



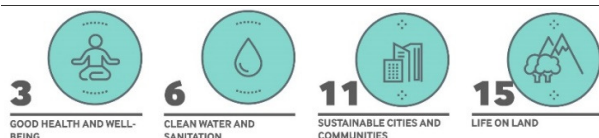
# Companhia Catarinense de Águas e Saneamento S.A.

## Second-Party Opinion – Sustainable and Blue Framework

Excellent
Good 
Aligned
Not Aligned

Pillar	Alignment	Key Drivers
Use of Proceeds	Good	<ul style="list-style-type: none"> <li>All use of proceeds (UoP) categories have positive environmental and/or social impacts. Investments to improve and increase water and wastewater supply, reduce leakage rates, improve energy efficiency of plants and protect water resources are important given increased periods of drought in Santa Catarina (SC) state. Sewage handling improvements will reduce water and soil pollution and help reduce harm to biodiversity.</li> <li>Greater access to drinking water and connected sewerage systems will bring health and lifestyle benefits to SC state's population.</li> </ul>
Use of Proceeds - Other Information	Aligned	<ul style="list-style-type: none"> <li>Companhia Catarinense de Águas e Saneamento S.A.'s (Casan) framework commits a minimum of 50% of proceeds to funding new projects. Some debt instruments may be applied entirely to the financing of new projects, which is positive. Sustainable Fitch's view is that a greater positive impact is achieved through the financing of new sustainable projects. The 24-month lookback period is in line with market practices.</li> <li>Positively, debt instruments may face penalties in the event of financed projects failing to meet eligibility criteria. The framework's definition of banned projects is in line with Brazilian regulations.</li> </ul>
Evaluation and Selection	Excellent	<ul style="list-style-type: none"> <li>A range of departments will work in partnership to determine the eligibility of projects to be financed. The environmental management team will determine compliance with eligibility criteria and adherence to environmental laws. The issuer's executive directors will take ultimate investment decisions.</li> </ul>
Management of Proceeds	Excellent	<ul style="list-style-type: none"> <li>Funds raised under the framework will be deposited in segregated bank accounts. This provides more transparency to investors and ensures easier traceability. The unallocated proceeds will be invested in low-risk liquid assets, in line with market practice. Positively, projects that no longer meet eligibility criteria will be substituted.</li> </ul>
Reporting and Transparency	Good	<ul style="list-style-type: none"> <li>Allocation and impact reports will be published annually. Disclosure will either be on a project-by-project, bond-by-bond or portfolio basis. The greater the disclosure, the better the transparency in our view. Impact metrics are measurable and relevant. Auditing of allocation reports will be required but optional for impact reports.</li> </ul>

### Relevant UN Sustainable Development Goals



Framework Type	Sustainability
Alignment	<ul style="list-style-type: none"> <li>✓ Green Bond Principles 2021 (ICMA)</li> <li>✓ Social Bond Principles 2023 (ICMA)</li> <li>✓ Sustainability Bond Guidelines 2021 (ICMA)</li> <li>✓ Green Loan Principles 2023 (LMA/LSTA/APLMA)</li> <li>✓ Social Loan Principles 2023 (LMA/LSTA/APLMA)</li> <li>✓ Guide to the Offering of ESG Securities of the Brazilian Association of Financial and Capital Markets Entities (ANBIMA)</li> </ul>
Date assigned	3 November 2023

See Appendix B for definitions.

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### Use of Proceeds Summary

<b>Green</b>	Sustainable water and wastewater management Pollution prevention and control Terrestrial and aquatic biodiversity conservation
<b>Social</b>	Affordable basic infrastructure

Source: Casan sustainable and blue framework (October 2023)

### Framework Highlights

We consider debt instruments to be issued and contracted under Casan's sustainable and blue framework to be aligned with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines published by the ICMA; and the Green Loan Principles and Social Loan Principles published by three loan associations, namely the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association. Our opinion is that the alignment is 'Good'.

Under this framework, Casan can issue and/or contract green, blue, social and/or sustainable bonds and loans. In our view, blue debt instruments are a sub-category of green instruments. No specific blue debt instrument principles have been published, but we have reviewed the "Bonds to Finance the Sustainable Blue Economy" practitioner's guide published in September 2023 by the ICMA, the International Finance Corporation and other leading bodies. Our view is that green debt instruments to be issued under the framework can be used to fund blue project categories described in this guide.

Eligible UoP categories described in the framework are aligned with project categories recommended by the ICMA and the three loan associations. Casan will apply funds raised under its framework to finance either capex and selected opex in respect of water and wastewater treatment plants and related infrastructure or R&D expenditures aimed at developing new products or solutions that bring environmental and social benefits. UoP eligibility criteria are well defined in the framework.

Processes relating to project evaluation and selection, management of proceeds and reporting are also well described, and these pillars align with the ICMA and the loan associations' principles.

The ICMA and the loan associations' principles recommend that eligible projects be clearly described in the legal documentation of a green or social finance transaction. To date, Casan has not raised any debt under this framework and, as such, we have not reviewed any documentation relating to a particular transaction; however, the framework provides a description of the eligible projects. Our SPO relates exclusively to the framework.

The text presented in the "Company Material" section of this SPO is not the original framework text. Instead, we have summarised parts of the original text and agreed wording with Casan prior to the publication of this SPO.

Source: Sustainable Fitch, Casan sustainable and blue framework (October 2023)

### Entity Highlights

Casan, whose shares are quoted on Brazil's B3 stock exchange, is 89% controlled by SC state. It provides water and wastewater services to around 2.7 million people, representing around 40% of the SC state's population. Inhabitants of SC are its main customers, although it also serves around 200,000 additional residents in Paraná, a neighbouring state. Casan manages, operates and maintains around 245 water supply plants and 42 sewerage systems and employs around 2,600 people, including staff directly employed by the company and subcontractors. During the financial year ended 31 December 2022, revenue totalled BRL1.4 billion (USD274 million) and its assets totalled BRL4.3 billion (USD844 million).

Ensuring access to universal sustainable water and sanitation services is a cornerstone of the UN's 2030 sustainable development agenda, and the objective is specifically described in UN Sustainable Development Goal (SDG) 6 (clean water and sanitation). Better access to such essential services also contributes to SDGs 11 (sustainable cities and communities) and 15 (life on land).



Investments in universal water supply and sewerage services are important to improve public health by reducing water-related diseases and illnesses. In addition, improvements to water treatment and distribution systems can improve energy efficiency, reduce GHG emissions and water losses, and help conserve water bodies and biodiversity. According to 2021 data from the National Sanitation Information System (SNIS), more than 15% of Brazilians do not have access to water supply services and 45% are not connected to sewerage systems.

Brazil's sanitation law, Federal Law No. 14,026 of July 2020, set a goal to ensure that 99% of the Brazilian population have access to drinking water and 90% are connected to sewage collection and treatment services by 2033. According to the Brazilian government, about BRL598 billion (US\$118 billion) in investments will be needed to fund this goal. SC is one of Brazil's wealthier states; however, according to SNIS, around 10% of its inhabitants still have no access to direct drinking water and only 32% of dwellings are directly connected to sewerage services. Based on these statistics, our view is that there is greater urgency in addressing the lack of wastewater services in SC state.

Casan's strategy is to expand its water and wastewater services, improve its operational processes and increase the quality of its products and services. This strategy is aligned with its mission to promote the health, comfort and quality of life of SC's population and to encourage sustainable development and support Brazil's goals for boosting access to water and sanitation services, as described in the country's 2014–2033 National Basic Sanitation Plan (Plansab). Plansab encompasses an integrated strategy for the expansion and improvement of drinking water supply, the provision of sewerage, rubbish collection, waste management (including solid waste), drainage and rainwater management services throughout Brazil.



In the municipalities where Casan operates, its water service coverage rate, 99% of the target population reached, is well above the 84% national average and 90% average for the entire SC state. However, its water leakage rate of 39.3% is higher than the 33.9% average for SC state and above the global average of 33.6%. Casan's ESG profile would benefit from expanding its water services and reducing leakage rates.

In areas served by Casan, sewerage service coverage rates are 32.36%, well below the 60% national average. Casan's objective is to boost its coverage to ensure that 95% of SC state's population has access to sanitation services by 2033.

Bonds issued and loans contracted under Casan's framework will be used to fund investments in support of these goals, the Plansab, Brazil's ultimate objective of ensuring universal access to water and sewerage services in the country, and SC state's drive to improve the living conditions of its population.

Source: Sustainable Fitch, Casan sustainable and blue framework (October 2023), Casan sustainability reports (2021, 2022)



Use of Proceeds – Eligible Projects	Alignment: Good
Company Material	Sustainable Fitch’s View
<p><b>Sustainable water and wastewater management</b></p> <ul style="list-style-type: none"> <li>Design, construction, operation, maintenance, enlargement and adaptation for efficient and sustainable management of water and wastewater. Investments in this category will be eligible when used for water loss reduction and increased energy efficiency.</li> <li>Network systems for monitoring water resources, flood control, weather, and atmospheric conditions.</li> </ul>	<ul style="list-style-type: none"> <li>The UoP will expand access to essential water and wastewater services in support of Casan’s strategy and wider national targets.</li> <li>The provision of water and wastewater services and the management of water resources are important to improve public health, protect the ecosystem and preserve water supply security. These represent essential environmental services for society, which support the access to quality water and sewerage services for all, reducing water-borne diseases.</li> <li>Casan’s target is to reduce its water leakage rates. Reducing water leakage brings a positive environmental impact. However, Casan’s leakage-saving targets fall short of the more ambitious international best 20% target for OECD countries. More stringent targets would enhance the environmental benefits expected from this UoP.</li> <li>Funding applied to this UoP must ensure that improvements in energy efficiency of water and wastewater plants is achieved. This will have a positive environmental impact, but the issuer does not specify thresholds related to energy efficiency or GHG emission reductions in respect of water and wastewater treatment plant projects to be financed under the framework. According to international environmental taxonomies, GHG emissions relating to the operation of water and wastewater plants and leakage rates must meet certain science-based technical criteria in order for the activity to be classified as sustainable.</li> <li>Positively, some of Casan’s water supply systems run on renewable electricity.</li> <li>This UoP category also includes investments to be made in hydrometeorological monitoring and water withdrawal instruments and the operation of sites to assist with rainfall monitoring, collection of data relating to water levels and other meteorological information. Casan will use such information to guide its actions and adapt to extreme weather events and changing climate patterns.</li> <li>In our view, investments in climate change adaptation should be an important consideration for Casan, a provider of essential services, to ensure that its infrastructure remains resilient to changing climate patterns and capable of providing good, affordable levels of service. SC state has faced increasingly erratic rainfall patterns, characterised by unusually dry periods or heavy rains causing widespread flooding.</li> <li>We view these investments as aligned with the sustainable water and wastewater management category of the ICMA Green Bond Principles and/or the loan associations’ Green Loan Principles.</li> </ul> <div style="text-align: right;">  <p><b>6</b> CLEAN WATER AND SANITATION</p>  <p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p> </div>



**Pollution prevention and control**

- Design, construction, operation, maintenance, improvement, enlargement and adaptation for efficient management of sewage, collection, treatment, and final disposal. Investments in this category will consider mechanisms for controlling methane and GHG emissions.
- Management and reuse of sludge in order to promote circular economy.
- The UoP will expand access to essential sanitation services in support of Casan’s strategy and wider national targets.
- In our view, the provision of wastewater services contributes to a reduction in pollution and contamination of water bodies, ocean and soil, which can affect areas of high biodiversity. This essential service also helps eliminate contaminants, nitrogen, phosphorus and other pollutants that spread water-borne diseases and pose a risk to human health.
- Provision of wastewater services is an eligible activity under environmental taxonomies, such as the EU taxonomy. In order to be classified as a sustainable business activity and demonstrate its positive contribution to climate change mitigation objectives, certain technical thresholds must be met. Such thresholds relate to levels of energy consumption and improvements dependant on treatment plant capacity and GHG emissions reductions.
- Casan recognises that energy efficiency rates and levels of GHG emissions are material environmental considerations for its business, but it has not publicly committed to any threshold objectives in these areas. Nevertheless, the commitment to ensure that investments associated with this category of UoP help contain methane and GHG emissions is positive. Disclosure of containment targets would enable us to perform a more detailed environmental assessment of this UoP.
- Casan monitors and discloses its energy-efficiency levels and sets GHG emission key performance indicators (KPIs), but these do not meet the science-based criteria defined in the environmental taxonomies.
- It is positive that some electricity consumed by Casan is sourced renewably.
- The issuer confirmed that the majority of the projects under this UoP will be focused on design and construction of new sewage treatment plants. Some of the plants will employ anaerobic digestion and composting activities, which creates positive environmental impacts. However, it is not certain that all such plants will meet technical screening criteria outlined in international environmental taxonomies and, as such, it is difficult to assess the extent to which they will contribute to climate change mitigation objectives. Nevertheless, new sewage plants will increase the number of dwellings benefiting from this service, helping to close its coverage gap. It is expected that all new treatment plants will adequately manage methane emissions and reduce GHG emissions. According to Casan, the quality of water released from the treatment plants will comply with national and local environmental legislation.
- This UoP category also includes investment in R&D of sludge management and reuse technologies. The recycling of sludge brings a positive environmental impact, as it can contribute to a circular economy and to GHG emissions reduction.
- We view these investments as aligned with the pollution prevention and control category of the ICMA Green Bond Principles and/or the loan associations’ Green Loan Principles.





**Terrestrial and aquatic biodiversity conservation**

- Conservation and revitalisation of the environment and water basin systems through long-term programmes.

- Conservation and revitalisation of the environment and water basin systems brings environmental benefits as this preserves ecosystem, contributes to GHG emission sequestration and boosts the supply of high-quality water resources. Human activity constantly causes degradation of natural ecosystems; restoring these is essential to combat the effects of climate change.
- Water basin systems are a natural protection for water bodies. Their conservation and protection prevent river erosion, reduce the presence of sediments and pollutants brought by rainwater, filter-contaminating substances and allow aquifers to be recharged, improving water quality and ensuring the continuity and regulation of water flow during drought and flood seasons.
- Some examples of projects to be funded by debt raised under the framework are the “Programa Mata Ciliar – Iberê”, “Projeto Cultivando Águas” and “Projeto Produtor de Água Rio Cubatão”. We have reviewed information relating to these projects, which aim to protect, restore and preserve vegetation alongside river borders.
- Conservation efforts bring positive environmental impacts. However, projects to be financed under this UoP are, as yet, not defined. As such, the type of protected natural areas to be financed, the amount of GHG emissions expected to be captured, the time horizons envisaged for the projects and the extent to which the natural state of the conservation areas in question may be modified, are unknown at this stage. Confirmation that conservation investments will be long term provides some comfort as the longer the time a water basin system is conserved and revitalised is, the greater the associated climate and biodiversity conservation benefits achieved. Once projects to be financed are identified and related environmental disclosure is made available, it will be easier to assess the extent to which this UoP generates positive environmental impact.
- We view these investments as aligned with the terrestrial and aquatic biodiversity conservation category of the ICMA Green Bond Principles and/or the loan associations’ Green Loan Principles.



**Affordable basic infrastructure**

- Infrastructure for clean and/or drinking water, wastewater treatment, urban drainage systems for a target population. The target population for these investments is the population residing in the surrounding areas of Casan’s activities.
- Providing access to basic infrastructure, such as access to clean water and sanitation. The target population for these investments is any unserved population.
- Extending social tariffs to more beneficiaries. The target population for these investments is a vulnerable population, defined as beneficiaries enrolled in the Brazilian government’s registry for social programmes, known locally as “Cadastro Único”.

- A large portion of the population of SC state lacks sewerage services, as highlighted earlier. This UoP seeks to expand access to high-quality drinking water and to sanitation services throughout the municipalities served by Casan. Boosting access to clean drinking water services will bring considerable positive social impacts. The provision of wastewater services helps reduce the level of contamination associated with lack of sanitation, as described above.
- This UoP will also finance expenditures and investments relating to Casan’s existing plants and infrastructure. This will bring a positive social impact as the provision of water and wastewater services is important to improve public health and ensure access to water supply security.
- Populations not connected to water and wastewater services and those registered on the “Cadastro Único” are vulnerable, in our view. Uses of proceeds focused exclusively on these populations have a greater level of positive social impact, in our view. The general population residing in Casan’s catchment areas is not necessarily vulnerable.
- Reducing the cost of access to essential services through favourable tariffs generates positive social impact, especially as beneficiaries of these tariffs are screened to ensure they meet Casan’s socioeconomic compliance criteria. The





	<p>favourable tariffs, defined by local regulation as “social tariffs”, offered by Casan, are considerably lower than standard rates and beneficiaries are families earning a combined maximum of two minimum monthly salaries (currently equivalent to BRL2,440 (USD500)). Beneficiaries must be registered under the federal government’s social programmes, as described above.</p> <ul style="list-style-type: none"> <li>• We view these investments as aligned with the affordable basic infrastructure category of the ICMA Green Bond Principles and/or the loan associations’ Green Loan Principles.</li> </ul>
Source: Sustainable Fitch, Casan sustainable and blue framework (October 2023)	Source: Sustainable Fitch

**Use of Proceeds – Other Information**

**Alignment: Aligned**

Company Material	Sustainable Fitch’s View
<ul style="list-style-type: none"> <li>• Casan intends to allocate an amount equal to the net proceeds of any sustainable financing instrument (SFI) to the financing or refinancing, in whole or in part, of existing and/or future eligible green, social, blue and/or sustainable projects and/or investments that carry clear beneficial components to the environment and/or society.</li> <li>• Eligible investments will include expenditures beginning on the issuance date of the applicable ESG instrument and those that have been completed within 24 months preceding the issuance date. Casan intends to fully allocate an equal amount of the net proceeds of any labelled instrument within 36 months of the issuance.</li> <li>• If any of the eligible investments become non-eligible after any SFIs issuance, the issuer will redirect the proceeds to another eligible investment within 12 months. The documentation for each SFIs may include specific clauses that impose fines and/or other penalties if the proceeds raised are not used and/or directed towards eligible investments listed in this framework.</li> <li>• Transactions related to eligible investments will be subject to compliance with applicable laws and regulations and Casan’s policies.</li> <li>• Casan will not pursue or facilitate any of the investments listed: investments that use irregular and/or illegal practices involving child or youth labour, submit employees to degrading conditions or conditions analogous to slave labour; investments in any project or activity that directly or indirectly violates the rights of Indigenous peoples, and traditional peoples and communities; investments whose business partners do not operate in compliance with Federal Law 12,846/2013 (Anticorruption Law); investments related to the acquisition or generation of electricity based on fossil fuels or on coal or fuel oil heating systems; investments related to nuclear activities/waste; and production or commercialisation of any product or activity considered illegal under national or international laws or regulations, conventions and agreements signed by Brazil. Investments in any project or activity that directly or indirectly violates the rights of Indigenous peoples, and traditional peoples and communities.</li> <li>• Investments in any of the activities listed above will be excluded from this framework and will not be used for the purposes of labelled instruments issued by Casan.</li> </ul>	<ul style="list-style-type: none"> <li>• The framework commits to apply a minimum of 50% of funds raised to the financing of new projects. Our view is that the greater the share of new projects financed, the greater the additionality of sustainable investments coming on-stream and the more positive the impact. A 24-month lookback period for refinanced projects, described in the framework, is in line with market practice.</li> <li>• The list of banned projects is well defined and meets legal restrictions in Brazil, but is not particularly ambitious as it does not go beyond these requirements.</li> <li>• Casan expects to achieve full allocation of proceeds within 36 months of debt instruments being raised. This is in line with market practice.</li> <li>• Projects which no longer meet eligibility criteria defined in the framework will be substituted, in line with market practice. Positively, the framework indicates that fines or penalties may be imposed in the event that uses of proceeds are directed towards projects which do not qualify under the framework. The extent to which fines and penalties will be applied depends on the debt instrument being raised and will be defined in relevant bond or loan documentation. This is in line with market best practices.</li> <li>• Positively, based on information provided by the issuer, bond or loan documentation related to debt instruments raised under the framework will also include a clause describing Casan’s commitment to ensure all relevant environmental licences are in place in respect of projects to be funded. Compliance with required environmental monitoring programmes will also be assured.</li> </ul>
Source: Sustainable Fitch, Casan sustainable and blue framework (October 2023)	Source: Sustainable Fitch



Evaluation and Selection	Alignment: Excellent
Company Material	Sustainable Fitch's View
<ul style="list-style-type: none"> <li>Eligible investments financed under this framework will be analysed according to the eligibility criteria as described in the "Use of Proceeds" section of the framework.</li> <li>Casan is responsible for nominating eligible investments through an internal decision-making process that will be used to qualify projects inherent to water supply and for projects related to sewage collection and treatment.</li> <li>To ensure that all necessary information concerning the eligible investments is considered, the investments will be conducted and monitored by different areas that work in partnership, and their activities may be simultaneous with other areas or not.</li> <li>The environmental management team will be responsible for evaluating investments to determine their compliance with eligibility criteria, including adherence to legislation. Following this assessment, the executive board will be responsible for determining which eligible investment will be financed through SFIs.</li> <li>The operations and expansion team will oversee the execution of eligible investments, while the environmental team will measure the social and environmental impact of these investments. Compliance with regulatory requirements and internal processes will be supervised by the compliance, internal controls and risk management department. The financial and investor relations department will manage the use of proceeds and report on the impact of SFIs to the board of directors and investors, collaborating with other departments to gather and report specific information.</li> <li>The investment evaluation and selection process will be based on the knowledge and expertise of Casan's teams. Projects will be evaluated to verify compliance with current legislation, such as the basic sanitation legal framework, applicable state and municipal legislation, as well as Casan's governance and procedures. In addition, eligible investments must obtain all applicable licences and authorisations, including operational and environmental ones.</li> </ul>	<ul style="list-style-type: none"> <li>Projects to be financed will be evaluated and selected in line with a process that incorporates recommendations and input from executives working in a variety of departments within Casan. Our view is that this multi-disciplinary approach is positive as it should ensure that balanced decisions are made. This is in line with market best practice.</li> <li>The environmental management team plays a key role in the evaluation and selection process. It will determine compliance with the framework's eligibility criteria, assess adherence to local legislation and measure environmental and social impact of projects funded by sustainable bonds and loans. Ultimate responsibility for disbursement of funds lies with Casan's executive directors. We view this positively, as it will ensure a high degree of engagement from senior management and creates a multi-layer decision-making process.</li> </ul>
Source: Sustainable Fitch, Casan sustainable and blue framework (October 2023)	Source: Sustainable Fitch

Management of Proceeds	Alignment: Excellent
Company Material	Sustainable Fitch's View
<ul style="list-style-type: none"> <li>An equal amount of the net proceeds raised with the issuance of any SFIs will be allocated to eligible investments until the maturity date of the respective instrument. Casan is committed to use its best efforts to fully allocate the net proceeds within 36 months from the issuance date of the respective instrument.</li> <li>The net proceeds will be monitored by the financial team continuously during the life of each SFIs.</li> <li>Until full allocation, Casan will maintain an amount equal to the unallocated balance of the SFIs in cash, cash equivalents or low-risk liquid investments.</li> <li>If any of the eligible investments become non-eligible after any SFIs issuance, the issuer will redirect the proceeds to another eligible investment within 12 months. The documentation for each SFIs may include specific clauses that impose fines and/or other penalties if the proceeds raised are not used and/or directed towards eligible investments listed in this framework.</li> </ul>	<ul style="list-style-type: none"> <li>Funds raised through debt instruments issued and contracted under the framework will be deposited into a special Casan bank account, dedicated to this purpose. This is aligned to market best practices and provides considerable transparency to investors.</li> <li>Based on information provided by the issuer, the disbursements will be made following sign off by the construction department and finance director. Disbursements and allocations will be audited either by independent auditors or, in the event that funding has been provided by a multilateral development bank, an appointee from this institution.</li> <li>Audited disbursement trails ensure greater accountability and are in line with market best practice.</li> <li>Unallocated proceeds will be invested in low-risk liquid assets. Sustainable low-risk liquid investments are, as yet, scarce in Brazil and we understand that this limits Casan's ability to seek out such opportunities for its unallocated funds. Casan may be able to consider investment in such instruments should suitable sustainable investment opportunities become available, as envisaged under Brazil's sovereign sustainability debt framework.</li> </ul>





	<ul style="list-style-type: none"> <li>Substitution of ineligible projects within a 12-month framework is in line with market practice.</li> </ul>
Source: Sustainable Fitch, Casan sustainable and blue framework (October 2023)	Source: Sustainable Fitch

## Reporting and Transparency

## Alignment: Good

Company Material	Sustainable Fitch's View
<ul style="list-style-type: none"> <li>Annually, Casan will publicly report the allocation of any SFIs raised in an allocation report and the estimated impact of the eligible investments to its stakeholders in an impact report.</li> <li>Investments may include capex and selected opex (such as maintenance costs that either increase the lifetime or the value of the assets) of physical assets meeting the eligibility criteria; or R&amp;D expenditures aimed at developing new products and/or solutions as per the eligibility criteria.</li> <li>Casan commits to disclose all material information in accordance with the applicable legislation, its contractual obligations and, whenever possible, guided by the ICMA's Harmonized Framework for Impact Reporting.</li> <li>The allocation report will include, but not necessarily be limited to, information on the percentage of proceeds allocated to eligible investments either individually or by category, the share of net proceeds used for financing compared to refinancing, the percentage of proceeds temporarily allocated to other financial instruments, and the outstanding amount of net proceeds to be allocated to eligible projects at the end of the reporting period.</li> <li>This information will be provided annually until the full allocation of proceeds.</li> <li>The impact report will include one or more of a series of disclosed indicators that show direct and/or indirect benefits generated by the investments.</li> <li>The company will also provide the annual report and it may have an independent and external verification provided by a qualified independent external reviewer to verify the internal tracking and the allocation of funds ("Post Issuance - External Reviewer").</li> </ul>	<ul style="list-style-type: none"> <li>Annual allocation reports will be published until full allocation of proceeds. This is in line with market practice. Allocation reporting until final maturity of the debt instrument is considered market best practice, as it provides investors with a more comprehensive tracking tool. Allocation reports will be audited.</li> <li>Reporting on the breakdown between capex and opex for the different UoP categories and for specific projects would be best practice, as it enables investors to better understand the extent that the impact is purely derived from the investment, and would be reflected positively in the framework's assessment.</li> <li>Information disclosed in allocation reports will depend on the projects financed by the debt instrument in question. Casan has confirmed that allocations to large projects will be reported individually, in line with market best practice. However, should this be unmanageable, for example in the event of numerous investments being financed or investment being directed towards confidential projects, allocation reporting will follow a portfolio approach. Portfolio allocation reporting aligns to market guidelines under these circumstances.</li> <li>A similar approach will be adopted by Casan in respect of its impact reporting. However, the framework does not commit to annual verification of impact reports. Such verification would be in line with good market practice.</li> <li>Impact metrics will be based on KPIs defined by Brazil's national sanitation information system and are in line with the ICMA's Harmonized Framework for Impact Reporting published in June 2023. Illustrative impact metrics included in the framework are measurable, relevant and well aligned to the UoP categories.</li> </ul>
Source: Sustainable Fitch, Casan sustainable and blue framework (October 2023)	Source: Sustainable Fitch



**Relevant UN Sustainable Development Goals**

- 3.3: By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases.
- 3.9: By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.



- 6.1: By 2030, achieve universal and equitable access to safe and affordable drinking water for all.
- 6.2: By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations.
- 6.3: By 2030, improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.
- 6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.



- 11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.
- 11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.



- 15.1: By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.



Source: Sustainable Fitch, UN



## Appendix A: Principles and Guidelines

### Type of Instrument: Sustainability

#### Four Pillars

1) Use of Proceeds (UoP)	Yes
2) Project Evaluation & Selection	Yes
3) Management of Proceeds	Yes
4) Reporting	Yes

#### Independent External Review Provider

Second-party opinion	Yes
Verification	No
Certification	No
Scoring/Rating	No
Other	No

#### 1) Use of Proceeds (UoP) – based on expected or actual instrument allocation

##### UoP as per Green Bond Principles (GBP)

Renewable energy	No
Energy efficiency	No
Pollution prevention and control	Yes
Environmentally sustainable management of living natural resources and land use	No
Terrestrial and aquatic biodiversity conservation	Yes
Clean transportation	No
Sustainable water and wastewater management	Yes
Climate change adaptation	No
Certified eco-efficient and/or circular economy adapted products, production technologies and processes	No
Green buildings	No
Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP	No
Other	No

##### Use of Proceeds as per Social Bond Principles (SBP)

Affordable basic infrastructure	Yes
Access to essential services	No
Affordable housing	No
Employment generation (through SME financing and microfinancing)	No
Food security	No
Socioeconomic advancement and empowerment	No
Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP	No
Other	No

#### Target Populations

Living below the poverty line	Yes
Excluded and/or marginalised populations and /or communities	No
People with disabilities	No
Migrants and/or displaced persons	No
Undereducated	No
Underserved, owing to a lack of quality access to essential goods and services	Yes
Unemployed and/or workers affected by climate transition	No
Women and/or sexual and gender minorities	No



## Type of Instrument: Sustainability

Aging populations and vulnerable youth	No
Other vulnerable groups, including as a result of natural disasters, climate change, and/or climate transition projects that cause or exacerbate socioeconomic inequity	No
Other	No

## 2) Project Evaluation & Selection

### Evaluation & Selection

Credentials on the issuer's social and green objectives	Yes
Documented process to determine that projects fit within defined categories	Yes
Defined and transparent criteria for projects eligible for sustainability bond proceeds	Yes
Documented process to identify and manage potential ESG risks associated with the project	Yes
Summary criteria for project evaluation and selection publicly available	Yes
Other	No

### Evaluation & Selection/Responsibility & Accountability

Evaluation/selection criteria subject to external advice or verification	No
In-house assessment	Yes
Other	No

## 3) Management of Proceeds

### Tracking of Proceeds

Sustainability bond proceeds segregated or tracked by the issuer in an appropriate manner	Yes
Disclosure of intended types of temporary investment instruments for unallocated proceeds	Yes
Other	No

### Additional Disclosure

Allocations to future investments only	No
Allocations to both existing and future investments	Yes
Allocation to individual disbursements	No
Allocation to a portfolio of disbursements	Yes
Disclosure of portfolio balance of unallocated proceeds	Yes
Other	No

## 4) Reporting

### UoP Reporting

Project-by-project	No
On a project portfolio basis	Yes
Linkage to individual bond(s)	No
Other	No

### UoP Reporting/Information Reported

Allocated amounts	Yes
Sustainability bond-financed share of total investment	No
Other	No

### UoP Reporting/Frequency

Annual	Yes
Semi-annual	No
Other	No




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### Type of Instrument: Sustainability

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#### Impact Reporting

Project-by-project	No
On a project portfolio basis	Yes
Linkage to individual bond(s)	No
Other	No

#### Impact Reporting/Information Reported (exp. ex-post)

GHG emissions/savings	Yes
Energy savings	No
Decrease in water use	Yes
Number of beneficiaries	Yes
Target populations	Yes
Other ESG indicators	Yes

#### Impact Reporting/Frequency

Annual	Yes
Semi-annual	No
Other	No

#### Means of Disclosure

Information published in financial report	No
Information published in ad hoc documents	No
Information published in sustainability report	Yes
Reporting reviewed	No
Other	No

Source: Sustainable Fitch, ICMA

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## Appendix B: Definitions

Term	Definition
<b>Debt types</b>	
Green	Proceeds will be used for green projects and/or environmental-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Green Bond Principles or other principles, guidelines or taxonomies.
Social	Proceeds will be used for social projects and/or social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Social Bond Principles or other principles, guidelines or taxonomies.
Sustainability	Proceeds will be used for a mix of green and social projects and/or environmental and social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Sustainability Bond Guidelines or other principles, guidelines, taxonomies.
Sustainability-linked	Financial and/or structural features are linked to the achievement of pre-defined sustainability objectives. Such features may be aligned with ICMA Sustainability-linked Bond Principles or other principles, guidelines or taxonomies. The instrument is often referred to as an SLB (sustainability-linked bond) or SLL (sustainability-linked loan).
Conventional	Proceeds are not destined for any green, social or sustainability project or activity, and the financial or structural features are not linked to any sustainability objective.
Other	Any other type of financing instrument or a combination of the above instruments.
<b>Standards</b>	
ICMA	International Capital Market Association. In the Second-Party Opinion we refer to alignment with ICMA's Bond Principles: a series of principles and guidelines for green, social, sustainability and sustainability-linked bonds.
LMA, LSTA and APLMA	Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA). In the Second-Party Opinion we refer to alignment with Sustainable Finance Loan Principles: a series of principles and guidelines for green, social and sustainability-linked loans.
EU Green Bond Standard	A set of voluntary standards <a href="#">created by the EU</a> to "enhance the effectiveness, transparency, accountability, comparability and credibility of the green bond market".

Source: Sustainable Fitch, ICMA, UN, EU Technical Expert Group



## Appendix C: Second-Party Opinion Methodology

### Second-Party Opinion

Second-Party Opinions (SPO) are a way for issuers to obtain an independent external review on their green, social, sustainability and sustainability-linked instruments.

As per the ICMA Guidelines for External Reviewers, an SPO entails an assessment of the alignment of the issuer's green, social, sustainability or sustainability-linked bond or loan issuance, framework or programme with the relevant principles. For these purposes, "alignment" should refer to all core components of the relevant principles.

Sustainable Fitch analysts vary the analysis based on the type of instruments, to consider whether there are defined uses of proceeds or KPIs and sustainability performance targets. The analysis is done on a standalone basis, separate to the entity.

### Analytical Process

The analysis considers all available relevant information (ESG and financial). The reports transparently display the sources of information analysed for each section and provide a line-by-line commentary on the sub-factors analysed. The ESG analysts working on an SPO will also engage directly with the issuer to acquire any additional relevant information not already in the public domain or in instrument-related documentation.

An important part of the analysis is the assessment of the E and S aspects of the use of proceeds. In addition to the alignment with ICMA Principle and Guidelines, the analysis may also refer to major taxonomies (e.g. the EU taxonomy for E aspects, and the UN Sustainable Development Goals for S aspects).

Once the analyst has completed the analysis, with commentary for the related SPO, it is submitted to the approval committee, which reviews it for accuracy and consistency. Based on issuer preference and mandate, an SPO can be monitored (annually or more frequently, if new information becomes available) or on a point-in-time basis.

### Scale and Definitions

ESG Framework	
Excellent	Sustainable finance framework and/or debt instrument structure is fully aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet excellent levels of rigour and transparency in all respects and are well in excess of the standards commonly followed by the market.
Good	Sustainable finance framework and/or debt instrument structure is fully aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet good levels of rigour and transparency; in some instances, they go beyond the standards commonly followed by the market.
Aligned	Sustainable finance framework and/or debt instrument structure is aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet the minimum standards in terms of rigour and transparency commonly followed by the market.
Not Aligned	Sustainable finance framework and/or debt instrument structure is not aligned to relevant core international principles and guidelines. Practices inherent to the structure fall short of common market practice.

Source: Sustainable Fitch



## SOLICITATION STATUS

The Second Party Opinion was solicited and assigned or maintained by Sustainable Fitch at the request of the entity.

A Sustainable Fitch ESG Analytical Product (ESG Product) provides an assessment of the Environmental, Social and/or Governance ("E", "S" and "G") qualities of an issuer and/or its securities. ESG Products provided by Sustainable Fitch include an ESG Entity Rating, ESG Framework Rating, ESG Instrument Rating, ESG Scores and ESG Second-Party Opinion, among other ESG analytical products. An ESG Product is not a credit rating. ESG Products are provided by Sustainable Fitch, a Fitch Solutions company, and an affiliate of Fitch Ratings. Sustainable Fitch has established certain policies and procedures intended to avoid creating conflicts of interest and compromising the independence or integrity of Fitch Ratings' credit rating activities and Sustainable Fitch's ESG Product generation activities. For a description of the methodology, limitations and disclaimers relating to Sustainable Fitch's ESG Products, please use this link: [www.sustainablefitch.com](http://www.sustainablefitch.com).

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