Annual Report in Sustainability





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ABOUT THIS REPORT

For the third consecutive year, Aegea Saneamento e Participações S.A. is voluntarily publishing its Sustainability Report, with information on its operations and on initiatives undertaken to guarantee the sustainable development of the Company and the Company's stakeholders. **GRI G4-29 G4-30**

Like in previous editions, this publication follows the guidelines of the Global Reporting Initiative (GRI) – an international organization that is a reference in sustainability reporting; this report uses the "Core" option of the G4 version. All indicators are referenced throughout the text and may also be found in the GRI G4 Content Index, on page 68. GRI G4-32 The content – defined based on the materiality process (see the following item) – covers initiatives at the administrative headquarters and at controlled companies for the fiscal year of January 1 to December 31, 2015. The Sustainability Report was not submitted to external verification. **GRI G4-28** | G4-33

With a commitment to adopt the best accountability practices, this year criteria from the following were also used: of the Brazilian Association of Publicly Traded Companies (Abrasca), International Integrated Reporting Council (IIRC) guidelines and Global Compact principles, aimed at mobilizing the business community to adopt values related to human rights, labor relations, the environment and combating corruption. By aligning with these principles, the Company is signaling its intention to become a signatory. GRI G4-23

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MATERIALITY GRI G4-18 | G4-19 | G4-20 | G4-21

In an effort to hold a dialog on priorities, the content of this publication was defined based on the materiality process, according to GRI G4 guidelines. In 2014, Aegea gave an online survey to its stakeholders – customers and users, employees, investors and shareholders, partner financial institutions, concession grantor, suppliers, competitors and society – to identify the subjects they consider most relevant.

Definition of the material themes for this report considers the result of this consultation. However, in light of political, social and economic changes that significantly impact the basic sanitation sector and, especially, in an effort to continually enhance the report, the Company revised the material themes and indicators to show performance in the fiscal year in an even more transparent manner. Analysis of materiality covered the following axes: Impact, considering the Company's industry studies and documents; and Influence, covering a survey of the competition and overriding trends as well as a study of articles published in the Brazilian press from 2014 to 2015. As a result of this process, the material themes were revised, as shown in the table below:

THEME	Capitals (IIRC)	Aspects (GRI)	Indicators (GRI)	Global Compact
		Anti-corruption	G4-SO4	Principle 10
		Public policies	G4-SO6	Principle 10
Compliance, ethics and			G4-EN29	Principle 8
anti-corruption measures	Financial	_ Compliance	G4-SO8	No relation
			G4-PR9	No relation
		Customer privacy	G4-PR8	No relation
Economic and financial performance	Financial	Economic performance	G4-EC1	No relation
Management of operational efficiency	Manufactured and Intellectual	Water	G4-EN10	Principle 8
		Effluents and waste	G4-EN22	Principle 8
Customer health and safety	Social and Relationship	Customer health and safety	G4-PR2	No relation
		Product and service labeling	G4-PR5	26.0%
Universalization of basic sanitation	Manufactured	Indirect economic impacts	G4-EC7	No relation
		Water	G4-EN8	Principles 7 and 8
Risk management (financial, operational and impacts on communities)	Financial and Intellectual	Economic performance	G4-EC2	No relation
			G4-LA9	Principle 6
		Training and education –	G4-LA10	No relation
Attraction and retention of talent	Human	Diversity and equal opportunity	G4-LA12	Principle 6
		Equal remuneration for women and men	G4-LA13	Principle 6
		Investments	G4-HR2	Principle 1
		Biodiversity	G4-EN12	Principle 8
Protection of water resources,		Effluents and waste	G4-EN26	Principle 8
the environment (spring preservation) and biodiversity	Natural	Products and services	G4-EN27	Principles 7, 8 and 9
		General	G4-EN31	Principles 7, 8 and 9
Energy consumption and	Manufacturad	Foorgy	G4-EN3	Principles 7 and 8
use for operationalization	Manufactured	Energy -	G4-EN6	Principles 8 and 9
Respect for local communities,		Indigenous Rights	G4-HR8	Principle 1
environmental education and	Social and Relationship	Assessment	G4-HR9	Principle 1
programs to raise awareness		Local communities	G4-SO2	Principle 1

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In addition to these ten themes, information on the following aspects was included in this report in order to comply with Global Compact principles:

ASPECTS (GRI)	Indicators (GRI)	Global Compact
Investments	G4-HR1	Principle 2
Supplier Human Rights assessment	G4-HR10	Principle 2
Forced or compulsory labor	G4- HR6	Principle 4
Child labor	G4-HR5	Principle 5

To respond to the indicators, the Company organized a work group with employees from different areas, which was responsible for gathering information.

During the process of validating materiality, the Executive Board also chose to cover the Regulation, policies and pricing practices theme – pertinent to the current context of sustainability in the industry. There are no GRI G4 indicators connected to this theme.

For any questions related to the content of this publication, please contact the Finance and Investor Relations Department by e-mail at ri@aegea.com.br or by phone at +55 (11) 3818-8150. **GRI G4-31**

Good reading!

CORPORATE PROFILE

ABOUT AEGEA GRI G4-8

Aegea Saneamento e Participações S.A. is a Brazilian basic sanitation company operating as a manager of public concessions, with operations in every process in the entire water cycle: supply, collection and wastewater treatment. Headquartered in São Paulo (SP), at the end of 2015 the Company had 2,238 active employees working in 43 municipalities in eight states in Brazil, serving 3.5 million people daily. GRI G4-3 | G4-5 | G4-6 | G4-7 | G4-9 Created in 2010, the Company inherited 50 years of consolidated experience from Grupo Equipav. Nevertheless, with independent action and an attractive business plan, Aegea has gained other capital partners, such as the International Finance Corporation (IFC), the Government of Singapore Investment Corporation (GIC) and the Global Infrastructure Fund (GIF).



Also notable in the year was the number of households supplied with water, which was 12.9% higher compared to 2014. This increase is the result of the Águas de São Francisco, Águas de Paranatinga and Águas de Timon concessionaires joining the Company. The number of households receiving wastewater service grew by 5.2%, reflecting the results gained by the Prolagos and Águas Guariroba concessionaires.

2015 AVERAGE	Number of employees
Active	2,238
Sick pay	61.5
Maternity leave	11
Occupational accident insurance	15
Suspension of work contract	13.5



MISSION, VISION AND VALUES

GRI G4-56

MISSION | Implement sanitation solutions with excellence and corporate security, contributing to the improved quality of life of the publics served.

VISION | To be recognized as the best company in the development and management of sanitation business in Brazil and a global reference in the market.

VALUES | Accessibility, Austerity, Collaboration, Continuous Improvement, Social Responsibility, Transparency.

STRUCTURE GRI G4-4

Concessionaires are spread across 43 municipalities, consolidated in six regions: North, East, São Paulo, Center, West and South. In striving to optimize resources and gain savings of scale, the Company also relies on two structures that work in a matriarchal way to support each operation: the Aegea Administrative Center (CAA), located in Santa Bárbara d'Oeste (SP), responsible for consolidating data, closing balance sheets and audits, internal policies, financial statements and other processes connected to the administrative and human resources areas; and Aegea Engenharia (formerly Engepav Engenharia Ltda.), developing Aegea technologies, including the Loss Management and Control System, establishing standards that contribute to operational efficiency.





*Population in 2015 as estimated by the IBGE in 2010.

	REGIONAL	Operational Unit	Municipality	
	North	Águas de Timon	Timon (MA)	
MAIN BUSINESS UNITS	NOTTI	Águas de São Francisco	Barbacena (PA)	
		Águas de Meriti	São João de Meriti (RJ)	
			Armação dos	
			Búzios (RJ)	
	East	Prolagos	Arraial do Cabo (RJ)	
			Cabo Frio (RJ) Iguaba Grande (RJ)	
			São Pedro da Almeida (RJ)	
		Águas do Mirante	Piracicaba (SP)	
	São Paulo	Águas de Matão	Matão (SP)	
		Águas de Holambra	Holambra (SP)	
			Campo Verde (MT)	
			Carlinda (MT)	
			Cláudia (MT)	
			Jangada (MT)	
			Jauru (MT)	
			Marcelândia (MT)	
			Nortelândia (MT) Pedra Preta (MT)	
			Peixoto de	
			Azevedo (MT)	
			Poconé (MT)	
			Primavera do Leste (MT)	
			Santa Carmen (MT)	
			São José do Rio Claro (MT)	
	West	Nascentes do Xingu	Sorriso (MT)	
		aovinga	União do Sul (MT)	
			Vera (MT)	
			Porto Esperidião (MT)	
			Barra do Garça (MT)	
			Confresa (MT)	
			Guarantã do Norte (MT)	
			Matupá (MT)	
			Diamantino (MT)	
				Sinop (MT)
			Paranatinga (MT)	
Learn more about the			Novo Progresso (PA)	
main business units on			Buritis (RO)	
page 43.			Pimenta Bueno (RO)	
		Águas de Penha	Rolim de Moura (RO) Penha (SC)	
	Couth	Águas de Camboriú	Camboriú (SC)	
	South	Águas de São	São Francisco	
		Francisco do Sul	do Sul (SC)	

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2015 HIGHLIGHTS

MAIN INDICATORS

AEGEA IN NUMBERS	2015	2014	2013
Municipalities served	43	35	29
Population served (millions)	3.5 ¹	2.61	32.9 ¹
Water system length (km)	10,380	9,547	7,420
Sewer system length (km)	4,266	4,178	3,589

WATER AND SEWAGE SAVINGS (THOUSANDS)

Water savings	788.8	698.9	554.9
Sewage savings	576.7	547.9	476.4
Total savings	1,365.5	1,246.8	1,031.3

BILLED WATER AND SEWAGE VOLUME (MILLIONS OF M³)

Billed water volume	129.7	108.2	93.0
Billed sewage volume	74.2	71.9	64.7

FINANCIAL INDICATORS

Aegea Rating – Fitch Rating	Aegea 'A+' (bra); Águas Guariroba 'AA-' (bra); Prolagos 'AA-' (bra)	Aegea 'A+' (bra); Águas Guariroba 'AA-' (bra); 'Prolagos 'AA-' (bra)	Aegea 'A+' (bra); Águas Guariroba 'AA-' (bra); 'Prolagos 'AA-' (bra)
Net operating revenue ² (BRL millions)	795.1	599.5	491.7
EBITDA (BRL millions)	402.6	294.9	224.2
EBITDA margin (%)	50.6	49.2	45.6

1. If seasonality is considered for the municipalities served by Prolagos, the population served could reach 3.7 million. **2.** Amounts do not include construction costs and revenue – CPC 17.

Eight concessions in seven new municipalities | Timon (MA), Paranatinga (MT), São João de Meriti (RJ), Pimenta Bueno (RO), Holambra (SP), Camboriú (SC), Penha (SC) and Rolim de Moura (RO).

Be Inspired Awards | The only Brazilian company awarded, Prolagos won first place in the Innovation in Water Network Analysis category.

RECOGNITION

Época Negócios 360° Annual Publication |

Aegea received the award for best company in the water and sanitation sector in the annual publication organized by *Época* magazine in partnership with Fundação Dom Cabral. Six management aspects are assessed to choose the best company in each category: financial performance, corporate governance, human resources practices, ability to innovate, future vision and social and environmental responsibility.

Sanitation Company of the Year | The Company was recognized by *Saneamento Ambiental* magazine in the private concession category. The publication's readers and directors choose the best company based on four criteria: expansion of wastewater treatment, rate of water loss, investments made in relation to the annual net operating revenue and revenue generated by number of employees.

15th edition of the Valor's Executive Excellence

Award Organized by the Valor Econômico newspaper, this award recognizes the best executives in Brazil. Headhunters select the winners based on management aspects, such as results, identification of opportunities for innovation and growth, and others. Hamilton Amadeo, CEO of Aegea, was awarded in the Water, Sanitation and Environmental Engineering category.

Be Inspired Awards | International award that brings together infrastructure professionals from various countries to promote best planning practices in engineering. In 2015, Prolagos (RJ) was the only company in Brazil selected to compete for the prize, winning in the Innovation in Water Network Analysis category, with the submission of its Water Master Plan.

Inclusive markets in Brazil The United Nations Development Programme (UNDP) and Fundação Dom Cabral recognized Aegea's social and environmental work in the municipalities where it operates, especially its Social Rates, offered to low-income families in order to democratize access to water and sewage services (learn more about this initiative on page 64). In addition to a trophy, winning companies' cases of success are included in the Inclusive Markets in Brazil: challenges and opportunities of the business ecosystem report, available at www.fdc.org. br/blogespacodialogo/Documents/2015.

1st Sustainability Award 2015 | Given out by the National Union of Private Concessionaires of Public Water and Sewer Services (Sindcon) and by the Brazilian Association of Private Concessionaires of Public Water and Sewage Services (Abcon), the award is aimed at fostering sustainable actions. Aegea received an honorable mention for the number of projects entered. In addition, Águas Guariroba (MS) won second place with two projects: Sistema de Auditorias Ambientais (Environment Audits System) – in the Management category) and De Olho no Óleo (in English An Eye on Oil – in the Institutional category).

Environmental Spotlight Award | The work of Águas do Mirante (SP) was recognized by the award given by the Municipal Environmental Defense Council of Piracicaba (Comdema). The concessionaire won in the Public Organization/Company category based on the social and environmental actions it has developed with the community (see page 64).

Chico Mendes Social and Environmental Award

Prolagos (RJ) was awarded in the Responsible Management category by Instituto Internacional de Pesquisa e Responsabilidade Socioambiental Chico Mendes, an international institute promoting social and environmental responsibility and research. This recognition is the result of three programs developed by the concessionaire: Sa.de Nota 10 (in English A+ Health), Afluentes (in English Affluents) and Saber Faz Bem (Knowledge is Good) (learn about these programs on page 64).

MESSAGE FROM

THE MANAGEMENT

Our work in 2015 reiterated the commitment we maintain to the development of the country and of Brazilians. This was a challenging period due to stagnation in the economy and early signs of a recession. Nevertheless, with the guidance of the members of the Board of Directors, we preserved cash and diversified sources of financing, in Brazil and abroad, in order to steer our trajectory towards growth aimed at universalizing access to water and collection and treatment of sewage. This direction prevented us from being affected by energy costs, for example, which rose above our projections.

Planning based on a scenario of critical situations is part of our essence and allows us to be less vulnerable to obstacles and hardships. As a result, we grew our operations to 43 municipalities, with new concessions in São Francisco do Sul (SC), Timon (MA), São João de Meriti (RJ), Pimenta Bueno (RO) and Holambra (SP). I believe that our work will be transformative for the residents of these cities, who will now have more quality and, consequently, more health. Our potential in this sense is expressed in the Águas de Matão (Matão – SP) unit, which we have managed for just one year, and the Águas do Mirante (Piracicaba – SP) unit, which achieved 100% treated sewage in 2015. Moreover, we maintained a sewage treatment coverage rate of over 62%; when compared to the national average of 48.6%, this places us at the forefront and motivates us to continue investing.

As a result of our competitive edges, year-overyear net revenue was 32.6% higher, ending 2015 at BRL795.1 million. Cash generated as measured by earnings before interest, depreciation and amortization (EBITDA) also grew 36.5% year-over-year, to BRL 402.6 million.

Results like these are the fruit of the work done by our 2,415 employees, who believe in our Mission and Vision and put them into practice. With the belief that talent development is fundamental to the success of operations, we rely on the Aegea Academy, a project created in 2014 as the result of studies and the involvement of several areas. Our employees are trained through the Academy. We hope that as of 2016 we will have the capacity to educate up to 400 professionals annually.



Driven by the national political context, we are also striving to enhance compliance practices; this has made our relations with municipal, state and federal governments even more transparent and has kept our reporting website, created in 2012, free of any reports related to unethical behavior on the part of any manager or employee.

Environmental conservation is another concern we have, which is why we planted trees during the year which will help to protect our springs, and tons of sludge from sewage treatment stations were used as fertilizer for reforestation.

The market recognized this work in search of excellence. We were listed as the best water and sanitation company in Brazil in the *Época Negócios 360°* annual publication, which looked at six dimensions of our management; internationally, Prolagos was a first-place winner in the Be Inspired Awards, which gather the best infrastructure projects from around the world.

Achievements such as these are cause for confidence. We ended 2015 with many lessons learned and we will be even stronger in 2016, when we expect to continue relying on the support of our stakeholders, to whom we extend our thanks for their contribution to our performance.

The Management

YEAR-OVER-YEAR NET REVENUE WAS 32.6% HIGHER, ENDING 2015 AT BRL795.1 MILLION **J** 01

STRATEGY AND MANAGEMENT

BUSINESS MODEL AND STRATEGY

GRI G4-8 | G4-DMA Economic performance Aegea operates in a market that encompasses 93% of the municipalities in Brazil, which are also served by local authorities or state basic sanitation companies – the private market currently accounts for only 8.7%. Nevertheless, the Company is forecasting intense growth, motivating it to follow its trajectory towards leadership in the water and sewage treatment services sector.





Two strategic fronts have been defined to grow the Company's market share: gains in operational efficiency and expansion of the coverage area. In relation to savings of scale and optimization of resources, the concessionaires count on support from the Aegea Administrative Center (CAA) and Aegea Engineering (see page 10). Also notable is the work of the Efficiency and Technology Center, which develops the Loss Management and Control System, and of the Loss Management Program, which covers actions integrated into the commercial, engineering and social responsibility areas (see page 34).

Provision of public services through municipal concessions allows for long-term contracts and, within our contracts, we have a customer portfolio with 87.2% residential users, better distributing the portfolio of receivables and therefore making it more secure.

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Aegea maintains a flexible management model, applicable to regions with populations of 13,000 to 854,000

COMPETITIVE ADVANTAGES

Firmly based on differences that make it outstanding in the sector, Aegea mixes rationality to adapt to regulations with sensibility to identify the demands of society. Notable among its biggest competitive advantages are:

Exclusive action in sanitation | Efforts are focused on treating and distributing water and on sewage treatment.

Focus on performance | The business model is structured so as to achieve results and operational efficiency.

Capacity to raise funding | With access to capital sources in Brazil and abroad, the Company has become a vehicle with operational excellence for financial agents.

Flexible management model Aegea is able to replicate a standard concession model, applicable to regions with populations of 13,000 to 854,000. This flexibility brings positive returns to shareholders and better quality services provided to the population.

Attraction and retention of talent | The Company invests in development of employees so that they can undertake challenges and grow professionally in pace with Aegea as it grows its presence nationwide (see the following item).

AEGEA ACADEMY GRI G4-DMA Training and education | G4-DMA Investments

One of the chief factors in Aegea's growth is constant investment in its intellectual capital. In this sense, it is worth noting the Aegea Administrative Center (CAA) in Santa Bárbara d'Oeste (SP), which works with management of training and qualification courses. Through knowledge management, the Company's standard concession model can be applied to new acquisitions, which also results in attracting and retaining talents.

In 2014, after maturing this method of operation, the Company set up the Aegea Academy, a new corporate education system that seeks to consolidate and spread competencies acquired in the water and sanitation sectors.

This structure is the result of in-depth studies done at the Nascentes do Xingu (MT), Águas Guariroba (MS) and Prolagos (RJ) unit and at corporate departments, such as the CAA. These studies allowed for a diagnosis of asset management and an in-depth staff analysis, aimed at noting the potential of employees and where they want to and can reach. That way, each employee can plan their career and learn the competencies that they need to develop.

In the first half of 2015, activities began at Aegea Academy with financial management modules for all trainees, directors and some managers. In the second half of the year, modules were administered related to maintenance planning and control and alignment between strategic planning and day-to-day tactics. A total of 317 employees took part in this learning. All received Academy certificates, with certificates issued by institutions recognized by the Ministry of Education (MEC) for undergraduate courses.

Aegea Academy is expected to consolidate in 2016, when it will have the capacity to educate up to 400 professionals. The Academy should triple in size by 2018.

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THREE-DIMENSIONAL ACTION

Activities at Aegea Academy are structured on three dimensions: levels of knowledge (operational, tactical or strategic); degree of maturity of concessions (o to 5 years old, 6 to 15 years old, and 15 to 35 years old); and types of assets (physical, human, information, financial and intangible). Courses are therefore developed in accordance with the particularities of concessions.

> CORPORATE GOVERNANCE AND COMPLIANCE

GRI GRI G4-56 | G4-SO4 | G4-DMA Child labor | G4-DMA Forced or compulsory labor | G4-DMA Indigenous rights | G4-DMA Anti-corruption | G4-DMA Compliance | G4-DMA Diversity and equal opportunity | G4-DMA Assessment | G4-DMA Supplier human rights assessment | G4-DMA Compliance

From the outset, Aegea has been based on ethical principles, shared with all employees, partners, suppliers and shareholders through the Code of Ethics. This is an instrument that heightens the transparency of the Company and its controlled companies in relations with stakeholders, in addition to clarifying standards of conduct for conducting business and making decisions. Notable among the topics of the code are principles of social justice and respect for human rights; criteria for contracting suppliers and service providers; and government relations, especially regarding the creation of public policies and compliance with applicable legal standards and regulations.

Since 1997 – with the publication of Law No. 9,504, the so-called Elections Act – public service concessionaires are among the sources prohibited from making contributions, as listed in article 24. Notwithstanding, a decision by Brazil's Federal Supreme Court (STF) in 2015 ruled that company donations to political parties are unconstitutional, communicating this theme much more clearly to society. Like its concessions, Aegea therefore makes no donations to political parties or to individual politicians. GRI G4-SO6 | G4-DMA Public policies

Further reinforcing its commitment to this theme, the Company invests in specific training for employees that have relationships with government and political bodies, while also maintaining the Ethics Channel, a portal created in 2012.

In 2016, Aegea Academy held an internal seminar on Compliance and Integrity, geared towards all Directors and key executives at all business units. This two-stage training course was aimed at educating the company's leaders on bad business practices and corruption. The first stage provided an overview of this topic, with history, applicable concepts, principles, objectives and the main rules of the law. Focused on practical application to the Aegea Group's operational activities, as well as to the professional routine of each participant, this stage also included case studies and analysis and discussion of typical situations. In the second stage, the conditions established in D&O Insurance were covered along with the Aegea Group's integrity policies, with an explanation of the 'Manual of Ethics and Conduct' and a description of how the 'Safe Contact' Reporting Channel works. The seminar culminated in the creation of the Integrity Management Group, made up of four internal professionals, from different areas of operation and regions, with the purpose of continuing the enhancement, expansion and spread of Aegea values and principles.

In relation to unfair competition, Aegea relies on Brazilian law and did not register any cases of this nature in the period covered by this report. GRI G4-S07 | G4-DMA Unfair competition

Furthermore, to keep its operations aligned, the Company maintains a solid corporate governance and compliance structure, based on the principles of transparency, equality, accountability and corporate responsibility. Practices include maintaining an independent member on the Board of Directors, reporting of audited quarterly results and the action of committees to deliberate on specific topics.

Community relations are based on communication channels and sustainability programs

Stakeholder engagement

In order to guarantee greater transparency in reporting information and to strengthen ties with its stakeholders, Aegea has an Investor Relations (IR) area, responsible for publishing material facts, releasing communications to the market and holding meetings with market analysts to discuss topics related to the Company's operations and performance. In addition, a phone conference is held on a quarterly basis to release results. GRI G4-26

Interaction with other stakeholders occurs through communication channels, the press and social media. In an effort to grow even stronger relations with communities, the Company maintains sustainability programs, such as Afluentes (Affluents) and Saúde Nota 10 (A+ Health) (see more on page 64). GRI G4-27



SHAREHOLDERS' MEETING

Shareholders meet ordinarily once yearly and extraordinarily whenever necessary at the Shareholders' Meeting. Based on proposals presented by the Board of Directors, the Shareholders' Meeting is responsible for deciding on distribution of dividends, considering of financial statements and electing members of the Board of Directors.

Three shareholders' meetings were held during the year. Notable among key decisions made this year are rectification of Aegea's capital amount, re-election of members of the Board of Directors and others.

COMPOSITION OF GOVERNANCE BODIES GRI G4-34

Composition of governance bodies GRI G4-LA12

BOARD/COMMITTEE	Total	Female (%)	Male (%)
Board of Directors	7	0	100
Executive Board	4	0	100
Audit, Risk and Finance Committee	3	0	100
Personnel Management Committee	3	0	100
Project Assessment Committee	3	0	100
Regulation Committee	3	33.33	66.67

AVERAGE BY AGE

BOARD/COMMITTEE	Total	Under 30 (%)	30 to 50 (%)	Over 50 (%)
Board of Directors	7	0	0	100
Executive Board	4	0	75	25
Audit, Risk and Finance Committee	3	0	0	100
Personnel Management Committee	3	0	33.33	66.67
Project Assessment Committee	3	0	66.67	33.33
Regulation Committee	3	0	33.33	66.67

BOARD OF DIRECTORS

The Board of Directors is the highest governance body and its role is to establish corporate policies and guidelines and to supervise and advise Management on execution of strategic planning.

This body is made up of at least three and at most seven members, at least one of which is independent. All are elected (and removed) by the Shareholders' Meeting to a one-year, re-electable term.



See the members of the Board of Directors at http://www.aegea.com.br/ri/english/board-of-directors/

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EXECUTIVE BOARD

The Executive Board is responsible for the management and operational and financial performance of the Company, always according to established guidelines and policies.

Directors are elected (and removed) by the Board of Directors, with the Executive Board having at least three and at most seven members, including one CEO and one CFO and Director of Investor Relations, with other directors having no specific designation.

NAME	Position
Hamilton Amadeo	Chief Executive Officer
Felipe Bueno Marcondes Ferraz	Chief Administrative Officer
Flávio Martins Tarchi Crivellari	Chief Financial Officer and Director of Investor Relations
Radamés Andrade Casseb	Chief Operations Officer





COMMITTEES

The Board of Directors (BD) is supported by four executive committees whose members meet regularly to study specific topics and advise on the creation of corporate policies and guidelines. These committees have three to five members, appointed by the BD to one-year, renewable terms. They are:

Audit, Risk and Finance Committee | Seeks to assure the quality and integrity of quarterly information and financial statements, as well as internal controls and audits.

Project Assessment Committee | Assesses risks and opportunities for projects that are in the study phase as well as potential investments.

People Management Committee | Responsible for evaluating the organizational structure and executive career plans as well as job and salary policies, variable pay and retention of talent.

Regulatory Committee | Monitors regulatory themes in the sanitation industry and advises on operational strategies based on forecasting of scenarios and assessment of risks and opportunities for the Company.



See a list of committee members at http://www.aegea.com.br/ri/english/board-of-directors/

RISK MANAGEMENT GRI G4-2 | G4-DMA Economic performance

Created to grow sustainably, Aegea operates looking to the long term. Although the Company does not have a system to measure the impacts of its activities, it does have a risk matrix and monitors global and national trends in an effort to forecast scenarios that may adversely affect its operations. Among the main risks monitored are:

Interest rate risk | Result of unfavorable fluctuations in the fair value of future cash flows as a result of the market's interest rates. This is a significant risk, considering long-term obligations that are subject to variation. To resolve this risk, various scenarios are simulated based on the main financial assets and liabilities – refinancing, renewal of existing positions and financing – to establish reasonable change in the interest rate and calculate the impact on results.

Credit risk | Losses resulting from non-receipt of amounts negotiated with financial institutions, borrowers or contract counterparties. To mitigate this risk, Aegea conservatively manages its cash position and its working capital. At the end of the fiscal year, the Net Debt to EBITDA ratio was at 2.91x.

Liquidity risk | Chance of lacking resources to meet obligations associated with financial liabilities, which could result in early liquidation of assets. Periodically, assessment is done on mechanisms and tools that allow for funding to be raised in order to reverse positions that could be prejudicial to the liquidity of the Company and its controlled companies. **Macroeconomic risks** | Financial conditions and the results of operations may be impacted as a result of interventions by federal, state and municipal governments in relation to public fees and other factors, such as inflation, monetary policies, economic and social instabilities, liquidity in the domestic financial market, changes in the price of electricity, tax policies and other events. Aegea has no control over these measures and is unable to predict them, but the Company does observe the national context and historical analyses in an effort to forecast scenarios and structure plans of action.

Default risk | Difficulty with collections due to users, including government organizations, having overdue accounts. Aegea has a low rate of default, due to initiatives such as Social Rates (see page 67), which guarantee access to the services provided.

Climate risk | Periods of heavy rainfall can cause flooding in some supply systems, resulting in operational and financial impacts to the Company. Among occurrences are paralyzation of supply and additional costs to adapt the water treatment process. On the other hand, during intense droughts, lower discharge from springs and reservoirs can interrupt the population's supply and require costs for use of alternative sources – such as implementation of water rationing and other measures – until provision of services is reestablished. Both factors can therefore cut into revenues, increase costs, result in legal actions and harm the Company's image. GRI G4-EC2

Pollution risk | Contamination of water collection sources used to supply users is another factor that could create additional costs and harm Aegea's reputation. Although water supplied to customers is subject to the potability standards set forth in federal and state laws, the Company is subject to contamination risks as a consequence of third-party actions, such as the dumping of chemical products in spring areas, use of agricultural inputs by rural landowners and other accidents. These factors may cause changes to the quality and quantity of gross available water, resulting in a need to use additional treatment materials and, consequently, increasing costs in order to meet demand.

Moreover, another factor that could compromise water quality is misuse of soil by rural landowners and mining companies, which may result in soil movement processes at spring areas, reducing the water's capacity for use at the Company's water treatment stations. There are also risks related to the environment, since any overflow from a sewage treatment station that affects neighboring properties could damage biodiversity and the Company's image. The occurrence of one or more of these factors could have a relevant prejudicial effect on the Company's business and results. That is why Aegea invests in expanding the sewer network to combat clandestine sewers, mitigating this risk.



Find more information on risk management at www.aegea.com.br/arquivos/aegea-fr-2015.pdf



SUSTAINABILITY MANAGEMENT

SUSTAINABILITY POLICY

GRI G4-DMA Economic performance | G4-DMA Indirect economic impacts | G4-DMA Energy | G4-DMA Water | G4-DMA Effluents and waste | G4-DMA Products and services | G4-DMA Compliance | G4-DMA Investment | G4-DMA Local communities

A commitment to sustainable development permeates all activities at Aegea, from governance to operation, and extends to suppliers, users, communities and other stakeholders. In a continual process of improvement, the Company has been formalizing its practices in this area. One of the most significant examples was the publication of the Sustainability Policy in 2014.

Split into three pillars, this policy steers establishment of strategic guidelines that result in organizational objectives. Upper Management carries out periodic assessments of the Company's performance in order to verify the efficacy of management and achievement of targets.

PILLARS	Guidelines
	Improvement of financial results
Economic Continued and sustainable enhancement of processes Constant search for innovative solutions that add value to the business	

MANAGEMENT STRUCTURE

To support the Sustainability Policy and guarantee fulfillment of proposed goals, Aegea maintains a management structure that aligns guidelines and monitors development of actions undertaken.

Sustainability Committee | Based on strategic recommendations, this body advises on planning of initiatives aimed at the Company's sustainability, in addition to indicating investment priorities and monitoring development of actions. Managers | Spread sustainability guidelines among their teams and lead application of initiatives planned with the guidance of the Sustainability Committee.

Internal committees | Work groups made up of employees and led by managers, executing initiatives and contributing to achieving the objects established in the Sustainability Policy.

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SUPPORTED CHARTERS, PRINCIPLES AND EXTERNAL INITIATIVES GRI G4-15

Aegea understands the responsibility of handling a natural resource and making it accessible to an increasing number of Brazilians. That is why over the Company's history, it has signed agreements and supported initiatives to extend respect for the environment beyond legal requirements and obligations inherent to its action.

Equator Principles | A set of international guidelines proposed by the International Finance Corporation (IFC) and employed by financial institutions in lending.

Earth Charter | Considered an important educational tool for building a more just, sustainable and peaceful society.

Pact for Sanitation | Launched in 2007 by the Rio de Janeiro state government, it contains goals for expanding the sewage collection and treatment system. Prolagos, a company controlled by Aegea, supports this initiative.

Atlantic Forest Restoration Pact | With support through Prolagos, the pact's mission is to articulate public and private institutions to restore the forest and preserve the biodiversity of the 17 states in this biome.

PARTICIPATION IN ASSOCIATIONS, COUNCILS AND ENTITIES GRI G4-16

Aegea keeps its doors open to communities in an effort to promote participatory management, through which everyone can contribute to improving their communities. One of the most significant examples is the Affluents Program, fostering dialog between the Company and community leaders (learn more on page 64).

Concessionaires also take part in associations, councils and committees at the locations where they operate, aimed at environmental conservation and other industry-related objectives. Among the main organizations supported, the following are noteworthy:

Prolagos (RJ)

- Lagos São João Consortium
- Lagos São João Basins Committee
- State Water Resources Council of Rio de Janeiro
- Municipal Environmental Councils of Arraial do Cabo, Cabo Frio, Armação dos Búzios, Iguaba Grande and São Pedro da Aldeia

Águas Guariroba (MS)

- State Water Resources Council
- Environmental Council of the Environmental Protection Area of the Lageado Stream
- Environmental Council of the Environmental Protection Area of the Guariroba Stream
- Anhanduí River Environmental Monitoring Committee

Águas de Mirante (SP)

- Piracicaba, Corumbataí and Jundiaí (PCJ) Consortium
- Intermunicipal Consortium of the Piracicaba, Capivari and Jundiaí River Basins

RELATIONSHIP WITH THE CAPITAL MARKET

The Investor Relations (IR) team mediates the Company's relationship with shareholders. The team can be reached daily by phone at +55 11 3818-8150, by e-mail at ri@aegea. com.br and online at www.aegea.com.br/ri (through the Contact IR channel).

Material facts and market communications are published at the online IR address, always according to the Code of Ethics (see page 19) and to the Reporting Policy, available at www.aegea.com.br/ri/politica-dedivulgacao. Visits to the units, quarterly phone conferences on results and meetings between directors and market analysts are also promoted in an effort to detail operations and discuss performance. 02

OPERATING PERFORMANCE

INDUSTRY CONTEXT

According to a study by the National Confederation of Industry (CNI), which is based on official data on industry projects, basic sanitation services in Brazil will achieve universalization after 2050, more than 20 years later than the date projected by the National Basic Sanitation Plan (PlanSab). The plan, which was regulated in 2013 by the Ministry of Cities, through the National Secretariat of Environmental Sanitation, contains investment guidelines so that the target established by the federal government is achieved: universalization of water service (100%) by 2033, with around 90% of households being served by sewer systems by 2043.

THE OWNER OF STREET

PlanSab plans for an integrated approach of basic sanitation services on four fronts: potable water supply; sanitary sewerage; urban cleaning and solid waste management; and draining and management of urban storm water.



To achieve results, private companies have operated in the industry since 2004 through full or partial concessions, or through public-private partnerships. Moreover, various initiatives have been proposed by the government.

However, even with the launch of the Growth Acceleration Program (PAC) in 2007, which was aimed at promoting execution of major social, urban, logistics and energy infrastructure works, the country has made little advancement. According to 2014 data from Instituto Trata Brasil, which looks at industry works, of the 330 relevant sanitation projects monitored in the PAC, only 26% of sewer and 33% of water projects were concluded.

According to a study by the CNI – based on data up to 2013 from the National Household Sample Survey (PNAD) – the volume of households served by sewer systems in Brazil went from 40% to 48% from 1996 to 2006, with this indicator reaching 58% from 2007 to 2013.

In relation to the water system, households served went from 76% to 84% from 1996 to 2006. Progress over the next seven years (with the creation of the PAC) was just one percentage point (85%).



Households served by sewer systems (%)

Households served by water supply (%)



Source: National Confederation of Industry (CNI). Survey was not done in 2000 and 2010.

Source: National Confederation of Industry (CNI). Survey was not done in 2000 and 2010.



Based on this study, investment would need to be doubled to meet the PlanSab target. That is because at the current pace, targets established would only be achieved in 2043 (water services) and 2053 (sewer services). In 2009, for example, sanitation expenditures reached BRL10 billion, but they have remained at this level since then. One reason for the lack of resources is the difficulty companies responsible for sanitation, which are mostly state-owned, have to reduce losses. According to the CNI, 37% of water distributed is not received, which hinders collection of resources to continue investing.

Bureaucracy in approving funding is also one of the causes of the sector's poor performance. According to this same survey, it can take up to 22 months from the time a sanitation project is submitted until funding is made available.

Sanitation expenditures (BRL billions)



Source: National Confederation of Industry (CNI). Constant numbers based on the Extended National Consumer Price Index (IPCA), with information from Brazil's National Sanitation Information System (SNIS, its acronym in Portuguese). The goal of PlanSab is to achieve universalization of water service, reaching 100% by 2033

BRAZIL: LOW WATER AND SEWAGE COVERAGE AND TREATMENT

The low level of investment by public companies has created a significant deficit in water and sewage coverage and treatment.



*Considering that total sewage is equal to water consumption. Source: SNIS 2014 (National Sanitation Information System).

BRAZIL: SANITATION DEFICIT

Water service

Despite the country having an urban service rate of 93%, only 59% is considered to be adequately served.



Sanitary sewage

Low rates of sewage collection and treatment.





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In 2015, the private sector began to serve 304 municipalities, up by 2.37% In addition to making achievement of national targets unfeasible, the lack of investments in sanitation results in damages to the health system, with a high number of people who are ill, leaving companies with absences at work and a lack of infrastructure for investments.

Nevertheless, more and more space is opening up in the sector for private companies to act through (full or partial) concessions or through Public-Private Partnerships (PPPs) to help the government in improving these sanitation deficits.

DIVISION OF COMPANIES IN THE SECTOR

Total municipalities in 2014	Total municipalities in 2015
3,891	4,012
890	890*
297	304
	3,891 890

Source: Brazilian Association of Private Concessionaires of Public Water and Sewage Services (ABCON) and Brazilian Association of State Sanitation Companies (Aesbe). *Data related to municipal companies for 2015 has not yet been released.

REGULATORY FRAMEWORK

Law No. 8,987, dated February 13, 1995 | Covers the concession regime and permission to provide public services, as established in article 175 of the Federal Constitution.

Law No. 11,079, dated December 30, 2004 Institutes general rules for bids and contracting of public-private partnerships under the auspices of government administration (federal, state and municipal governments and the government of the Federal District).

Law No. 11,107, dated April 6, 2005 | Covers general rules for contracting public consortiums at the federal, state and municipal levels and by the Federal District.

Law No. 11,445, dated January 5, 2007 | Establishes national basic sanitation guidelines. Also defines federal government rights and obligations to establish regulation and plan policies for the sector. **National Basic Sanitation Plan (PlanSab)** | Established by Law No. 11,445, it consists of planning based on the strategic vision of Basic Sanitation in Brazil.

CONSOLIDATED COMPANY PERFORMANCE

Aegea ended the fiscal year with operations in 43 municipalities, in which it serves 1,365,526 water and sewer economies daily, accounting for a 9.5% increase compared to the previous year, when the total was 1,246,845.

This growth is the result of the acquisition of sanitary services concessions in São Francisco do Sul (SC), Timon (MA), Holambra (SP) and Camboriú (SC), controlled by the Aegea company, and in Paranatinga (MT), Pimenta Bueno (RO) and Rolim de Moura (RO), controlled by the Nascentes do Xingu holding (see page 48).

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AEGEA GROWTH

Municipalities served



With a larger customer base, the billed volume of water was 19.9% higher year-over-year, while billed sewer volume grew by 3.2%.

BILLED VOLUME (THOUSANDS OF M ³)	2015	2014	Variation (%)
Water	129,683	108,205	19.8
Sewer	74,197	71,904	3.2

To maintain the pace of growth and seize opportunities in 93% of the Brazilian municipalities still served by local governments or state companies (see page 28), the Company invests in constantly finding gains in operational efficiency and savings of scale.

In this sense, it is worth mentioning the work of the Efficiency and Technology Center, which develops the Loss Management and Control System, and of the Loss Management Program, which covers actions integrated into the commercial, engineering and social responsibility areas.

As a result, Aegea is at 36.7% in the consolidated average rate of loss in distribution,' which is less than the national average (39%) and includes real and apparent losses. The only reason the Company did not have more significant performance was because of the rate of loss of newly acquired companies, which is usually higher than already consolidated companies. However, insofar as the Company's standard of management is applied to each operation, the rate falls, as can be seen on page 43, which shows operational performance by operation. For instance, the Águas Guariroba concessionaire had total distribution losses of 17% for the year.

In 2015, higher electricity costs impacted the sector at above the Company's projections, due to extraordinary readjustments in prices by Brazil's National Electric Energy Agency (Aneel) (see page 51). Nevertheless, consumption of Kwh per cubic meter of water produced and sewage treated dropped from 0.72 to 0.64, even when considering newly acquired companies.

 $\label{eq:linear} \begin{array}{l} \textbf{I}. \mbox{ Rate of Losses in distribution (\%) is calculated as follows: (Vol. of water produced (m²) + Vol. of Treated water Imported (m²) - Vol. service water (m²)) - Vol. water consumed (m²) + Volume of water produced (m²) + Volume of treated water imported (m²) - Vol. service water (m²). \end{array}$



(millions)



Number of economies served (thousands)



PRICING STRUCTURE

PRICE READJUSTMENTS IN 2015

OPERATION	Municipality	Readjustment (%)
Águas de Barra do Garças	Barra do Garças	9.3 (1T) and 19.40 (3T)
Águas de Santa Carmem	Santa Carmem	2.63
Águas de Nortelândia	Nortelândia	2 adjustments of 10%
Águas de Confresa	Confresa	6.58
Basic sanitation of Jangada	Jangada	7.02 (1T) and 21.06 (3T)
Águas de Poconé	Poconé	5.94 (1T) and 19.40 (2T)
Águas de Matão	Matão	7.85
Águas de Campo Verde	Campo Verde	4.24
Águas de Cláudia	Cláudia	5.71
Águas de São Francisco	Barcarena	5.32
Águas de Jauru	Jauru	11.18
Águas de Primavera do Leste	Primavera do Leste	6 adjustments of 2%
Águas Guariroba (Electricity)	Campo Grande	8.35
Águas Guariroba (Annual)	Campo Grande	10.36
Prolagos (Electricity)	Arraial do Cabo, Iguaba Grande, São Pedro d´Aldeia, Cabo Frio and Búzios	7.5
Prolagos (Annual)	Arraial do Cabo, Iguaba Grande, São Pedro d´Aldeia, Cabo Frio and Búzios	9.41
Águas de São Francisco do Sul	São Francisco do Sul	4.89
Águas de Diamantino	Diamantino	7.70
Águas de São José	São José	7.29

Extraordinary readjustments approved in 2015:

Prolagos: May/15/2015. Revised by 7.5%.

Guariroba: May/29/2015: Revised by 8.35%.

Aegea makes constant investments in actions aimed at attaining gains in operational efficiency


IMPACT OF THE BUSINESS GRI G4-EC7

In 2015, Aegea and its controlled companies invested BRL339 million in infrastructure works, which included implementation of treatment stations, extensions of the water and sewer system and expansion of the sewage transport and treatment system.

Among the positive impacts seen are a lower incidence of illnesses related to lack of sanitation, reduced public health expenditures on the part of the government, greater collection of municipal taxes, appreciation of properties served by the supply and collection network and, finally, tourism stimulus.

Moreover, local development occurs through the economy, since the company works directly with job creation and gives preference to local suppliers, whenever possible.

WATER

GRI G4-DMA Water

Aegea serves 3.5 million people in 43 municipalities every day. To bring water to all of these households, the companies withdrew over 218 million square meters of surface water (such as rivers and lakes) and groundwater (such as aquifers and artesian wells).

The Company operates in compliance with the law and removal of water does not significantly affect water sources. Funding is approved pending authorization from environmental agencies, according to feasibility and availability, in order to guarantee that the Company will meet the environmental resolutions and norms of the agencies responsible.

TOTAL WATER WITHDRAWN BY SOURCE (M³/YEAR) GRI G4-EN8

	PROLAGOS		GUARIROBA		XINGU ¹	
	2014	2015	2014	2015	2014	2015
Surface water, including humid areas, rivers, lakes and oceans	35,515,384	37,053,368	48,123,936	41,925,095	6,963	16,290,083
Groundwater	0	0	39,388,464	41,002,534	16,929	37,444,723
Total water withdrawn by source	35,515,384	37,053,368	87,512,400	82,927,629	23,892	53,734,806

	TIMON		MAT	ÃO	SÃO FRANCISCO DO SUL		SÃO FRANCISCO	
	2014 ²	2015	2014	2015	2014	2015	2014	2015
Surface water, including humid areas, rivers, lakes and oceans		0	0	0	0	4,810,664	_	-
Groundwater		18,963,648	5,160,000	9,132,301	0	0	4,660	5,032,657
Total water withdrawn by source		18,963,648	5,160,000	9,132,301	0	4,810,664	4,660	5,032,657

1. In 2015, the Barra do Garças operations were incorporated into Nascentes do Xingu. 2. There were no operations.

Focused on a more sustainable process, Aegea reuses water that would be discarded at Water Treatment Stations (WTSs)

During 2015, some units had a large increase in the total amount of surface water and groundwater and in the total volume of water removed. This amount is explained by the growth in the number of economies and in the number of units.

TOTAL WATER DISCHARGE IN 2015, BY QUALITY AND DESTINATION

GRI G4-EN22

UNIT Total volume of		Destination	Water quality – average efficiency	Treatment method	Water reused	
	water discharged		DBO %		Huter reased	
		1,383,563 m³/year — Hypersaline Lake;				
		3,765,894 m³/year – Hypersaline Lake;		Various treatment		
Prolagos	16,822,832 m³/year of treated sewage	6,435,173 m³/year – Hypersaline Lake;	75	systems, according to legal requirements of	26,280 m³/year	
		2,619,122 m³/year – Una River;		discharge standards		
		2,619,081 m³/year — Marina Channel				
Guariroba	29,163,369 m³/year of treated sewage	River	72	UASB, ICEAS	409,750 m³/year	
Mirante	37,986,825 m³/year of treated sewage	River	88	Main WWTSs: Extended aeration activated sludge	262,800 m³/year	
Matão	120,778 m³/year of treated sewage	São Lourenço do Turvo River	82	Extended aeration activated sludge	0	
Campo Verde (Xingu)	245,222 m³/year of treated sewage	River	72	UASB, followed by activated sludge and filter	0	
Cláudia (Xingu)	164,908 m³/year of treated sewage	Leda Stream	67	-	0	
Diamantino (Xingu)	31,483 m³/year of treated sewage	Caju River	79	Facultative lagoon	0	
Guarantã (Xingu)	65,596 m³/year of treated sewage	Stream	84	Activated sludge	0	
Pedra Preta (Xingu)	39,435 m³/year of treated sewage	Águas Claras Stream	62	Rock filter	0	
Porto Esperidião (Xingu)	12,974 m³/year of treated sewage	River		Facultative lagoon followed by maturation pond	0	
Primavera do Leste (Xingu)	1,365,525 m³/year of treated sewage	River	74	Australian stabilization pond system Anaerobic lagoon followed by facultative lagoon and three maturation ponds	0	
Sorriso (Xingu)	621,486 m³/year of treated sewage	River	82	Activated Sludge, UASB reactor, gas filter	0	

Other units have no WWTSs.

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REUSED WATER

In order to guarantee the sustainable use of natural resources and reduce losses across processes, Aegea reuses water used to wash Water Treatment Station (WTS) filters. It is stored in tanks, which also allow for rainwater to be collected and used. The resources, which would otherwise be discarded, therefore contribute to the city's supply. Moreover, the secondary Wastewater Treatment Stations (WWTSs) of Armação dos Búzios and tertiary WWTSs of São Pedro da Aldeia and Iguaba Grande work in partnership with local city halls to remove tanks of water, returning them for treatment. With these actions, 854,822 m³ of water were reused during the year, around 0.5%. **GRI G4-EN10**

TOTAL VOLUME OF WATER RECYCLED AND REUSED G4-EN10	Volume (m³/year)
Águas de Barra do Garças	65,700
Águas Guariroba	409,750
Águas do Mirante	262,800
Águas de Poconé	6,844
Águas de Porto Esperidião	8,213
Águas de Primavera	33,763
Prolagos	26,280
Águas de São Francisco do Sul	41,472
Total	854,822

ENERGY GRI G4-EN3 | G4-EN6

GRI G4-DMA Energy

In 2015, the Company saw a spike in energy costs – totaling around 86.4% – due to a price readjustment by Brazil's National Electric Energy Agency (Aneel). Despite this, avoided Consumption of Kwh reached a total of 3 million, versus 199,798 kWh consumed. **GRI G4-EN3 | G4-EN6**

ENERGY	Consumed (kWh)	Avoided Consumption (kWh)	(%)
Aegea (total)	199,798,476	3,300,566	1.7
Águas Guariroba	81,622,556	1,734,988	2.1
Prolagos	44,737,255	15,200	0.0
Águas do Mirante	16,353,139	591,328	3.6
Nascentes do Xingu	32,252,982	831,802	2.6
Águas de Matão	10,124,645	127,248	1.3
Águas de São Francisco ¹	2,827,908	0	0.0
Águas de São Francisco do Sul ¹	2,780,360	0	0.0
Águas de Timon ¹	9,099,631	0	0.0

1. There was no avoided consumption, since these concessionaires started in 2015.

BIODIVERSITY

GRI G4-DMA Biodiversity | G4-DMA General

Aegea is concerned with preserving the environment and maintaining a fully functioning ecosystem, which is why water treatment is done at all units, pursuant to federal, state and municipal environmental legislation and in accordance with quality standards.

DESCRIPTION OF DIRECT AND INDIRECT IMPACTS AS A RESULT OF AEGEA ACTIVITIES GRI G4-EN12

ACTIONS	IMPACTS		
ACTIONS	Direct	Indirect	
	Better rates of quality in water courses	Improved quality parameters for the water resource, with the ability to increase the number of species	
mplementation of a anitary Sewer System	Substantial reduction in the effluent's pathogenic agents	With the better quality of the water resource, restoration of ecological processes can occur in the aquatic ecosystem and in associated ecosystems	
	Interventions in permanent preservation areas to implement an outfall and conversion of natural habitat to implement the structures necessary for collection, transport and treatment of sewage	Occupation of landfills for depositing sludge from the WWTS. At some Units (Guariroba), this sludge is being used to recover degraded areas	
	Quality of water supplied to the population, lowering the rate of waterborne illnesses		
nplementation of Water upply System	Interventions in permanent preservation areas and conversion of natural habitat to implement the structures necessary for collection, treatment and distribution	Occupation of landfills for depositing sludge from the WTS	

To guarantee monitoring and management of impacts, daily analyses are done of Araruama Lake (RJ) – covering a water surface of approximately 220 km², making it the world's largest permanent hypersaline lake ecosystem – and of the Una River (SP). Both were identified as habitats affected by disposal of the Company's water and are considered protected areas. Other units rely on work to monitor watercourses that receive discharged water. Moreover, Aegea has specific initiatives to mitigate environmental impacts. GRI G4-EN26 In relation to fauna, an estimated 39 species of fish live in Araruama Lake, 31 in Saquarema Lake, 89 in the São João River basin, 48 in the Una River basin and 46 in the Ostras River basin. The São João River alone contains 32% of all of the inland water species in the state of Rio de Janeiro. In 2015, impacts were found on the fish, bird, mammal, reptile and amphibian species associated with riparian environments. <u>GRI</u> G4-EN26 | G4-EN12 To minimize the size of areas directly affected and conserve biodiversity, the Company invests in the introduction of new technologies – use of WWTSs, waste treatment and disposal, and others – as well as in other initiatives and in environmental education and training. **GRI G4-EN12**

EXTENT OF THE MITIGATION OF ENVIRONMENTAL IMPACTS OF PRODUCTS AND SERVICES GRI G4-EN27

THEME	All impacts caused by existing environmental products and services	Specific initiatives implemented in the period to mitigate environmental impact	
Water use	Removal of water (catchment)	Loss reduction program and reuse	
	Energy consumption	Energy Efficiency Program	
Emissions	Use of fossil fuel	At the units Águas de Matão and Mirante, the fleet is supplied with ethanol (95%)	
Effluents	Collection, treatment of sewage	Growth in the rate of collection and treatment coverage	

During the year, over BRL3 million were spent on treatment and disposal of waste, with BRL2.85 million invested in environmental prevention, which involves education projects and external management services.

INVESTMENTS IN AND EXPENDITURES ON ENVIRONMENTAL PROTECTION GRI G4-EN31

COSTS OF WASTE DISPOSAL, TREATMENT OF EMISSIONS AND REMEDIATION (BRL)

Total	5,621,893
Expenditures on equipment, maintenance and operational services and materials, in addition to personnel expenses for this purpose	1,912,888
Waste treatment and disposal	3,709,005

PREVENTION AND ENVIRONMENTAL MANAGEMENT BRL

Environmental education and training	2,845,782
External environmental management services	7,200
Total	2,852,982

Penalties and sanctions

Over the year, 26 fines for non-compliance with environmental laws and regulations were received, totaling BRL5,367,250. In this same period, there were 27 non-monetary sanctions. All processes are in the administrative discussion phase, with the causes originating these fines now being compliant. **GRI G4-EN29 | G4-DMA Compliance**

OPERATIONAL PERFORMANCE

GRI G4-DMA Assessment | G4-DMA Supplier human rights assessment

With high operating performance, Aegea seeks to be recognized as the best company in the development and management of sanitation business in Brazil. To do this, the Company works to guarantee ethical and transparent activities, through its Occupational Safety, Health and Environment Policies.

Furthermore, 100% of contracts include clauses related to human rights and they are subject to analysis and assessment in order to guarantee the best working conditions and development of the chain. Contracts establish prohibitions against child prostitution and forced labor, they contain anti-corruption items and they can be terminated in the event of non-complianc. GRI G4-HR1 [G4-HR9

NORTH REGION

ÁGUAS DE TIMON

Aegea's first concession in the Northeast Region, gained in 2015, Águas de Timon is responsible for water supply and sewage treatment services in the municipality of Timon (MA). The Company's goal is to universalize the water supply among the population in the municipality's urban zone within one year. To do this, an investment estimated at approximately BRL180 million will be made over the 30 years of the contract.

The concessionaire has a lab for physical and chemical analyses and an operations control center, allowing for remote control of equipment and for higher quality procedures.



Find out more at www.aguasdetimon.com.br

The Company's ethical and transparent action is based on the Safety, Health and Environment Policies

Population served:

TIMON (MA)

165,000¹

Water coverage percentage: 100%

Losses in distribution: 78.24%

Distribution energy efficiency rates: 0.40 kWh/m³

Default: 21.74%

Date of concession: 2015

Contract term: 30 years

Population in 2015 as estimated by the IBGE.

ÁGUAS DE SÃO FRANCISCO

Concessionaire responsible for water and sewage treatment services for the municipality of Barcarena (PA) since 2014. With a 30-year contract, Aegea intends to universalize water and sewage services for the municipality's entire urban area.



Find out more at www.aguasdesaofrancisco.com.br

BARCARENA (PA) Municipality served

Population served:

Coverage percentage:

System length: 117 km water

Distribution energy efficiency rates:

Default: 14.98%

Date of concession: 2013

Contract term: 30 years



EAST REGION

PROLAGOS

Prolagos is responsible for basic sanitation services in the municipalities of Cabo Frio, Búzios, Iguaba Grande and São Pedro da Aldeia, and for supplying water to Arraial do Cabo; all of these municipalities are located in the Lagos region of the state of Rio de Janeiro.

This concession was the result of an international public contest, starting the concession in 1998 with a 25-year term. In 2011, this term was extended for another 18 years (to 2041). With this extension, targets for serving the urban area, originally set at 90% (water supply) and 70% (sewage treatment), were revised to 98% and 90%, respectively.

Since starting its activities, Prolagos has tripled the supply of drinking water (from 30% to 96.53%), with the rate of sanitary sewer service in the region going from 0% to 77.09%. These results are the result of an investment of over BRL609 million, which went to building five wastewater treatment stations and adding 147 kilometers to the collection system to treat 70 million liters of sewage/day. Two wastewater treatment stations were also built, along with 278 kilometers of water mains, with 2,239 kilometers added to the water distribution system.



Find out more at www.prolagos.com.br

CABO FRIO, ARMAÇÃO DOS BÚZIOS, SÃO PEDRO DA ALDEIA, IGUABA GRANDE AND ARRAIAL DO CABO (RJ) Municipalities served

Population served: 391,000¹

Coverage percentage: 96.5% water and 77.1% sewer

System length: 2,469 km water and 149 km sewer

Losses in distribution: 30.2%

Distribution energy efficiency rates: 1.20 kWh/m³ water and 0.37 kWh/m³ sewer

Default: 8.40%

Execution of contract: 1998

Acquisition by Aegea: 2007

Contract term: 43 years (25 years + 18 year extension obtained in 2011)

1. Population in 2015 as estimated by the IBGE

ÁGUAS DE MERITI

The first private consortium in the Baixada Fluminense region of the state of Rio de Janeiro, Águas de Meriti is made up of two specialized companies – Aegea and Conasa – and had already started activities in 2015 with the goal of collecting and treating 90% of sewage in São João de Meriti (RJ) within eight years.

The municipality has a population of 461,000 and a system that was built over 50 years ago, which is showing a series of problems, such as errors in sedimentation projects and leaking pipelines – the cause of most user complaints. Moreover, many stretches of the collection system are not connected to the sewer system.

In addition to improving the population's quality of life, the Company intends to contribute to local development: 80 employees have already been hired and the plan is to increase this to 180 employees by 2017, not to mention contracting of workers for maintenance projects and to work on expanding the sanitary sewer system. Aegea did not register any operational metrics for this concessionaire for the year.



Find out more at www.aguasdemeriti.com.br



SÃO PAULO REGION

ÁGUAS DO MIRANTE

Company established in 2012 through a Public-Private Partnership (PPP) to operate the entire sanitary sewer system in the municipality of Piracicaba (SP). With a 30-year contract, Águas do Mirante aims to raise the sewage treatment rate to 100% of the municipality. To do this, it relies on an investment of over BRL330 million, distributed as follows:

- Expansion of the sewer system (253 km)
- Replacement of the collection system (170.5 km)
- Implementation of sewer branch lines (33,500 units)
- Recovery and improvement of existing systems
- Replacement of water meters
- Construction and expansion of wastewater treatment station
- Construction of 11 lift stations

To control losses and operational efficiency, the Company also installed an Operational Control Center, through which it is possible to control the functioning of wastewater treatment stations and lift stations and to promote property security of facilities.



Find out more at www.aguasdomirante.com.br

PIRACICABA (SP)

namelpanties served

Population served: 391,000¹

Coverage percentage: 100% sewer

System length: 1,360 km of sewer

Distribution energy efficiency rates: 0.36 kWh/m³ sewer

Date of concession: 2012

Contract term: 30 years

1. Population in 2015 as estimated by the IBGE

Aegea's goal in serving the Piracicaba region is to raise the sewage treatment rate to 100% of the municipality

ÁGUAS DE MATÃO

Concessionaire responsible for full management of basic sanitation services in Matão (SP) since 2014. The biggest challenge at the start of activities was to eliminate frequent occurrences of lack of water and reduce the rate of losses (which is currently at 50%).

The concession contract has a 30-year term and the targets for this period include construction of four reservoirs and one sewage lift station, drilling of two wells, implementation of four water pumps, expansion of the water distribution system by 22.5 kilometers, replacement of 52 kilometers of the water distribution system and implementation of 33.5 kilometers of the sewer system.

In early 2015, the São Lourenço do Turvo Wastewater Treatment Station began operating, and in just three months, it had already reached over 90% efficiency.



Find out more at www.aguasdematao.com.br

ÁGUAS DE HOLAMBRA

Concessionaire responsible for water and sewer services in Holambra (SP), serving a population of 13,000. Aegea did not register any operational metrics for this concessionaire for the year.



Find out more at www.aguasdeholambra.com.br

MATÃO (SP)

Population served:

Coverage percentage:

System length:

Losses in distribution: 40.9%

Distribution energy efficiency rates:

Default: 6.4%

Date of concession: 2013

Contract term: 30 years



CENTER REGION

ÁGUAS GUARIROBA

Since 2000, Águas Guariroba has managed collection, supply, production, treatment and drinking water distribution services, and the collection, removal, treatment and final disposal of sewage in Campo Grande, the capital of the state of Mato Grosso do Sul.



Find out more at www.aguasguariroba.com.br

WEST REGION

NASCENTES DO XINGU

Created in 2012, Nascentes do Xingu is a holding company made up of Aegea and Grupo Dias, a Mato Grosso-based company operating in the energy, mining, sanitation and real estate development sectors. This unit is responsible for managing 24 concessions in Mato Grosso, one concession in Pará and three concessions in Rondônia.

In 2015, the holding was awarded concessions in Paranatinga (MT), Buritis (RO), Pimenta Bueno (RO) and Rolim de Moura (RO), going on to serve 827,000 people in 28 municipalities.

With headquarters in Campo Verde (MT), the holding also has offices in Cuiabá (MT), where the office of the president and the general legal counsel and communications offices are located; there are two regional offices – the North office, in Sorriso (MT), and the South office, in Primavera do Leste (MT) – facilitating strategic management with the geographic distance between all locations where it operates in mind.

Over the next few years, the goal is to serve 100% of the population with distribution of treated water and the quality of service provided.



Find out more at www.nascentesdoxingu.com.br



CAMPO GRANDE (MS)

Municipality served

Population served: 854,000¹

Coverage percentage: 99.9% water and 81.5% sewer

System length: 3,663 km water and 1,848 km sewer

Losses in distribution: 17%

Distribution energy efficiency rates: 1.01 kWh/m³ water and 0.16 kWh/m³ sewer

Default: 4.8%

Execution of contract: 2000

Acquisition by Aegea: 2005

Contract term: 60 years (30 years + 30 years with renewal in 2012)

CAMPO VERDE, CARLINDA, CLAUDIA, JANGADA, JAURU, MARCELÂNDIA, NORTELÂNDIA, PEDRA PRETA, PEIXOTO DE AZEVEDO, POCONÉ, PRIMAVERA DO LESTE, SANTA CARMEN, SÃO JOSÉ DO RIO CLARO, SORRISO, UNIÃO DO SUL, VERA, PORTO ESPERIDIÃO, BARRA DO GARÇA, CONFRESA, GUARANTÃ DO NORTE, MATUPÁ, DIAMANTINO, SINOP AND PARANATINGA (MT), NOVO PROGRESSO (PA), BURITIS, PIMENTA BUENO AND ROLIM DE MOURA (RO)

Population served: 827.000¹

Coverage percentage: 99% water and 16% sewer

Distribution energy efficiency rates: 0.72 kWh/m³ water and 0.37 kWh/m³ sewer

Losses in distribution: 17%

Default: 6.1%

Date of concession: 2012

Contract term: 30 years

SOUTH REGION

ÁGUAS DE SÃO FRANCISCO DO SUL

Awarded in 2015, Águas de São Francisco do Sul is responsible for supplying water and sanitary sewerage in the municipality of São Francisco do Sul (SC), as Aegea's first operation in Santa Catarina. The contract has a 35year term and the initial goal is to install a system and collect and treat 52% of sewage by 2022, gradually making advancement in subsequent years.



Find out more at www.aguasdecamboriu.com.br

ÁGUAS DE PENHA

Made up of Serrana Engenharia and Aegea, the concessionaire is responsible for supplying water and sanitary sewer services in the city of Penha (SC), population 29,000. The contract was executed in 2015 and has a 35-year term. The goal for the period is to implement the solution for water treatment in the short-term and the sewage collection and treatment system as of the fourth year of the contract. Operational metrics for the new concessions began in 2016.



Population served: 49,000¹

Coverage percentage: 88% water

System length: 416 km

Losses in distribution: 41%

Distribution energy efficiency rates: 0.52 kWh/m³ water

Default: 4.2%

Date of concession: 2014

Contract term: 35 years

Population in 2015 as estimated by the IBGE.



Find out more at www.aguasdepenha.com.br

ÁGUAS DE CAMBORIÚ

This concessionaire is responsible for water and sewer services for the city of Camboriú (SC). The company should serve the city's population of 74,000. Aegea did not register any operational metrics for this concessionaire for the year.



Find out more at www.aguasdecamboriu.com.br

Aegea plans to implement a short-term water treatment solution in the city of Penha



ECONOMICAN FINANCIAL PERFORMANCE GRI G4-EC1 | G4-DMA Economic performance

NET REVENUE

Plan for a graph with Net Revenue





COSTS AND EXPENSES

If the effect of amortization is not considered, the Company's costs and expenses were 28.9% higher, which is BRL87.9 million more than in 2014.

This total can be explained by the higher rates charged by power companies and by the fiscal crisis which impacted the ability of public agencies to make payment. Despite these impacts, growth in total costs and expenses was less than revenue growth, showing gains in productivity.

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COSTS AND EXPENSES (BRL THOUSANDS)	2014	2015
Personnel	114,411	132,148
Outside services	50,760	54,373
Conservation and maintenance	7,041	8,976
Materials, equipment and vehicles	18,260	19,891
Cost of concession	5,626	16,584
Electricity	46,629	86,909
Chemical products	4,296	5,884
Travel and lodging	5,224	4,792
Provision for doubtful debts**	6,405	29,481
Provisions for contingency	157	(5,133)
Research and development of new business (R&D)	17,924	9,013
Other costs*	27,842	29,603
Subtotal	304,576	392,522
Amortization	56,157	88,315
Total	360,733	480,837

*Includes the Insurance, Result of Equity Accounting, Other Operating Revenues and Other Operating Expenses lines on our Financial Statements. **Includes the Provision for Doubtful Debts (currently referred to as PCLD in Portuguese, but formerly referred to as PDD in Portuguese) and Write-off of Receivables, pursuant to Law 13,097/96.

Energy costs grew significantly during the year, by around 86.4%. Of this amount, 14.6% is attributed to new companies and 71.8% to existing concessionaires, such as Águas Guariroba and Prolagos, due to an extraordinary price readjustment made by Brazil's National Electric Energy Agency (Aneel), and to Águas de Matão, which achieved universal coverage of the concession area.

In relation to personnel costs, the staff at existing concessionaires was 4.6% smaller, with 105 fewer workers than the previous year. The result shows process improvements and more operational efficiency, especially with the expansion of Aegea Academy (see page 18), aimed at enhancing skills at the strategic, tactical and operational levels and assure application of the Company's Values in every phase of concession maturity.

DEFAULT

The 180-day default rate was 1.1% higher yearover-year in 2015. This increase can be credited to the government consumption category, which had higher share percentages in default, going from 14.9% in 2014 to 30.5% in 2015. Moreover, Aegea has monitored the national economic scenario, particularly numbers on jobs, earnings and consumer buying power and its impacts on its users' capacity to make payment, especially its government customers. In order to bring these numbers down, the Company has intensified campaigns to encourage renegotiations of accounts past due, up by 16% year-over-year, and enrollment in automatic bill pay.

OPERATING INCOME AND EBITDA

Consolidated operating income for the year was BRL314 million, which represents year-overyear growth of 31.6%. Ebitda totaled BRL402 million, 36.5% higher than in 2014. This result was due to gains in efficiency, which contributed to lower personnel costs (see Costs and expenses).

EBITDA (BRL THOUSANDS)	2014	2015
Operating income	238,778	314,289
(+) Depreciation and amortization	56,157	88,315
Ebitda	294,935	402,604
Ebitda margin (%)	49.2	50.6

NET EARNINGS

Aegea's net earnings in 2015 were BRL115.156 million, a 2.6% increase compared to the previous year. This performance shows the ratio between the increased customer base and lower operating expenses. It was not more elastic due to an increase in the cost of electricity that was above the Company's projections.



CASH FLOW

CASH FLOW STATEMENT (BRL THOUSANDS)

CASH FLOW FROM OPERATING ACTIVITIES	2013	2014	2015
Earnings before taxes	69,015	50,813	(34,471)
Adjustments for:			
Amortization and depreciation	47	2,132	2,162
Interest on loans, financing and debentures	27,900	32,384	25,122
Fair value adjustments to loans and financing	0	0	5,662
Exchange rate loss	0	0	41,898
Derivatives	0	0	(34,869)
Interest on financial investments	(15,009)	(23,537)	(23,560)
Result of equity accounting	(132,339)	(130,626)	(147,968)

CHANGES IN ASSETS AND LIABILITIES (INCREASE)/DECREASE OF ASSETS

Customer accounts receivable	(26,216)	(58,659)	(58,203)
Inventories	(2,622)	934	(1,558)
Current and noncurrent fiscal assets	12,166	(17,130)	(12,222)
Advances to suppliers	0	(4,729)	(7,640)
Other credits	(10,284)	(843)	(20,383)
INCREASE/(DECREASE) OF LIABILITIES			
Suppliers and contractors	(5,806)	31,287	16,590
Labor and social obligations	2,571	8,912	6,082
Tax obligations	(2,857)	8,080	(3,223)
Tax payments	(3,148)	(1,661)	452
Payment of contingencies	(129)	(500)	(4,080)
Other accounts payable	(70,547)	1,963	(18,292)
Interest paid	(76,822)	(98,487)	(131,274)
Income tax and social contribution paid	(48,179)	(43,842)	(72,197)
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Financial investments and debentures	(273,352)	48,716	191,932
Dividends and interest received on shareholders' equity	0	1,000	1,570
Investment losses	0	173	0
Acquisition of fixed assets	(14,030)	(8,566)	(3,177)
Acquisition of intangible assets	(175,848)	(386,822)	(338,668)
Advance for acquisition of business	0	(12,500)	0
Acquisition of the Agência Ambiental controlled company, net cash obtained in the acquisition	0	(29,788)	0
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans, financing and debentures raised	185,067	7,000	150,000
Loans, financing and debentures paid	(185,585)	(350)	157,936
Current accounts receivable from related parties	(26,087)	(41,536)	(70,352)
Dividends paid	(86,000)	(86,000)	(123,820)
Capital investments by minority shareholders in controlled companies	287,775	0	0
Net increase (decrease) in cash and cash equivalents	(14,908)	(3,894)	5,012
Initial Balance of Cash and Cash Equivalents	18,933	4,025	131
Final Balance of Cash and Cash Equivalents	4,025	131	5,143

INDEBTEDNESS

CAPEX

The balance of cash and cash equivalents and short and long-term financial investments ended the year at a total of BRL395.8 million. Gross debt (including hedging) for the same period was BRL1.6 billion.

INDEBTEDNESS (BRL THOUSANDS)	2014	2015	(%)
Ebitda	294,935	402,604	36.5
Net debt	815,756	1,170,578	43.5
(+) Gross debt (including hedging)	1,343,463	1,566,361	16.6
(-) Cash	(527,707)	(395,783)	-25.0
Net debt/Ebitda	2.77	2.91	

Reduced cash flow is the result of an accelerated curve of capital expenses (CAPEX), the outcome of which is a lower financial yield than in 2014.



Debt distribution profile



STAKEHOLDERS

EMPLOYEES

GRI G4-DMA Diversity and equal opportunity Aegea's growth is the result of the work of 2,238 active employees committed to the Company's Vision, Mission and Values. They are spread throughout the administrative headquarters in São Paulo (SP) and in the other 43 locations where the Company maintains operations. Of this total, 620 are women and 1,795 are men. Continual investments are made in attraction, retention and training in order to benefit this public, contributing to Aegea's longevity and the development of its professionals. **GRI** GRI 64-10



PROFILE OF EMPLOYEES GRI G4-10 | G4-LA12

TOTAL EMPLOYEES, BY REGION

	2014		203	15
	Women	Men	Women	Men
North	11	30	19	46
Northeast	0	0	24	77
Center-West	275	997	250	908
Southeast	270	675	312	726
South	0	0	15	38
Total	556	1,702	620	1,795

TOTAL EMPLOYEES, BY CONTRACT TYPE

2014*	2015	
	Women	Men
29	2	24
48	33	22
33	26	25
2,148	559	1,724
2,258	620	1,795
	29 48 33 2,148	Women 29 2 48 33 33 26 2,148 559

*Consolidated 2014 data.

TOTAL EMPLOYEES, BY SHIFT TYPE

* 20	2015	
Women	Men	
5 561	1,746	
33	24	
26	25	

*Consolidated 2014 data.

TOTAL EMPLOYEES, BY WORK FORCE

	2014*	2015	
		Women	Men
Company employees	3,369	620	1,795
Third parties	248	62	290
Total	3,652	682	2,085

*Consolidated 2014 data.

TOTAL EMPLOYEES, BY GENDER AND JOB LEVEL

	Total	Women	(%)	Men	(%)
Administrative	569	324	56.94	245	43.06
Management	162	42	25.93	120	74.07
Leadership	152	24	15.79	128	84.21
Operational	1,532	230	15.01	1,302	84.59
Total	2,415	620	100	1,795	100



EMPLOYEES BY JOB LEVEL, BY AGE (%)

	Total	Under 30 (%)	30 to 50 (%)	Over 50 (%)
Administrative	569	63.8	33.74	2.46
Management	162	12.35	74.07	13.58
Leadership	152	23.68	64.47	11.84
Operational	1,532	41.06	50.33	8.62

STAFF DIVERSITY, BY JOB LEVEL (%)

		Minori	ty groups
	Total	Disabled (%)	Black (%)
Administrative	569	2.46	2.64
Management	162	0.62	1.23
Leadership	152	0	0.66
Operational	1,532	0.85	5.29

ATTRACTION AND RETENTION OF TALENTS

GRI G4-DMA Training and education | G4-DMA Investments

Aegea establishes guidelines to attract and retain talents, in line with its strategic planning and timeline of growth. The goal is to structure high-performance teams to support growth.

Whenever possible, priority is given to local hiring. Nevertheless, all possibilities for internal promotion must first be exhausted.

In an effort to recruit young professionals to hold leadership positions in the future, Aegea maintains a Trainee Program. The 24-month program is built on the following pillars: training, projects, orientation and monitoring. Participants are therefore monitored by Business Unit directors and are given periodic performance evaluations. They acquire technical knowledge of the business, an understanding of management tools and competencies for leadership and planning, as well as other skills.

During the year, 18 young people were selected the year prior to join the initiative, with another 15 set to start working at the Company starting in 2016.

Aegea also has the Young Apprentice program for people aged 14 to 24 looking to enter the labor market.

COMPENSATION AND BENEFITS GRI G4-LA13 | G4-DMA Equal remuneration for women and men

Appreciation of the internal public is also expressed through the Employment Position and Salary Policy, implemented in 2015, and according to best market practices. Workers received a fixed salary and a benefits package that includes food vouchers, meal vouchers, a basic staples basket, transport vouchers, childcare assistance and medical and dental care which is also extended to direct dependents.

	Ratio of Women/Men (base salary) (%)	Ratio of Women/Men (base compensation) (%)
Administrative	91	93
Management	75	76
Leadership	96	92
Operational	98	85

DEVELOPMENT AND TRAINING

GRI G4-DMA Training and education | G4-DMA Investments

Aegea is a factory of opportunities foremployees who want to grow in their careers. The Company employs a series of initiatives to support the development of these professionals.

In 2014, the Aegea Academy was established as a new model of corporate education aimed at spreading the Company's knowledge on the water and sanitation sectors (see more on page 18). In addition to this structure, employees rely on training and qualification courses managed by the Aegea Administrative Center (CAA).

Master of Business Administration (MBA) | Courses geared towards developing the leadership ability of managers. **Qualifying training** | Education offered to qualify workers who hold a high school degree and demonstrate capability to operate a water station. Professional enhancement is done through Aegea Academy.

Behavioral training | Training on the use of motivational techniques, offered to employees working in direct contact with users. There are also modules for managers dedicated to relationships with the press and the community.

In addition, according to procedures established in the Code of Ethics and Conduct, all employees must participate in the integration process, in order to guarantee compliance with the Organization's guidelines and aspects related to internal conduct. During the year, 764 employees took part in this type of training, which represents 31.41% of the staff. There were a total of 40,268 training hours.

NUMBER OF HOURS OF TRAINING PER YEAR, BY GENDER AND BY JOB CATEGORY

	Training hours	Women	Men
Administrative	10,502	4,911	5,592
Management	2,236	733	1,503
Leadership	5,380	420	4,959
Operational	22,150	3,987	18,163
Total	40,268	10,051	30,217

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE, BY GENDER AND BY JOB CATEGORY

	Training hours	Women	Men
Administrative	4.32	7.83	3.10
Management	0.92	1.17	0.83
Leadership	2.21	0.67	2.75
Operational	9.11	6.36	10.06

3,923 hours dedicated to training focused on human rights G4-HR2 9.74%



USERS

GRI G4-DMA Customer health and safety | G4-DMA Product and service labeling | G4-DMA Customer privacy

The Company gives priority services at service posts and call centers, operating 24 hours a day, seven days a week, and through the Contact Us channels, available on concessionaire websites.

Moreover, at the Águas de Matão unit, Aegea carries out a customer satisfaction survey. Users are asked to complete a form on the commercial service post and place it into a box that is opened once a month. In 2015, the degree of service satisfaction was 70% and the organization as a whole was evaluated positively by 57% of people. GRI G4-PR5

The Company is committed to the health and safety of users and establishes strict quality controls that are kept in compliance with laws. Every month, in natura water is collected from dams and wells and analyzed, monitoring quality based on 32 environmental parameters. Furthermore, every six months the class II criteria of National Environmental Council (Conama) Resolution No. 357/2005 are revised; this resolution covers classification and guidelines for environmental monitoring of bodies of surface water, establishing the conditions and standards for discharging effluents.

In 2015, the satisfaction survey showed that 70% of customers positively assessed Águas de Matão services Moreover, with an awareness of its fundamental importance in the everyday lives of users, Aegea maintains programs geared towards environmental education and health, such as the Programa Saúde Nota 10 (A+ Health Program), developed across all of the group's sanitation concessions, and the Programa Afluentes (Affluents Program), aimed at promoting integration among community associations and the company (see more on page 64).

Aegea is also aware of its responsibility to treat sewage to improve the population's quality of life. That is why the quality of raw sewage is periodically monitored to guarantee correction of any non-compliance.



Learn about other Aegea sustainability programs here http://www.aegea.com.br/en/ sustainability-programs/

SUPPLIERS

GRI G4-12 | G4-HR6 | G4-DMA Child labor | G4-DMA Forced or compulsory labor | G4-DMA Indigenous rights | G4-DMA Assessment | G4-DMA Supplier human rights assessment

The Company sees management of the supply chain as more than acquisition of products, materials, and services. An effort is made to establish partnerships, through which values and principles of action are shared. With each contract executed, the new supplier is advised on compliance with labor, tax and environmental laws. Documents and qualifications that enable the company for this commercial relationship are also required.

Aegea also carries out visits to work sites and relies on the support of internal auditing. In the event of a violation, payment is stopped and the contract may even be terminated. Whenever possible, priority is given to contracting of local suppliers, in an effort to contribute to development of the region. This choice moreover allows for advantages, such as better tax rates related to the State Goods and Services Tax (ICMS), faster delivery and more accessibility for technical visits.

The entire procurement process includes a competition among at least three candidates, who participate in bids and undergo an assessment by the Contracts and Measures Sector and Administrative Management. Final approval of the supplier is achieved through consensus among a manager, a director, the concessionaire president, the directors or even members of the Board of Directors. All actions are aimed at maximum mitigation of the risks of forced and child labor. <u>GRI G4-HR5</u>

The main companies making up Aegea's supplier chain are manufacturers of operational materials, manufacturers of office supplies and technical consulting services and providers. There are currently 10,000 active suppliers in our supplier chain across every region of Brazil. In 2015, BRL695 million was spent on suppliers, in relation to CAPEX and expenses.

GOVERNMENT

The relationship between concessionaires and local governments is established through a contract. In line with the Code of Ethics, the Company is positioned as a complementary agent to the government, actively contributing to creating and executing specific projects and public policies (see more on page 43). In an effort to guarantee regional development, Aegea prioritizes sourcing of local suppliers

PRESS

In order to protect their images and reputations, concessionaires constantly monitor news published and broadcast by the press involving the Company. All content is analyzed and classified as positive, negative or neutral.

To encourage production of stories on the importance of basic sanitation, the Águas Guariroba Environmental Journalism Award ceremony is held in Campo Grande (MS), recognizing the role of journalists in reporting information to raise public awareness on caring for health and the environment.

For the 2015 edition, there were 65 entries and the writers of the best reporting in each category received a trophy and certificate as well as a cash prize. The panel of judges is made up of professionals with experience in the areas of communication, the environment and sanitation.

COMMUNITY G4-DMA Local communities

Initiatives promoted with a focus on environmental education and health, as well as efforts to democratize access to services provided, show the respect Aegea has for communities located in the regions where it maintains operations. All business units currently employ initiatives for this public. **GRI G4-S01**

SOCIAL RESPONSIBILITY PROGRAMS AND INITIATIVES

Programa Saúde Nota 10 (A+ Health Program) | An initiative aimed at instilling interest among children and adolescents in topics such as health, hygiene, sanitation, environment and quality of life. Initially executed by Águas Guariroba (MS), this initiative was extended to other locations where Aegea maintains operations. For instance, in 2015 it was implemented in Pedra Preta (MT), where the Nascentes do Xingu operation is located.

Through partnerships with municipal and state education secretariats and with the support of the Rouanet Act, the program includes talks and classroom activities according to students' age. Educational magazines, developed especially for the program, are also distributed.

Cultural contests with the theme of Treated Sewage and Water: Health for All are also promoted. In recognition, the top three placing students in these contests receive kits with a shirt, squeeze bottles, a backpack and a personalized bike.

The closing ceremony includes a theatrical performance with puppets, presenting the topics covered by the program in a playful way. Since 2006, this initiative has served 267 public and private schools, benefitting over 223,868 students.

Programa Afluentes (Affluents Program) Carried out by various concessions, this program fosters communication between the Company and communities through dialog with community leaders and community associations. This allows for identification of regional needs and opportunities to enhance services.

Actions employed in the program include visits to community associations, talks in neighborhoods and meetings with Company representatives. There are also monthly meetings at concessionaires, attended by the executive board and managers, which are an opportunity to present investments, answer questions and fulfill community requests. From 2009 to 2015, over 21,230 requests from community leaders were met.

De Olho no Óleo (An Eye on Oil) | an initiative carried out under the auspices of the A+ Health program, the goal is to raise student awareness of the environmental damage that results from dumping oil into the sewer system and how to appropriately dispose of this type of waste in order to recycle it. Students are challenged to find used oil through scavenger hunts, with this oil then being sent to recycling coops. In Águas de Mirante, the campaign is developed at supermarkets in various city districts in addition to schools. This program has been active since 2012, and has already reached 45 business establishments and 59 learning institutions, involving 14,367 public school students who have collected over 5,000 liters of oil for reuse. In Águas Guariroba, from 2011 to 2015, the campaign had already served 45,867 students, contributing to collection of 17,378 liters of oil. **Água solidária (Supportive water)** Program carried out by Águas Guariroba aimed at extending regular and legal water and sewer services to families living in extremely impoverished and socially vulnerable locations. To this end, flexible debt payment conditions are offered and those fitting the program's registration criteria are placed in good legal standing. From 2011 to 2015, 2,091 users were benefitted by this project.

Estação do saber (Knowledge station) | An installation set up by Águas Guariroba in its largest Guariroba Water Treatment Station (WTS), in Campo Grande (MS). This location features information and interesting facts on basic sanitation, the water cycle and the importance of conserving water resources. Visitors are also invited to learn more about the work done at Águas Guariroba and about the city's history of basic sanitation. This is done through a small museum of water meters, showing various types of meters, including relics dating to the early twentieth century, such as the old pena d'água system (an Assessed Value Charge-type system). In 2015, the Guariroba WTS welcomed 3,795 visitors, opening its doors to 120 schools, universities, community leaders, authorities and representatives from various institutions.

Campanha do agasalho (Sweater drive) | Initiative executed by volunteer employees of Águas Guariroba, with the support of other companies, public agencies, community leaders and civil society. Sweater collection points are spread throughout units and service posts of Aegea's controlled company, in addition to boxes located at campaign partner establishments. The goal is to help extremely impoverished people.

On Saturdays, volunteers also take part in the Supportive Dragnet, a vehicle convoy that goes from the downtown area out to city neighborhoods in every region of Campo Grande (MS) to boost contributions. To help in this work, the Guaribinha capybara, the mascot of Águas Guariroba, encourages volunteers and is a cheerleader for this initiative. Since 2006, when the project began, 295,080 items have been collected.

From 2013 to 2015, 2,000 items were raised in the municipality of Piracicaba (SP). This project was also implemented at Prolagos in 2015, raising one thousand items in the municipalities in the concession area.

Cinema Prolagos | Held since 2009, this project brings the magic of film to fisherman communities served by Prolagos. The project seeks to turn everyone's attention to topics related to environmental conservation through free, outdoor film sessions. Partnerships are also established with municipal education secretariats in order to cover concepts in the films that will be developed in the classroom with students. Eight showings have already taken place, attended by 4,203 people.

Corrida das Águas (Water Run) | An event held by Águas Guariroba that is part of a week of activities scheduled to commemorate World Water Day. The goal is to call attention to the importance of preserving water resources, while also encouraging healthy habits. Athletes take part in a street race with four categories: Women's 5K; Men's 5K; Women's 10K; and Men's 10K. There is also a 5K Walk. The 2015 edition had one thousand participants.

> In 2015, the Guariroba Water Treatment Station received 3,795 visitors through the Estação do Saber (Knowledge Station) program



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Saber Faz Bem (Knowledge is Good) | A program aimed at raising awareness of the importance of sustainable development and the need to preserve natural resources for future generations. To do this, Prolagos representatives visit schools, universities, community associations, churches and non-governmental organizations (NGOs), with interactive talks and activities on the water cycle, sanitation, health and conscientious consumption. Aegea's controlled company also welcomes people and student groups to its water and sewage treatment stations for monitored visits and moreover takes part in public events, joint global initiatives, science fairs and forums. Since it was created in 1998, Knowledge is Good has been responsible for 853 talks with 23,856 people and 169 visits to 5,211 beneficiaries.

Sanear é Viver (Sanitation for Life) | An initiative developed by Águas Guariroba (MS), since 2009, the goal of this program has been to orient municipal public school teachers on covering subjects related to basic sanitation in the classroom. This initiative is done in partnership with the Municipal Education Secretariat and, every year, teachers from a specific subject area are invited to attend a talk on basic sanitation and learn about treatment stations in Campo Grande (MS). The Operational Control Center, Guariroba Water Treatment Station and Los Angeles Wastewater Treatment Station are part of the agenda. Teachers are challenged to develop a class plan that joins basic sanitation with the educational content of their subject area. The best projects are awarded and published on the concessionaire's website. From 2009 to 2015, 818 teachers visited the Águas Guariroba company and were trained by the program, which is also developed at Águas de Xingu, where 167 teachers benefitted from the program in 2015.

Atendimento Itinerante (Mobile Customer Service) | An initiative executed by Águas Guariroba, Prolagos and Águas de Timon that brings customer service to the neighborhoods located furthest from these concessionaires' service posts. All kinds of services can be requested at this mobile location: transfer of water and sewer utilities, update of registration, copy of bills, requests for new water and sewer connections, installation of standard water meter protection, verification of high consumption, and others. Through more accessible service, the low-income population in these regions is able to ensure that any water connections with unpaid debts are in good standing. Mobile units provide special conditions to negotiate debt, such as payment in installments and discounts on penalties and debt. After placing their account in good standing, these customers are eligible for Social Rates. Since 2010, 26,813 services have been provided to the community.

Bolsa socioambiental (Social and environmental grant) | Developed by Prolagos, this agreement reinforces the partnership between the concessionaire and fishing communities working on the largest hypersaline lake in the state of Rio de Janeiro, Araruama Lake. The initiative is part of the Sentinels of Araruama Lake Program, developed by the Technical Chamber of Fishing and the São João Lake Basins Committee. Support has been provided since 2013, benefiting over 500 fishermen.

Piracicaba 100% | This project encourages the population to participate in actions touting how important collecting and treating sewage is to nature, the urban environment, public health and improved quality of life for people. Notable among the objectives of these actions are community mobilization and organization, creation of jobs and income and sanitary and environmental education. The project has already been held in 22 districts of Piracicaba (SP), with participation by 20,000 people. Tarifa Social (Social Rate) | 50% discount on water and sewer rates, granted to low-income families. Municipal Law No. 3,928/2001 was instituted, serving users who, among other criteria, have a household income of less than one minimum monthly wage, own just one property for residential purposes and consume up to 100 kWh of electricity and 20m³ of water per month. Every year, all beneficiaries must renew their registration at the concessionaire serving their area. In an effort to extend this benefit, Aegea teams identify and register users that fit the criteria required through the Affluents and Mobile Customer Service programs, among others.

In 2015, the Social Rates program was recognized in the Inclusive Markets in Brazil: challenges and opportunities of the business ecosystem report, published by the United Nations Development Programme (UNDP) and Fundação Dom Cabral (see more on page 13).

INSTITUTO EQUIPAV

Along with Instituto Equipav, Aegea develops initiatives in the social, environmental, educational and cultural area. Created in 2013, the institution has been established as one of the party's chiefly responsible for the development and execution of most of the social initiatives of Grupo Equipav. Goals are set for each project and a methodology for assessing results is defined, allowing for development to be monitored or for support to be repositioned. In 2015, the Institute invested BRL1.8 million in social and environmental actions in dozens of municipalities. Notable among these are:



Learn about other projects at www.institutoequipav.org.br/ anoprojeto/2015 **Baú das Artes (Arts Treasure Chest)** | A program developed by Água de São Francisco do Sul (SC) with the support of the Rouanet Act, offering educational support to teachers in work developed with children. Through this measure, public schools in São Francisco do Sul (SC) receive cabinets with around 200 items, including games, costumes, puppets, percussion instruments, toys and art materials, in addition to a collection of 300 children's books. Five schools took part in the program in 2015.

Cinema no Mato (Cinema in the Forest) | An initiative aimed at professional training in the film and video area for young people aged 14 to 20, using themes related to environmental preservation. The pilot project was developed by Instituto Equipav, in partnership with Ministry of Education-funded Culture Points in these municipalities and Águas de Primavera, a concessionaire controlled by Nascentes do Xingu. In 2015, 60 students were benefitted.

Estação Viva (Living Station) | Held in Piracicaba (SP), this initiative seeks to engage employees in projects, social actions and volunteer work. Campaigns cover support for volunteering, social assistance, culture, education, health, senior citizen social initiatives, blood donations and historical narration. From 2014 to 2015, 32 campaigns were held, benefitting over 7,676 employees in low-income communities in the municipality.

Escolas Sustentáveis (Sustainable Schools) | Environmental education program held over the last eight years in the public schools of São Francisco do Sul (SC). With the support of teachers and students, participating units undergo a Social and Environmental School Diagnosis, providing orientation on actions dedicated to respecting biodiversity, conscientious consumption and healthy eating habits, among other themes. Approximately 6,000 people have already been impacted by the initiative.

The Arts Treasure Chest and Sustainable Schools program received BRL285,000 in funding from Instituto Equipav in 2015.

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G4-11	100% of employees are covered by collective bargaining agreements.	
G4-12	62 to 63	
G4-13	There were no changes in the reporting period.	
G4-14	Aegea does not use the precautionary principle.	
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SPECIFIC STANDARD CONTENT

MATERIAL ASPECTS	Information about management approach and indicators	Page	Omissions
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	G4-DMA	19 to 20 and 26	
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SUBCATEGORY: PRODUCT RESPONSIBI	LITY		
	G4-DMA	62	
Customer health and safety	G4-PR2	There were no cases of non-compliance.	
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i roudet and service labelling	G4-PR5	62	
	G4-DMA	62	
Customer privacy	G4-PR8	No complaints were registered.	
	G4-DMA	19 to 20	
Compliance	G4-PR9	No significant fines were registered	

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CORPORATE INFORMATION

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