

Classification and Environmental and Social Strategy (ESS) AEGEA Aguas do Rio (13679-01) – BRAZIL

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1. Project Scope and Objective and IDB Invest Participation

In April 2021, Aegea and its subsidiary Águas do Rio (the “Client”) won a concession auction from the Rio de Janeiro Potable Water and Sanitation State Company (“CEDAE”) to provide for 35 years potable water and sewerage services for 99% and 90% of the population, respectively, living in Concession Blocks 1 & 4 in Rio de Janeiro State (the “Project”). Block 1 includes 18 municipalities in Rio de Janeiro State and Rio de Janeiro’s South Zone (State Capital), while Block 4 will cover 8 additional municipalities including the Rio de Janeiro’s North Zone (State Capital).

Project activities will include the construction, operation, recovery, and maintenance of sanitation infrastructures, including new water pipelines, potable water and sewage treatment plants, sewers, elevation and charge towers, water reservoirs and other. Existing infrastructure will be recovered, operated, and maintained throughout the concession period.

The Project will be mostly implemented in urban areas, including vulnerable communities in the city of Rio de Janeiro.

2. Classification and Environmental and Social Strategy

The Project has been pre-classified in Category B, in accordance with IDB Invest's Environmental and Social Sustainability Policy, because its potential environmental or social impacts and risks are deemed to be limited to the Project site and can be mitigated via measures that are readily available and feasible to implement in the context of the proposed operation. Its final classification will be determined after the process of Environmental and Social Due Diligence (“ESDD”) is done.

Most the Project activities will be carried out in urban contexts and, according to Brazilian regulations, will not require environmental licenses or the preparation of Environmental and Social Impact Assessments (“ESIAs”). However, the new larger infrastructure to be constructed by the Project, such as the water treatment plants (“WTPs”) and sewage treatment plants (“STPs”) among others, may require the preparation of ESIAs prior to the obtention of their corresponding environmental licenses.

The Project’s Environmental and Social Due Diligence (“ESDD”) will be performed by means of documentation review, virtual meetings with the Client and assessment of satellite imagery. The focal points of the assessment will include workers and community impacts including health and safety, traffic, air quality, noise disturbance and community resettlement. Biodiversity risks and impacts may be relevant at some Project locations and will be duly verified. Given the wide geographical distribution of the works,

site visits may be carried out by the IDB Invest and Consultants at specific sensitive locations, particularly those selected for the construction of new infrastructure. The Client will be required to ensure that the Project complies with the requirements of IDB Invest's Sustainability Policy and to close any identified gaps through an action plan.

Based on the information received and reviewed so far, the Performance Standards (“PS”) that the Project is likely to trigger are: PS1 Assessment and Management of Environmental and Social Risks and Impacts; PS2 Labor and Working Conditions; PS3 Resource Efficiency and Pollution Prevention and PS4 Community Health, Safety, and Security. PS5 Land Acquisition and Involuntary Resettlement; PS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources; PS7 Indigenous People; and PS8 Cultural Heritage may also be triggered at specific locations. The final determination of the PS triggered by the Project will be done by the end of the ESSD process.

Once the ESSD process is completed, an Environmental and Social Review Summary (ESRS) will be prepared and published on this website.

3. Additional Information

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In addition, affected communities can access IDB Invest’s Independent Consultation and Investigation Mechanism (ICIM) as follows:

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