities, environmental education and awareness programs	Social and relationship	Rights of indigenous and traditional peoples	411-1	11	6
		Human rights assessment	412-1	1	No relation
		Local communities	413-1	1	No relation
Health and safety of customers	Social and relationship	Effluents and waste	306-1	8	3, 6, 12 and 14
			306-3	8	3, 6, 12, 14 and 15
		Customer health and safety	416-2	No relation	16
Universal access to basic sanitation	Manufactured, Social and Relationship	Indirect economic impacts	203-1	No relation	2, 5, 7, 9 and 11
		Water and effluents	303-1	7 and 8	6 and 7
Innovation and technology	Intellectual	None	Não há	No relation	No relation

GRI

indicators

INFORMATION ON EMPLOYEES AND OTHER WORKERS¹ GRI 102-8

NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT AND GENDER IN 2019

	Men	Women	Total
Temporary	0	0	0
Permanent	3,490	1,244	4,734
Total	3,490	1,244	4,734

NUMBER OF EMPLOYEES BY EMPLOYMENT TYPE IN 2019

	Men	Women	Total
Full-time	3,420	1,143	4,563
Part-time	70	101	171
Total	3,490	1,244	4,734

NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT AND REGION IN 2019

	Temporary	Temporary	Total
North	0	1,255	1,255
Northeast	0	774	774
Midwest	0	1,194	1,194
Southeast	0	1,341	1,341
South	0	170	170
Total	0	4,734	4,734

1. Considers all employees (active and on leave), regardless the type of employment contract.

COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES  GRI 205-2

		2019		2018		2017	
		Communicated	Trained	Communicated	Trained	Communicated	Trained
<i>Senior Management and Board of Directors</i>	<i>Total number of executives</i>	44		52		32	
	<i>Total number of executives communicated / trained</i>	44	39	52	42	30	23
	<i>Percentage of executives communicated / trained</i>	100.0	88.64	100.0	80.77	93.75	71.88
<i>Administrative</i>	<i>Total number of employees</i>	1,851		2,019		1,538	
	<i>Total number of employees communicated / trained</i>	1,851	1,851	2,019	1,297	1,589	1,006
	<i>Percentage of employees communicated / trained</i>	100.0	100.0	100.0	64.24	103.32	65.41
<i>Operational</i>	<i>Total number of employees</i>	3,133		2,219		1,545	
	<i>Total number of employees communicated / trained</i>	3,133	3,133	2,219	1,062	1,573	917
	<i>Percentage of employees communicated / trained</i>	100.0	100.00	100.00	47.86	101.81	59.35
<i>Partners</i>	<i>Total number of partners</i>	2,939		2,855		333	
	<i>Total number of partners communicated / trained</i>	2,939	2,939	2,855	2,855	333	333
	<i>Percentage of partners communicated / trained</i>	100.0	100.0	100.0	100.0	100.0	100.0

SIGNIFICANT IMPACTS OF ACTIVITIES, PRODUCTS, AND SERVICES ON BIODIVERSITY

GRI 304-2

NATURE OF SIGNIFICANT DIRECT AND INDIRECT IMPACTS ON BIODIVERSITY IN RELATION TO THE FOLLOWING TOPICS

Aspecto	Descrição dos impactos
Construction or use of manufacturing plants, mines, and transport infrastructure;	<ul style="list-style-type: none"> Impacts arising from the implementation and maintenance of the water system (collection, withdrawal and distribution) and sanitary sewage (collection and transport). Impact for the construction of WTPs, STPs, reservoirs, pumping stations, etc.. These impacts include soil excavations, landfills and removal of vegetation.
Pollution (introduction of substances that do not naturally occur in the habitat from point and non-point sources);	<ul style="list-style-type: none"> Discharge of treated sewage in bodies of water. Risk of untreated sewage overflow to the environment, caused by mechanical and electrical failures, misuse of the sewer system and/or lack of maintenance. Generation of solid waste (sludge from WTP and STP, packaging of chemicals, paper, plastics, metals, household waste, sweeping etc.)
Introduction of invasive species, pests, and pathogens;	None.
Reduction of species;	None.
Habitat conversion;	<ul style="list-style-type: none"> When implementing water reservoirs/dams, through studies and permits from the relevant environmental agencies.
Changes in ecological processes outside the natural range of variation (such as salinity or changes in groundwater level).	None.

TYPES AND RATES OF INJURIES, OCCUPATIONAL DISEASES, LOST DAYS, ABSENTEEISM AND NUMBER OF WORK-RELATED FATALITIES

GRI 403-2

Employees²

Accidents are recorded through a computerized system to form a database and generate indicators and to allow for traceability of actions. Composition of this indicator did not consider accidents classified as commuting accidents and first aid, i.e., only typical accidents were considered.

EMPLOYEE INJURIES, BY GENDER*

	2019		2018		2017	
	Women	Men	Women	Men	Women	Men
Number	5	132	8	132	6	96
Rate (%)**	3.7	96.3	5.7	94.3	5.9	94.1

* Data in the table refer to the absolute number of injuries and their corresponding percentage compared to the total number of records.

** Injury frequency in relation to the total number of hours worked divided by the total number of workers in the period covered by the report.

EMPLOYEE LOST DAYS, BY GENDER*

	2019		2018		2017	
	Women	Men	Women	Men	Women	Men
Número	104	679	58	7,072***	34	1,445
Taxa (%)**	13.3	86.7	0.8	99.2	2.3	97.7

* Data in the table refer to the absolute number of lost days and their corresponding percentage compared to the total number of records.

** Total number of lost days compared to total number of hours scheduled to be worked by the professionals in the period covered by the report.

*** 6,000 lost days were recorded due to the fatality recorded.

2. Professionals with whom we have a working relationship in accordance with the Consolidation of Labor Laws (CLT).

3. Accidents suffered in the commute to and from work, including those occurred at meal times, provided they occurred outside company premises.

4. Accidents that cause minor injuries and, therefore, did not result in lost time, allowing for immediate return of employees to their activities.

EMPLOYEE INJURIES, BY REGION*

	2019		2018		2017	
	Number	Rate (%)**	Number	Rate (%)**	Number	Rate (%)**
North	26	19.0	14	10.0	12	11.8
Northeast	35	25.5	29	20.7	4	3.9
Midwest	45	32.8	60	42.9	54	52.9
Southeast	26	19.0	30	21.4	26	25.5
South	5	3.6	7	5.0	6	5.9

* Data in the table refer to the absolute number of injuries and their corresponding percentage compared to the total number of records.

** Injury frequency in relation to the total number of hours worked divided by the total number of workers in the period covered by the report.

EMPLOYEE LOST DAYS, BY REGION*

	2019		2018		2017	
	Number	Rate (%)**	Number	Rate (%)**	Number	Rate (%)**
North	56	7.2	102	1.4	396	26.4
Northeast	172	22.0	148	2.1	18	1.2
Midwest	263	33.6	6.624***	92.9	487	32.5
Southeast	263	33.6	254	3.6	558	37.2
South	29	3.7	2	0.0	40	2.7

* Data in the table refer to the absolute number of lost days and their corresponding percentage compared to the total number of records.

** Total number of lost days compared to total number of hours scheduled to be worked by the professionals in the period covered by the report.

*** 6,000 lost days were recorded due to the fatality recorded.

Workers⁵

LESÕES DE TRABALHADORES, POR GÊNERO*

	2019		2018		2017	
	Women	Men	Women	Men	Women	Men
Number	0	17	0	26	31	4
Rate (%)**	0	100	0	100	89	11

* Data in the table refer to the absolute number of injuries and their corresponding percentage compared to the total number of records.

** Injury frequency in relation to the total number of hours worked divided by the total number of workers in the period covered by the report.

EMPLOYEE INJURIES, BY REGION*

	2019		2018		2017	
	Number	Rate (%)**	Number	Rate (%)**	Number	Rate (%)**
North	0	0.0	1	3.8	2	5.7
Northeast	5	29.4	4	15.4	9	25.7
Midwest	3	17.6	5	19.2	13	37.1
Southeast	8	47.1	10	38.5	7	20.0
South	1	5.9	6	23.1	4	11.4

* Data in the table refer to the absolute number of injuries and their corresponding percentage compared to the total number of records.

** Injury frequency in relation to the total number of hours worked divided by the total number of workers in the period covered by the report.

EMPLOYEE LOST DAYS, BY GENDER*

	2019		2018		2017	
	Women	Men	Women	Men	Women	Men
Number	0	126	7,295	58	7,763	43
Rate (%)**	0	100	99.2	0.8	99.5	0.5

* Data in the table refer to the absolute number of lost days and their corresponding percentage compared to the total number of records.

** Total number of lost days compared to total number of hours scheduled to be worked by the professionals in the period covered by the report.

5. In 2016, the indicators referring to outsourced workers were managed in a decentralized manner. As of 2017, our Occupational Health, Safety and Environment Department began managing these indicators. However, we also depend on effective communication to update and keep the indicators updated. The indicator, therefore, reflects accidents actually reported.

EMPLOYEE LOST DAYS, BY REGION*

	2019		2018		2017	
	Number	Rate (%)**	Number	Rate (%)**	Number	Rate (%)**
North	0	0.0	104	1.42	396	5.07
Northeast	25	19.8	168	2.29	21	0.27
Midwest	18	14.3	6,698	91.24	6,774	86.78
Southeast	69	54.8	283	3.86	575	7.37
South	14	11.1	88	1.20	40	0.51

* Data in the table refer to the absolute number of lost days and their corresponding percentage compared to the total number of records.

** Total number of lost days compared to total number of hours scheduled to be worked by the professionals in the period covered by the report.

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE GRI 404-1

AVERAGE HOURS OF TRAINING EMPLOYEES HAVE UNDERTAKEN DURING THE REPORTING, BY GENDER

	2017			2018*			2019		
	Total number of employees	Training hours	Average number of training hours	Total number of employees	Training hours	Average number of training hours	Total number of employees	Training hours	Average number of training hours
Men	2,206	51,933.00	23.54	3,122	298,196.00	95.51	3,333	89,455.00	26.84
Women	875	17,790.00	20.33	1,117	50,711.00	45.40	1,212	35,927.00	29.64
Total	3,081	69,723.00	22.63	4,239	348,907.00	82.31	4,545	125,382.00	27.59

* In 2018, we conducted the training course of the "Vem com a Gente" Program, in Manaus (AM), in which training hours were counted as on the job hours, resulting in large number of training hours.

AVERAGE HOURS OF TRAINING EMPLOYEES HAVE UNDERTAKEN DURING THE REPORTING, BY EMPLOYMENT CATEGORY

	2017			2018*			2019		
	Total number of employees	Training hours	Average number of training hours	Total number of employees	Training hours	Average number of training hours	Total number of employees	Training hours	Average number of training hours
Tactical	916	32,488.00	35.47	859	62,460.00	72.71	1,071	31,907.00	29.79
Operational	386	4,897.00	12.69	2,851	270,919.00	95.03	2,952	76,443.00	25.90
Strategic	1,779	32,339.00	18.18	529	15,528.00	29.35	522	17,032.00	32.63
Total	3,081	69,724.00	22.63	4,239	348,907.00	82.31	4,545	125,382.00	27.59

* Em 2018, realizamos o treinamento do Programa Vem com a Gente, em Manaus (AM), no qual as horas de treinamento eram computadas on the job, o que resultou em grandes quantidades de horas de treinamento.

DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES

GRI 405-1

PERCENTAGE OF MEMBERS OF THE BOARD OF DIRECTORS, BY GENDER

		Number	Percentage
2017	Men	7	70.00%
	Women	3	30.00%
	Total	10	100.00%
2018	Men	11	73.33%
	Women	4	26.67%
	Total	15	100.00%
2019	Men	11	84.62%
	Women	2	15.38%
	Total	13	100.00%

PERCENTAGE OF MEMBERS OF THE BOARD OF DIRECTORS, BY AGE GROUP

		Number	Percentage
2017	Under 30	0	0.00%
	Between 30 and 50	3	30.00%
	Over 50	7	70.00%
	Total	10	100.00%
2018	Under 30	0	0.00%
	Between 30 and 50	6	40.00%
	Over 50	9	60.00%
	Total	15	100.00%
2019	Under 30	0	0.00%
	Between 30 and 50	4	30.77%
	Over 50	9	69.23%
	Total	13	100.00%

PERCENTAGE OF EMPLOYEES BY EMPLOYMENT CATEGORY AND GENDER

		2017			2018			2019		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
<i>Executive Board</i>	<i>Number</i>	53	6	59	61	10	71	53	12	65
	<i>Percentage</i>	89.83%	10.17%	100.00%	85.92%	14.08%	100.00%	81.54%	18.46%	100.00%
<i>Management</i>	<i>Number</i>	35	18	53	51	22	73	44	19	63
	<i>Percentage</i>	66.04%	33.96%	100.00%	69.86%	30.14%	100.00%	69.84%	30.16%	100.00%
<i>Head/ Coordination</i>	<i>Number</i>	94	41	135	112	66	178	104	61	165
	<i>Percentage</i>	69.63%	30.37%	100.00%	62.92%	37.08%	100.00%	63.03%	36.97%	100.00%
<i>Technical/ supervision</i>	<i>Number</i>	124	41	165	139	51	190	137	51	188
	<i>Percentage</i>	75.15%	24.85%	100.00%	73.16%	26.84%	100.00%	72.87%	27.13%	100.00%
<i>Administrative</i>	<i>Number</i>							359	558	917
	<i>Percentage</i>							39.15%	60.85%	100.00%
<i>Operational</i>	<i>Number</i>	1,858	698	2,556	2,691	876	3,567	2,831	565	3,396
	<i>Percentage</i>	72.69%	27.31%	100.00%	75.44%	24.56%	100.00%	83.36%	16.64%	100.00%
<i>Trainees</i>	<i>Number</i>	12	10	22	3	4	7	5	4	9
	<i>Percentage</i>	54.55%	45.45%	100.00%	42.86%	57.14%	100.00%	55.56%	44.44%	100.00%
<i>Total</i>	<i>Number</i>	2,176	814	2,990	3,057	1,029	4,086	3,533	1,270	4,803
	<i>Percentage</i>	72.78%	27.22%	100.00%	74.82%	25.18%	100.00%	73.56%	26.44%	100.00%

PERCENTAGE OF EMPLOYEES BY EMPLOYMENT CATEGORY AND AGE GROUP

		2017				2018				2019			
		<i>Under 30</i>	<i>Between 30 and 50</i>	<i>Over 50</i>	<i>Total</i>	<i>Under 30</i>	<i>Between 30 and 50</i>	<i>Over 50</i>	<i>Total</i>	<i>Under 30</i>	<i>Between 30 and 50</i>	<i>Over 50</i>	<i>Total</i>
<i>Executive Board</i>	<i>Number</i>	5	32	22	59	4	37	30	71	1	44	20	65
	<i>Percentage</i>	8.47%	54.24%	37.29%	100.00%	5.63%	52.11%	42.25%	100.00%	1.54%	67.69%	30.77%	100.00%
<i>Management</i>	<i>Number</i>	2	48	3	53	1	65	7	73	4	51	8	63
	<i>Percentage</i>	3.77%	90.57%	5.66%	100.00%	1.37%	89.04%	9.59%	100.00%	6.35%	80.95%	12.70%	100.00%
<i>Head/Coordination</i>	<i>Number</i>	34	95	6	135	25	143	10	178	23	131	11	165
	<i>Percentage</i>	25.19%	70.37%	4.44%	100.00%	14.04%	80.34%	5.62%	100.00%	13.94%	79.39%	6.67%	100.00%
<i>Technical/supervision</i>	<i>Number</i>	36	118	11	165	48	129	13	190	49	124	15	188
	<i>Percentage</i>	21.82%	71.52%	6.67%	100.00%	25.26%	67.89%	6.84%	100.00%	26.06%	65.96%	7.98%	100.00%
<i>Administrative</i>	<i>Number</i>	-	-	-	-	-	-	-	-	422	318	33	773
	<i>Percentage</i>	-	-	-	-	-	-	-	-	54.59%	41.14%	4.27%	100.00%
<i>Operational</i>	<i>Number</i>	1,065	1,315	176	2,556	1,274	2,037	256	3,567	1,313	1,798	258	3,369
	<i>Percentage</i>	41.67%	51.45%	6.89%	100.00%	35.72%	57.11%	7.18%	100.00%	38.97%	53.37%	7.66%	100.00%
<i>Trainees</i>	<i>Number</i>	21	1		22	7	0	0	7	6	3	0	9
	<i>Percentage</i>	95.45%	4.55%	0.00%	100.00%	100.00%	0.00%	0.00%	100.00%	66.67%	33.33%	0.00%	100.00%
<i>Total</i>	<i>Number</i>	1,163	1,609	218	2,990	1,359	2,411	316	4,086	1,795	2,469	345	4,609
	<i>Percentage</i>	38.90%	53.81%	7.29%	100.00%	33.26%	59.01%	7.73%	100.00%	38.95%	53.57%	7.49%	100.00%

PERCENTAGE OF EMPLOYEES BY EMPLOYMENT CATEGORY

		2017			2018			2019		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
<i>Executive Board</i>	<i>Number</i>	4	0	4	2	0	2	2	0	2
	<i>Percentage</i>	8%	0%	7%	3%	0%	3%	4%	0%	3%
<i>Management</i>	<i>Number</i>	1	-	1	0	0	0	1	0	1
	<i>Percentage</i>	3%	0%	2%	0%	0%	0%	2%	0%	2%
<i>Head/ Coordination</i>	<i>Number</i>	4	0	4	4	4	8	5	6	11
	<i>Percentage</i>	4%	0%	3%	4%	6%	4%	5%	10%	7%
<i>Technical/ supervision</i>	<i>Number</i>	5	1	6	12	5	17	14	5	19
	<i>Percentage</i>	4%	2%	4%	9%	10%	9%	74%	26%	100%
<i>Administrative</i>	<i>Number</i>	-	-	0	-	-	0	25	41	66
	<i>Percentage</i>	-	-	-	-	-	-	1%	7%	100%
<i>Operational</i>	<i>Number</i>	162	57	219	344	83	427	382	59	441
	<i>Percentage</i>	9%	8%	9%	13%	9%	12%	87%	13%	100%
<i>Trainees</i>	<i>Number</i>	0	0	0	0	0	0	1	1	2
	<i>Percentage</i>	0%	0%	0%	0%	0%	0%	20%	25%	100%
<i>Total</i>	<i>Number</i>	176	58	234	362	92	454	430	112	542
	<i>Percentage</i>	8%	7%	8%	12%	9%	11%	12%	9%	11%

PERCENTAGE OF PEOPLE WITH DISABILITIES (PWD) BY EMPLOYMENT CATEGORY

		2017			2018			2019		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Executive Board	Number	0	0	0	0	0	0	0	0	0
	Percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Management	Number	1	0	1	1	0	1	1	0	1
	Percentage	2.86%	0.00%	1.89%	1.96%	0.00%	1.37%	2.27%	0.00%	1.59%
Head/ Coordination	Number	0	0	0	0	0	0	0	0	0
	Percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Technical/ supervision	Number	1	0	1	1	0	1	1	1	2
	Percentage	0.81%	0.00%	0.61%	0.72%	0.00%	0.53%	0.73%	1.96%	1.06%
Administrative	Number	-	-	0	-	-	0	10	14	24
	Percentage	-	-	-	-	-	-	0.35%	2.48%	2.62%
Operational	Number	21	12	33	44	28	72	41	18	59
	Percentage	1.13%	1.72%	1.29%	1.64%	3.20%	2.02%	69.49%	30.51%	100.00%
Trainees	Number	0	0	0	0	0	0	0	0	0
	Percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	Number	23	12	35	46	28	74	53	33	86
	Percentage	1.06%	1.47%	1.17%	1.50%	2.72%	1.81%	1.50%	2.60%	1.79%

RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN, BY EMPLOYMENT CATEGORY  GRI 405-2

		2017			2018			2019			
		Base salary (R\$)	Remuneration (R\$)	Ratio	Base salary (R\$)	Remuneration (R\$)	Ratio	Base salary (R\$)	Remuneration (R\$)	Ratio	
Executive Board	Women	R\$ 15,616.20	R\$ 29,135.31	1.87	R\$ 23,176.57	R\$ 43,474.06	1.88	R\$ 29,761.03	R\$ 54,675.26	1.84	
	Men	R\$ 28,471.47	R\$ 57,692.29	2.03	R\$ 29,860.12	R\$ 61,585.98	2.06	R\$ 24,556.49	R\$ 42,725.39	1.74	
Management	Women	R\$ 16,523.74	R\$ 32,906.37	1.99	R\$ 18,697.73	R\$ 37,889.67	2.03	R\$ 18,944.84	R\$ 39,209.66	2.07	
	Men	R\$ 17,783.61	R\$ 37,374.78	2.10	R\$ 18,786.02	R\$ 37,186.45	1.98	R\$ 18,026.41	R\$ 39,816.97	2.21	
Head/Coordination	Women	R\$ 6,619.56	R\$ 13,184.26	1.99	R\$ 7,381.71	R\$ 15,127.86	2.05	R\$ 7,007.35	R\$ 13,768.67	1.96	
	Men	R\$ 7,210.57	R\$ 13,757.36	1.91	R\$ 7,828.92	R\$ 14,973.00	1.91	R\$ 8,229.82	R\$ 15,956.37	1.94	
Technical/supervision	Women	R\$ 2,511.66	R\$ 5,758.19	2.29	R\$ 2,778.60	R\$ 5,672.58	2.04	R\$ 3,474.70	R\$ 6,694.77	1.93	
	Men	R\$ 3,009.07	R\$ 6,724.92	2.23	R\$ 3,244.91	R\$ 7,371.73	2.27	R\$ 3,594.78	R\$ 7,537.41	2.10	
Administrative	Women							R\$ 2,667.37	R\$ 5,736.63	2.15	
	Men							R\$ 3,036.29	R\$ 6,608.53	2.18	
Operational	Women	R\$ 1,963.14	R\$ 4,439.81	2.26	R\$ 2,201.72	R\$ 4,960.94	2.25	R\$ 1,698.57	R\$ 4,225.11	2.49	
	Men	R\$ 1,698.42	R\$ 4,396.28	2.59	R\$ 1,782.31	R\$ 4,702.89	2.64	R\$ 1,669.19	R\$ 4,465.38	2.68	
Trainees	Women	R\$ 4,797.94	R\$ 9,927.44	2.07	R\$ 4,872.30	R\$ 8,860.09	1.82	R\$ 5,042.83	R\$ 9,492.65	1.88	
	Men	R\$ 4,797.94	R\$ 10,528.24	2.19	R\$ 4,872.30	R\$ 8,832.67	1.81	R\$ 5,042.83	R\$ 9,481.33	1.88	

EMPLOYEE TRAINING ON HUMAN RIGHTS POLICIES OR PROCEDURES
 GRI 412-2

	2017	2018	2019
Total number of hours devoted to training on Human Rights	69,724	348,907	125,382
Total number of employees	3,081	4,239	4,545
Total number of employees trained in Human Rights	5,626	6,836	6,894
Percentage of employees trained in Human Rights	182.60%	161.26%	151.68%

NEW SUPPLIERS THAT WERE SCREENED USING SOCIAL CRITERIA
 GRI 414-1

	2017	2018	2019
Total number of new suppliers that were considered for hiring	913	1,645	2,423
Total number of new suppliers that were hired using social criteria	913	1,645	2,423
Percentage of new suppliers that were hired using social criteria (%)	100.00%	100.00%	100.00%

GRI CONTENT

index

GRI 102-55

Topics (GRI)	Disclosures (GRI)	Description	Page/answer	UN Global Compact	UN Sustainable Development Goals
<i>GRI 100: General disclosures</i>					
Organizational profile	102-1	Name of the organization	8		
	102-2	Activities, brands, products, and services	8		
	102-3	Location of headquarters	8		
	102-4	Location of operations	8 and 15		
	102-5	Ownership and legal form	8 and 14		
	102-6	Markets served	8 and 15		
	102-7	Scale of the organization	8 and 21		
	102-8	Information on employees and other workers	8, 84, 111		8
	102-9	Supply chain	90		
	102-10	Significant changes to the organization and its supply chain	9		
	102-11	Precautionary principle or approach	48		
	102-12	External initiatives	32		
	102-13	Membership of associations	95		
Strategy	102-14	Statement from senior decision-maker	3		
	102-15	Key impacts, risks, and opportunities	48		

Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	10, 13 and 47	
	102-17	Mechanisms for advice and concerns about ethics	47	
Governance	102-18	Governance structure	41	
Stakeholder engagement	102-40	List of stakeholder groups	9, 82 and 109	
	102-41	Collective bargaining agreements	84	8
	102-42	Identifying and selecting stakeholders	109	
	102-43	Approach to stakeholder engagement	82	
	102-44	Key topics and concerns raised	109	
Reporting practice	102-45	Entities included in the consolidated financial statements	109	
	102-46	Defining report content and topic Boundaries	109	
	102-47	List of material topics	109	
	102-48	Restatements of information	None.	
	102-49	Changes in reporting	None.	
	102-50	Reporting period	109	
	102-51	Date of most recent report	april 2019.	
	102-52	Reporting cycle	109	
	102-53	Contact point for questions regarding the report	109	
	102-54	Claims of reporting in accordance with the GRI Standards	109	
	102-55	GRI content index	122	
<i>GRI 200: Economic Standards</i>				
Economic performance	103 201	Management approach	26, 37, 48 and 69	
	201-1	Direct economic value generated and distributed	81	2, 5, 7, 8 and 9
	201-2	Financial implications and other risks and opportunities due to climate change	We are aware that climate change and other effects from environmental factors can influence water availability and, consequently, reduce revenue, increase operating costs, reduce credibility and even result in lawsuits. However, we do not yet have a system in place to measure financial implications and other risks and opportunities related to climate change. Our risk management structure is described on page 48.	13

Indirect economic impact	103 203	Management approach	26, 37, 48 and 69		
	203-1	Infrastructure investments and services supported	60, 66		2, 5, 7, 9 and 11
Anti-Corruption	103 205	Management approach	37 and 44		
	205-2	Communication and training about anti-corruption policies and procedures	45, 46, 47 and 112	10	16
Anti-competitive behavior	103 206	Management approach	37 and 44		
	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	None.		16
<i>GRI 300: Environmental Standards</i>					
Energy	103 302	Management approach	31, 33, 35 and 97		
	302-1	Energy consumption within the organization	100	7 and 8	7, 8, 12 and 13
	302-4	Reduction of energy consumption	100	8 and 9	7, 8, 12 and 13
Water	103 303	Management approach	31, 33, 35 and 97		
	303-1	Water withdrawal by source	102	7 and 8	6 and 7
	303-3	Water recycled and reused	103	8	6, 8 and 12
Biodiversity	103 304	Management approach	31, 33 and 97		
	304-2	Significant impacts of activities, products, and services on biodiversity	Description of impacts on page 113. Sewage treated by the concessionaires mitigates water pollution and, consequently, preserves the environment. The extent of areas impacted is limited to the perimeter of the facilities of the units that are part of the water and sewage system, and the activities carried out require minimum intervention. These are short-term impacts, since treated wastewater easily decomposes in nature. Impacts may have medium duration only in the event of accidents involving chemicals. However, they are reversible in all respects.	8	6, 14 and 15
Effluents and waste	103 306	Management approach	31, 33 and 97		
	306-1	Water discharge by quality and destination	104	8	3, 6, 12 and 14
	306-3	Significant spills	None. We consider leaks to be material if included in the organization's financial statement (due to liabilities and resulting responsibilities) or recorded as leaks by the organization.	8	3, 6, 12, 14 and 15
	306-5	Water bodies affected by water discharges and/or runoff	105	8	6 and 15

Environmental compliance	103 307	Management approach	31, 33 and 97		
	307-1	Non-compliance with environmental laws and regulations	None.	8	16
<i>GRI 400: Social Standards</i>					
Occupational health and safety	103 403	Management approach	31, 33 and 84		
	403-1	Workers representation in formal joint management-worker health and safety committees	87		8
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	113		3 and 8
	403-3	Workers with high incidence or high risk of diseases related to their occupation	Pursuant to the Environmental Risk Protection Program (PPRA), we have identified, evaluated and recognized the exposure of our workforce to health risks and, above all, we have put in place control measures. The main risk is associated with the maintenance process of the sewer system and sewage treatment plants, where exposure to biological agents could occur. Control measures include the distribution of personal protective equipment (gloves, safety glasses, waterproofing kits, among others), as well as training and inspections in order to determine adherence of employees to the required safety procedures.		3 and 8
	403-4	Health and safety topics covered in formal agreements with trade unions	Information regarding occupational health and safety follows the regulatory standards set out by the Ministry of Labor and Employment (MTE) and there is no criterion more restrictive than the legislation.		8
Training and education	103 404	Management approach	54 and 84		
	404-1	Average hours of training per year per employee	86 and 115	6	4, 5 and 8
Diversity and equal opportunity	103 405	Management approach	54 and 84		
	405-1	Diversity of governance bodies and employees	43 and 116	6	5 and 8
	405-2	Ratio of basic salary and remuneration of women to men	121	6	5, 8 and 10
Child labor	103 408	Management approach	31 and 44		
	408-1	Operations and suppliers at significant risk for incidents of child labor	None.	5	8 and 16

Forced or compulsory labor	103 409	Management approach	31 and 44		
	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	None.	4	8
Rights of indigenous peoples	103 411	Management approach	31 and 44		
	411-1	Incidents of violations involving rights of indigenous peoples	None.		2
Human rights assessment	103 412	Management approach	31 and 44		
	412-1	Operations that have been subject to human rights reviews or impact assessments	100%.	1	
	412-2	Employee training on human rights policies or procedures	45, 47 and 121	1	
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	90	2	
Local communities	103 413	Management approach	31, 54 and 91		
	413-1	Operations with local community engagement, impact assessments, and development programs	58 and 91	1	
Public policy	103 414	Management approach	31 and 90		
	414-1	New suppliers that were screened using social criteria	90 and 121		5, 8 and 16
Políticas públicas	103 415	Management approach	44 and 95		
	415-1	Political contributions	None. We do not make donations to political parties or individual politicians (Law No. 9,504/97).	10	16
Customer health and safety	103 416	Management approach	97		
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	At corporate level, we do not yet control this type of impact upon customers.		
Customer privacy	103 418	Management approach	44		
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	None.		16
Socioeconomic compliance	103 419	Management approach	44		
	419-1	Non-compliance with laws and regulations in the social and economic area	None.		16

CORPORATE
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