

SABESP UCB IV (51460)
Project Basic Information

Country: Brazil	Region: Brazil & Southern Cone	Project No.: 51460
Project Legal Name: SABESP UCB IV	Company Legal Name: COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO.	
Project Business Sector: C-BA - Water and Wastewater Utilities	Owning Department /Division: Regional Industry INF LAC & EUR	
Environment Category: B		

IFC's Disclosure Requirements

Date of initial ESRS disclosure
8/20/2025

Date of revised ESRS disclosure
7/29/2026

Date of clearance by client for factual accuracy
8/12/2025

Board Approval Date

Project Description

The proposed IFC investment consists of an up to US\$1 billion debt facility composed of (i) a US\$200 million 7-year A-Loan and (ii) an up to US\$800 million 5-year B-Loan to Companhia de Saneamento Básico do Estado de São Paulo ("SABESP" or the "Company"). SABESP, an existing IFC client since 2022, is the largest water and sanitation service provider in Brazil and among the largest worldwide. The Company, founded in 1973 and privatized in July 2024, provides water and sanitation services to more than 28 million people in 371 municipalities of the State of São Paulo.

The proceeds of IFC's financing will be used to finance investments related to the Company's water loss reduction program by funding the replacement of obsolete water meters with smart water meters, under a mass replacement program in São Paulo and São José dos Campos, which is projected to replace 4.4 million outdated meters in total until 2029. Furthermore, the use of proceeds will include the development of what is expected to be the world's largest Integrated Operations Center ("IOC") in the water and sanitation sector. The IOC will be housed in an existing building at SABESP's headquarters in São Paulo, which will be remodeled and adapted for this purpose. The IOC is expected to support operational improvements through innovation and digitalization, helping address critical challenges such as water losses and treatment quality (the "Project").

SABESP's smart meter investment plan for 2025-2029 is one of the largest globally and the first in Brazil to roll out smart water meters at a large scale. It offers several advantages for both clients and the Company, including providing daily hourly consumption monitoring to identify and address eventual leaks quickly and enhance water conservation efforts. It contemplates a holistic deployment of Advanced Metering Infrastructure ("AMI") linked with Information and Communication Technology ("ICT") solutions (e.g., systems and customer applications), which supplements the Company's investments focused on modernizing and expanding the water distribution network.

Overview of IFC's Scope of Review

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IFC's E&S appraisal was conducted in April 2025 and included a review of relevant Project E&S documentation, meetings with key stakeholders, and a site visit.

Update 2026: For the proposed follow-on investment, IFC supplemented the original appraisal with additional document reviews, site visits, and meetings with the Company and other relevant stakeholders in June and July 2026.

This assessment also built on the appraisal findings and E&S performance information gathered through IFC's previous investments in SABESP (SABESP UCL, disclosed on 05/10/2022; SABESP UCL II, disclosed on 04/27/2023; and SABESP UCL III, A Loan and B Loans, disclosed on 07/26/2024 and 04/28/2025, respectively). The review aimed at assessing the effectiveness of the company's corporate E&S Management System ("ESMS") to monitor and manage the project scope and organizational capacity and at reviewing E&S risks, impacts and corresponding controls and mitigations associated with the Project to be financed by IFC. This is the fourth investment from IFC in SABESP over the last 3 years. The Environmental and Social Review Summaries ("ESRS") of the three previous investments, which have had satisfactory E&S performance, are available at IFC's disclosure page, as follows:

- SABESP UCL, disclosed on 05/10/2022: <https://disclosures.ifc.org/project-detail/ESRS/46253/sabesp-ucl>
- SABESP UCL II, disclosed on 04/27/2023: <https://disclosures.ifc.org/project-detail/SII/47451/sabesp-ucl-ii>
- SABESP UCL III, disclosed on 07/26/2024: <https://disclosures.ifc.org/project-detail/ESRS/49253/sabesp-ucl-iii>

Given that SABESP UCL, SABESP UCL II and SABESP UCL III have been processed recently, and the ESRS' mentioned above contains relevant and updated information on SABESP's corporate ESMS, policies and procedures, this ESRS focuses mainly on the findings of the E&S due diligence of the current Project.

Identified Applicable Performance Standards

While all Performance Standards are applicable to this investment, IFC's environmental and social due diligence indicates that the investment will have impacts which must be managed in a manner consistent with the following Performance Standards.

PS1-Assessment and Management of Environmental and Social Risks and Impacts
PS2- Labor and working conditions
PS3-Resource Efficiency and Pollution Prevention
PS4-Community Health, Safety and Security

Environmental & Social Categorization and Rationale

This is a Category B project according to IFC's Policy on Environment and Social Sustainability (2012). Based on information reviewed by IFC, the Project will have limited adverse E&S impacts that are few, site specific, largely reversible and readily addressed through existing mitigation measures and good international industry practices ("GIIP"). Key E&S issues associated with the Project include: i) effectiveness of the ESMS to assess and manage E&S risks and impacts from the project as well as those related to management of contractors ii) management of labor and working conditions and occupational health and safety ("OHS") policies and practices; iii) effectiveness of the stakeholder engagement process and grievance mechanisms; and iv) community health & safety including potential sexual exploitation, abuse and harassment ("SEAH") risks.

Environmental & Social Mitigation Measures

(Observations that are not to be disclosed must be recorded in ESG360)

IFC's appraisal considered the environmental and social management planning process and documentation for the Project and gaps, if any, between these and IFC's requirements. Where necessary, corrective measures, intended to close these gaps within a reasonable period of time, are summarized in the paragraphs that follow and (if applicable) in an agreed Environmental and Social Action Plan (ESAP). Through implementation of these measures, the Project is expected to be designed and operated in accordance with Performance Standards objectives.

Applicable PSs summary

PS1-Assessment and Management of Environmental and Social Risks and Impacts

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Environmental and Social Assessment and Management Systems

SABESP has established a corporate ESMS based on the 'plan-do-check-act' continuous improvement cycle focusing on environmental compliance and promoting positive changes in the corporation's E&S culture. All water and wastewater treatment plants in operation apply the ISO 14001 standard (Environmental Management), which sets out the requirements for an effective ESMS. SABESP's ESMS is commensurate with E&S risks and impacts associated with its operations. Adequate mitigation and performance measures are established to ensure alignment with applicable laws and PS requirements.

As part of SABESP's corporate ESMS, the Company has procedures for the identification of hazards and risks, for the standardization of E&S management practices, procedures and requirements for water and sanitation subprojects, for E&S management commensurate to the risks and impacts of each subproject, workforce management, equal opportunity, E&S trainings, stakeholder engagement, grievances mechanisms, pollution prevention, management of greenhouse gases (GHG), environmental education, environmental permitting, E&S assurance, and E&S management of contractors. It includes emergency preparedness and response, investigation of accidents and incidents and E&S reporting with leading and lagging key performance indicators ("KPI") that are closely monitored and reported to management. E&S management programs at the subproject level are site specific, with clear definitions of roles and responsibilities, management, controls and monitoring actions, indicators and reporting requirements which are reviewed on a regular basis by SABESP, and by the E&S auditing and assurance companies that are hired for selected subprojects (see the 'monitoring and review' section below).

There are two key E&S management tools within SABESP's ESMS that define the E&S requirements for all the water and sanitation subprojects the Company implements. These are the bidding package (established either through 'Edital' or Request for Proposals - "RFP") and the E&S Management Guidance Framework for Projects ('Plano Orientador de Gestão de Obras' or 'PGO'), which define the rules and E&S-specific requirements and expectations to manage E&S risks and impacts, in line with PS requirements. The PGO requires contractors to develop and implement several project-specific E&S management programs for each subproject, as further described under the Management Programs section below.

Under the ESAP (action #4), SABESP will be required to apply the same E&S procedures, requirements, and tools to the installation of the smart water meters and to the construction and operation of the IOC. SABESP has awarded a turnkey contract for the installation of the smart meters, including the deployment of telecommunications infrastructure, the metering systems platform, and field commissioning. As per ESAP Action #4, SABESP will ensure that all applicable E&S requirements are incorporated into and implemented under this contract and under any new contracts related to the IOC.

Identification of Risk and Impacts

On top of the regulatory environmental licensing process that requires the Company to conduct environmental and social impact assessments for certain projects, SABESP's ESMS has several procedures for systematic E&S risk identification, management, review and monitoring of E&S risks and impacts related to occupational health, safety, operational safety, environmental and social aspects, including labor-related matters in line with PS requirements. These include: i) E&S impacts and aspects matrices, which include a description of the nature of impact or risk, the receptor being affected, the probability of occurrence, magnitude and scale, as well as corresponding preventive and mitigation measures; ii) E&S risk management program ('PGR' for its Portuguese acronym) with the assessment of project's risks to the wellbeing and general OHS conditions of workers and communities, as well as environmental risks during subproject's implementation, iii) risk and impacts identification tools implemented prior to be beginning of the works (e.g. job safety analysis, environmental diagnosis of work fronts, field E&S risks matrices).

For the Project, the E&S risk and impact identification process is being developed by the Company and will be regularly updated as the Project activities are rolled out. Given the nature of the activities considered under the smart-meter replacement program, the related E&S risks and impacts are expected to be limited and readily addressed through established mitigation measures. These risks include OHS risks during transportation, removal and installation of meters, valves and other equipment; traffic and community health and safety risks associated with work in public areas; and risks of sexual exploitation, abuse, and harassment ("SEAH") arising from contractor personnel's interactions with customers and other stakeholders, including when accessing customer properties.

The construction of the IOC may also involve E&S risks typically associated with civil works, including contractor and workforce management, OHS, construction traffic, waste generation, noise and dust.

As part of the ESAP (action #1), SABESP will be required to update the ongoing Project E&S Risk and Impact Identification process in accordance with its ESMS procedures. The assessment will cover both the smart-meter installation activities and the construction and operation of the IOC and will ensure that the relevant E&S risks and impacts are identified and addressed in line with applicable regulations, SABESP's E&S procedures, and the IFC PSs.

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Management programs

The Company's E&S management programs and plans form the basis of the E&S requirements applied to all projects from construction through operations and maintenance (O&M). As described in the ESMS section above, these management programs and plans, which form part of the RFP and the E&S Management Guidance Framework, are in line with Brazilian legislation and mostly aligned with IFC requirements. As part of the Project, SABESP will incorporate the results of the project related E&S Risks and Impacts Identification process in the contracts with the project service providers and ensure these include necessary provisions to: i) address potential risks of SEAH, ii) reinforce the implementation of SABESP's Code of Conduct and Integrity; and iii) develop an Emergency Preparedness and Response Plan commensurate to the risks of the Project (ESAP Action #2).

Organizational Capacity and Competency

At the corporate level, SABESP has an adequate number of qualified E&S staff managing the E&S risks of the different subprojects' implementation and operation. For the Project, SABESP has established a formal structure, with professionals experienced in the telemetry and Advanced Metering Infrastructure projects deployment, as well as in managing the daily routine of the Metering Center and customer care. The smart-meter installation activities are being implemented through a turnkey contractor responsible for the deployment of telecommunications infrastructure, the metering systems platform, and field meter commissioning. The contractor is required to allocate appropriately qualified personnel, and to maintain arrangements for the supervision and monitoring of E&S-related functions. A similar arrangement is expected for the IOC construction and operation.

As part of ESAP Action #4, SABESP will allocate qualified personnel responsible for contractor oversight, OHS, environmental management, community health and safety, emergency preparedness and response, and compliance with SABESP's ESMS and applicable contractual requirements for the Project.

Contractor Management and Training

SABESP has awarded a turnkey contract to a telecommunications service provider responsible for the deployment of the Project's telecommunications infrastructure, metering systems platform, and field meter commissioning.

Given that a significant portion of the smart-meter installation activities will occur within or in proximity to customer properties, the contractor's programs will emphasize personnel awareness of, and compliance with SABESP's Code of Conduct and Integrity, appropriate behavior when interacting with customers and other stakeholders and SEAH prevention, as per ESAP#2. SABESP will provide oversight of the contractor's implementation of these requirements.

SABESP will also cascade its applicable E&S requirements, including the relevant provisions of its ESMS, PGO, Code of Conduct and Integrity, and Project-specific E&S management measures, to the turnkey contract awarded for the smart-meter installation program and to any new contracts related to the design, construction, commissioning, or operation of the IOC (ESAP #4). The applicable contractual requirements will address, as relevant, labor and working conditions, OHS, contractor and subcontractor management, SEAH prevention, community health and safety, traffic management, pollution prevention, emergency preparedness and response, stakeholder engagement, grievance management, incident reporting, training, monitoring, and corrective actions. SABESP will verify that contractors' E&S plans and procedures are consistent with these requirements and the IFC PS before the relevant activities begin, and will supervise contractors' E&S performance.

Emergency Preparedness and Response

At the corporate level, SABESP's ESMS includes the identification and analysis of risks and development of emergency preparedness and response plans as well as protocols for the investigation of near misses and accidents at the workplace. For this Project, as per ESAP Action #2, the Contractors will be required to develop an Emergency Preparedness and Response Plan (EPRP), following the identification and analysis of emergency scenarios specific to the Project, including those derived from working on the streets and communities with high urban violence rates, as well as from accidents and incidents during the meters replacement process commensurate to the risks of the Project.

Monitoring and review

To ensure that Contractors are following the Company's E&S requirements, SABESP relies on field inspection programs to assess the efficacy of E&S procedures, the quality of the works and overall E&S compliance, including labor. Where gaps are identified, these are recorded in the Company's action tracking system and monitored to resolution.

Grievance Mechanism for Affected Communities

Grievances related to the Project will be directly handled by SABESP. The Company has several confidential channels to receive concerns and suggestions from customers and communities through its regional centers,

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email, telephone (0800-055-0195), WhatsApp, applications, and website page 'Fale Conosco' (<http://faleconosco.sabesp.com.br/>). A third-party service ('Contato Seguro') receives anonymous grievances through a dedicated specific website (<https://contatoseguro.com.br/pt/sabesp>), contact line (0800 900 8001) and through its stores. SABESP has a process to receive and address grievances. The Compliance sector is responsible for handling more sensitive complaints, such as those related to SEAH and other forms of harassment, misconduct or inadequate behaviors, following the corporate protocols, which are aligned with the PSs. Under ESAP Action #3, SABESP will enhance its existing grievance mechanism by establishing a community grievance protocol incorporating a survivor-centered approach to the handling of SEAH-related complaints. The protocol will be designed to prevent re-victimization, ensure appropriate support to survivors, and facilitate referrals to specialized services. To support its implementation, SABESP will map gender-based violence and child protection service providers within the Project area.

PS2- Labor and working conditions

Human Resources Policies and Procedures

As of December 2025, SABESP had a total of 8.717 employees out of which 20,1% are women. Employees are hired full-time, under permanent employment contracts. The Company's human resources (HR) policies and procedures are aligned with the local regulations and PS2 requirements. These are communicated to employees through induction and training programs. For third-party contractors, SABESP's HR policies and workforce management requirements are cascaded through legally binding requirements. The Company's HR policies and internal regulations cover recruitment, terms of employment, compensation and benefits, OHS, workers' grievance mechanism, training, professional development, SEAH, non-discrimination and equal opportunity, freedom of association, and prohibition of child or forced labor. The employment contracts define working hours, working days, holidays, duties, job title, payment (including overtime), insurance, grievance procedures, and termination of employment. All the smart meters are being installed by the selected Contractor and approximately 250 people are directly involved in this activity.

Workers' Organizations

Brazilian labor law protects collective bargaining and the right for workers to associate. As of 2024, approximately 64% of SABESP's employees are unionized, but all workers are covered by the collective agreements. The Company negotiates Collective Bargaining Agreements (CBAs) on an annual basis. CBAs include workers' rights and benefits including minimum wage, overtime, additional bonus for hazardous activities, transportation vouchers, meal vouchers, vacation, and health care, among others.

Workers' Grievance Mechanism (GM)

The Company has an adequate grievance mechanism for its own staff and third-party workers, available through anonymous channels (e.g., telephone and website) and disseminated during onboarding and other training programs. The GM does not prevent complainants from accessing judicial remedies set by Brazilian regulations. SABESP has developed formal and confidential grievance handling protocols, including one specialized procedure for investigating SEAH reports. These procedures explicitly forbid retaliation and provide guidance for fair investigation and decision-making, by institutionalized commissions. For the Project, SABESP will cascade down these procedures for the selected Contractors.

Occupational Health and Safety (OHS)

The Company has an OHS Management System following the Corporate OHS Manual and the OHS Manual for Construction and Contracted Services, which includes the identification and analysis of risks and procedures for construction and maintenance. SABESP's OHS procedures and internal technical norms are based on the national OHS standards and regulations (known as 'Normas Regulatórias' or 'NRs') and cover many safety topics including works at heights, safety excavation procedures, power and electrical safety, rigging and lifting equipment, confined space entry, civil works & construction safety, hazardous materials management, permit to work procedures, accidents, incidents and near-misses recording, OHS training requirements and personal protective equipment, among others. All OHS requirements are included in the bidding or RFP documents.

Workers engaged by Third Parties

Contractors linked to the Project will be required to meet SABESP's E&S standards and procedures, which are included in contractual documents. Contractors must ensure compliance with: i) periodic internal and external OHS and labor audits, ii) performing job safety analysis prior to work, iii) verify the adequate use of PPE, iv) implement an OHS plan (including hygiene aspects), iv) provide first aid and emergency response training (and practice drills) in line with the approved EPRP, v) establish a permit-to-work system in all Project fronts, vi) investigate all OHS-related incidents (including near misses), vii) establish procedures to ensure

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compliance with labor laws and Company's labor & HR policies, including non-discrimination, working conditions, payment of salaries, benefits and insurance.

PS3-Resource Efficiency and Pollution Prevention

For the meters' replacement activities, solid residues and waste production are limited as most of the existing obsolete meters are recycled and utilized for other water related components. For the Project, SABESP will require from Contractors to implement a waste management procedure with standardized recycling disposal routine that entails selling old meters by weight or bartering for new equipment. The Project is not expected to generate wastewater or hazardous waste. As for air emissions, those will be limited and mostly associated with Contractor's car fleet emissions within Sao Paulo and Sao Jose dos Campos municipalities.

With regard to greenhouse gas ("GHG") emissions, SABESP improved its emissions estimation methodology in 2023 and received the Gold Seal certification under the Brazilian GHG Protocol Program. The Company's 2024 GHG inventory reported total corporate emissions of approximately 2.39 million tCO₂e, comprising 1.77 million tCO₂e from Scope 1 emissions, 157,516 tCO₂e from Scope 2 emissions, and 466,120 tCO₂e from Scope 3 emissions, representing approximately 73.9%, 6.6%, and 19.5% of total emissions, respectively. Wastewater collection and treatment activities remained the Company's principal source of emissions, accounting for 72.8% of total emissions in 2024.

PS4-Community Health, Safety and Security

The Project is expected to have limited risks and impacts on stakeholders, ultimately reducing leakages and preventing water loss, positively impacting the final cost of the utility bill. Effective communication with clients will be crucial to delivering the most appropriate messages to various client groups, including low-income families who benefit from special tariffs. Likewise, SEAH risks emerging from the interaction of contractors and families have been acknowledged and will be treated through an effective stakeholder engagement strategy, with reiterated messages about SEAH prevention and the wider dissemination of available complaints channels (ESAP # 3).

Security Personnel

The Project will not involve the use of security personnel.

Stakeholder Engagement

SABESP is drafting a specific Communications Plan as part of its corporate Stakeholder Engagement Plan (SEP) with a component directing relevant customers and addressing their specific concerns about replacement of obsolete water meters. It integrates key messages about the water meter replacement process and relies on various channels to disseminate information, including TV ads and social media campaigns. To effectively engage with customers and communities on Project issues directly affecting them, SABESP will need to build upon the Communications Plan to develop a Stakeholder Engagement Plan tailored for this Project (ESAP #3), in line with IFC Performance Standards.

Broad Community Support

Not Applicable

BCS Comment :

Local Access of Project Documentation

Company Companhia de Saneamento Básico do Estado de São Paulo
Point of contact Thiago de Lima Carvalho Teixeira Levy
Title Head of Capital Markets
Telephone number +55 11 33888679
E-mail sabesp.ri@sabesp.com.br
Mailing Address Rua Costa Carvalho, 300, São Paulo, Brazil
Website <http://site.sabesp.com.br>

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Environmental & Social Action Plan (ESAP)

Is there an ESAP to be disclosed for this project?

Yes

Mitigation Measures / Environmental & Social Action Plan (ESAP)

SNo	Description	Anticipated Completion Date
1	SABESP will complete the ongoing E&S Risks and Impacts Identification process as per its ESMS, covering: (i) the installation and commissioning of the smart water meters; and (ii) the design, construction, commissioning, and operation of the IOC. The assessment will ensure that relevant E&S risks and impacts, including OHS, labor and working conditions, traffic and community health and safety, emergency preparedness and response, and sexual exploitation, abuse, and harassment –“SEAH”- risks emerging from the interaction with clients are properly identified and addressed through documented safety and security procedures, in line with local regulations, Company E&S procedures and IFC’s Performance Standards.	10/30/2026
2	For the smart-meter turnkey contractor and any contractors engaged for the IOC, SABESP will update the contractors’ management and training programs through binding legal requirements to: i) address potential risks of SEAH, by bolstering enforcement of SABESP’s Code of Conduct and Integrity. This involves requiring all third-party workers to sign a commitment to the Code of Conduct and Integrity; mandating that Contractors deliver annual anti-SEAH training for all installers working on the Project and monitoring the effectiveness of these training sessions; and ii) develop an Emergency Preparedness and Response Plan for potential emergencies commensurate to the risks of the Project	11/30/2026
3	SABESP will incorporate and cascade the applicable requirements of its ESMS, including the PGO, Code of Conduct and Integrity, Project-specific E&S management measures, and applicable IFC PSs, to: (i) the existing turnkey contract for the smart-meter installation program; and (ii) any new contracts associated with the design, construction, commissioning, or operation of the IOC. In addition, SABESP, supported by adequately allocated E&S resources, will review and approve contractors’ E&S plans before the relevant activities begin and will monitor their implementation throughout the contract period.	12/31/2026
4	SABESP will enhance the Stakeholder Engagement Plan (SEP), per PS1 requirements and tailored to effectively communicate Project features and raise awareness of the complaints channels among clients and community members. The enhanced SEP will include (i) methods of consultation and engagement with communities, neighbors, and stakeholders; (ii) frequency of reporting on E&S risks and impacts; (iii) monitoring of community engagement activities; (iv) a community grievance mechanism protocol with a survivor-centered approach, designed to handle cases by avoiding revictimization, supporting survivors, and referring them to specialized services; and (v) a map of services specialized in gender-based violence and child protection in the Project area. The enhanced SEP will establish clear roles and responsibilities for the different parties involved in the Project (e.g.: SABESP, Contractor, Municipalities, regulators and Clients)	11/30/2026

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Activity Log/Comments

Workflow Initiated by Joao Paulo Diniz Abud (Draft Environmental and Social Review Summary) Aug 19, 2025 02:05 PM ET

Comments:

Cleared by Emilijan Mohora (ESRO Clear) Aug 19, 2025 04:32 PM ET

Comments:

CRU Member Approved and Appraisal Disclosure Initiated by Ejura Phoebe Audu Aug 20, 2025 11:37 PM ET

Comments:

Client clearance received on 08/12/2025. Processed under delayed disclosure for bonds.

Approved & Appraisal Disclosed by ESG360 Job Aug 20, 2025 11:40 PM ET

Comments:

Unlocked by Lavanya Meka Jul 15, 2026 06:02 PM ET

Comments:

Workflow Initiated by Joao Paulo Diniz Abud (Draft Environmental and Social Review Summary) Jul 24, 2026 06:58 PM ET

Comments:

E&S RM Approved by Jillian Rachel Crowther Jul 24, 2026 07:52 PM ET

Comments:

Approved on behalf of Pablo Taborga.

CRU Member Approved and Appraisal Disclosure Initiated by Ejura Phoebe Audu Jul 29, 2026 02:13 PM ET

Comments:

reviously disclosed on 08/20/2025. Updated version.

Supporting Documents

S.No.	Document Details
1	Environmental and Social Review Summary_V1.pdf
2	Environmental and Social Review Summary_V2.pdf