	ORGANIZATIONAL GUIDELINE	Reference	D0018-GIT99
	POLICY ON CONSEQUENCES AND DISCIPLINARY MEASURES	Revision	02

POLICY ON CONSEQUENCES AND DISCIPLINARY MEASURES

Prepared by: Yoon Jung Kim 07/15/2020	Verified by: Radames Casseb 08/05/2020	Approved by: Fábio Galindo Silvestre 08/14/2020
--	---	--



	ORGANIZATIONAL GUIDELINE	Reference	DO018-GIT99
	POLICY ON CONSEQUENCES AND DISCIPLINARY MEASURES	Revision	02

Table of Contents

1	PURPOSE.....	3
2	APPLICATION	3
3	REFERENCES	3
4	DEFINITIONS	3
5	DESCRIPTION	4
5.1	DENUNCIATIONS AND INTERNAL VERIFICATION	4
5.2	PRINCIPLES FOR APPLICATION OF THE DISCIPLINARY MEASURES.....	5
5.3	ASSUMPTIONS FOR APPLICATION OF DISCIPLINARY MEASURES	5
5.4	POSSIBILITY OF APPLICATION OF DISCIPLINARY MEASURES TO THE INFRINGER’S HIERARCHICAL SUPERIOR	6
5.5	EXCLUSION OF DISCIPLINARY MEASURES	6
5.6	PROCEDURE FOR APPLICATION OF DISCIPLINARY MEASURES	6
5.7	PROVISIONAL AND PREVENTIVE MEASURES.....	7
5.8	TYPE OF DISCIPLINARY MEASURES (in accordance with the Labor Code - CLT)	8
5.9	DISCIPLINARY MEASURES APPLICABLE TO MANAGEMENT MEMBERS	8
5.10	SUPPLEMENTARY MEASURES RELATED TO THE IMPROVEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROLS	9
5.11	implementation of disciplinary and other measures	9
5.12	BUSINESS PARTNERS	9
5.13	SECRECY AND GUARANTEES.....	10
6	ATTACHMENTS	10
7	RECORDS.....	10

	ORGANIZATIONAL GUIDELINE	Reference	D0018-GIT99
	POLICY ON CONSEQUENCES AND DISCIPLINARY MEASURES	Revision	02

1 PURPOSE

This procedure has the purpose of establishing general requirements for decision-making to apply disciplinary measures, which shall take place after fact verification, in accordance with the Ethics Channel Policy (DO016-DIT99). It also aims at strengthening the integrity values of Aegea and its Organizational Units in the conduction of their business, in strict fulfilment of the applicable national and foreign laws.

2 APPLICATION


To all employees of Aegea and its Organizational Units, regardless of their position, and their business partners.

3 REFERENCES

- AEGEA'S CODE OF CONDUCT;
- BUSINESS PARTNER'S CODE OF CONDUCT;
- DO002-DIT99 - Anti-Bribery and Anti-Corruption Policy;
- PO003-DIT99 - Investigations of Denunciations;
- DISCIPLINARY MEASURES NORMATIVE RULE - HR;
- Decree-Law 5,452/1943 (CLT - Labor Code);
- Law no. 6,404/76 - Brazilian Corporations Law.

4 DEFINITIONS

- AEGEA or COMPANY: Aegea Saneamento e Participações S/A, and its direct or indirect subsidiaries, regardless of corporate interest percentage;
- CULPABLE ACT: any action or omission committed by an Employee due to recklessness, negligence or malpractice;
- FELONIOUS ACT: any action or omission committed by the Employee, on their free and conscious will, to reach a certain harmful result, with the intent or purpose of violating the right of another person. It is a fraudulent act performed, that is, consciously and with the intent to reach a certain result or by assuming the risk to produce such result;
- CONFLICT OF INTERESTS: refers to situations where an Employee, due to their own interests, may be led to act against Aegea's interests. Therefore, they are situations where the Employee's interests are potentially in conflict with those of Aegea;
- EMPLOYEE: management members, managers, employees, workers, committee members, fiscal council members, trainees, apprentices, temporary workers and service providers of the Company.

	ORGANIZATIONAL GUIDELINE	Reference	D0018- GIT99
	POLICY ON CONSEQUENCES AND DISCIPLINARY MEASURES	Revision	02

- **DENUNCIATION:** communication of an infraction that violated the laws and Aegea's Code of Conduct, Compliance Program and its policies and procedures.
- **INFRACTION:** any action or omission in disagreement with the laws and Aegea's Code of Conduct, Compliance Program and policies and procedures.
- **JUST CAUSE:** a serious infringement committed by the Employee or the reiteration of small infringements to the detriment of the good faith and trust that exist between Aegea and the Employee, making it undesirable to continue the employment relationship, entitling Aegea to terminate the employment agreement without the payment of certain amounts, as set forth by law. The dismissal with cause is the strictest measure applicable to the termination of an employment relationship; for this reason, it shall only be used as a last resort, taking due care to avoid its reversion by the judiciary branch and the possibility of paying compensation for pain and suffering.
- **ADMINISTRATIVE MEASURE:** administrative consequence applicable to an individual or legal entity as a result of their violation of the ethical principles and conduct commitments, integrity mechanism, the laws and Aegea's policies and procedures;
- **DISCIPLINARY MEASURE:** a measure arising out of any deviation from the Code of Conduct and noncompliance with the laws, decrees and Aegea's policies and procedures, applicable to Aegea's Employees and business partners.


5 DESCRIPTION

5.1 DENUNCIATIONS AND INTERNAL VERIFICATION

5.1.1 TREATMENT TO DENUNCIATIONS AND INFRACTIONS

Aegea must keep a system for the management of denunciations, allegations and suspicions, according to D0016-DIT99 - Ethics Channel Policy, so as to ensure that all known (actual or potential) situations, in violation of the laws and Aegea's Code of Conduct, Compliance Program and its policies and procedures, are promptly verified.

In order to guarantee independence of investigations, the denunciations arriving at the Ethics Channel are distributed for conflict-free parameterization, in such a way that if, for example, a CEO is the person mentioned in the denunciation, the verification is carried out by the Ethics Committee made up of members of the Board of Directors, being the Board of Directors responsible for the application of the disciplinary measure it deems more suitable.

	ORGANIZATIONAL GUIDELINE	Reference	D0018-GIT99
	POLICY ON CONSEQUENCES AND DISCIPLINARY MEASURES	Revision	02

5.1.2 INTERNAL INVESTIGATION PRINCIPLES

The decision to apply disciplinary measures results from the review of an act, considered as a deviation from the Code of Conduct or a violation of the laws and Aegea’s policies and procedures, after completion of the internal investigation, which must be compatible with the legal system and, above all, respect all the constitutional guarantees of any and all suspects or defendants set forth under Article 5 of the Federal Constitution, among them four fundamental rights represented by the due process of law, the adversary principle, the right to a fair hearing and the presumption of innocence.

5.2 PRINCIPLES FOR APPLICATION OF THE DISCIPLINARY MEASURES

IMMEDIACY: the application of any disciplinary measure must be done immediately, without letting an unreasonable and excessive time elapse between the time of learning about a punishable fact, the end of the investigation and the time of enforcing the disciplinary measure, so as to meet the pedagogical purpose of the action and to remedy undesirable conducts as soon as they occur.


PROPORTIONALITY: the disciplinary measures must be proportional to the type of violation and the individual’s responsibility, and the circumstances of the infringement must be weighted; for example: the conduct carried out is or involves any crime, the occasional or repetitive occurrence of the violation with participation of other agents seeking their own benefit or that of third parties, actual obtention of own benefit or that of others, level of Aegea’s exposure to risk, real loss caused to Aegea, violation materiality or immateriality, reputational exposure to which the violation subjects Aegea, infringer’s intent, seniority of the person involved, recurrence, cooperation or not with the internal verification, history of the person’s commitment to the Integrity mechanism, among others;

NON BIS IN IDEM: Aegea cannot punish the Employee twice for the same fault or violation;

NON DISCRIMINATION: Aegea cannot punish unequally Employees who practice the same fault and under the same conditions.

5.3 ASSUMPTIONS FOR APPLICATION OF DISCIPLINARY MEASURES

The disciplinary measures shall only be applied to individuals that demonstrably acted in breach of the provisions of the Code of Conduct, violated laws and Aegea’s Integrity Program or its policies and procedures. The misconduct shall be demonstrated through an internal verification carried out by the Integrity Department, in accordance with PO003-DIT99 - Investigations of Denunciations.

	ORGANIZATIONAL GUIDELINE	Reference	D0018-GIT99
	POLICY ON CONSEQUENCES AND DISCIPLINARY MEASURES	Revision	02

Regardless of the administrative and disciplinary measures to be taken, should the fact constitute a legal infraction, the Integrity Department must inform the CEO whether it is feasible or not to seek compensatory damages for Aegea and to hold the infringer liable in the criminal and/or civil spheres (ex.: involve the authorities or not; file a lawsuit or not, etc.)

Irrespective of the situation, the purpose of the measures must be to address the risk and avoid recurrence of the misconduct and/or irregularity verified.

5.4 POSSIBILITY OF APPLICATION OF DISCIPLINARY MEASURES TO THE INFRINGER’S HIERARCHICAL SUPERIOR

The disciplinary measure shall also be applicable to the hierarchical superior of the Employee who engaged in misconduct when that superior, even when aware that the Compliance rule was violated by its subordinate, deliberately fails to report such violation and/or to stop the misconduct.

Accordingly, the inadequate supervision shall result in the application of disciplinary measures to the hierarchical superior of the Employee who engages in misconduct. Accordingly, the lack of proper supervision will result in the application of disciplinary measures to the hierarchical superior of the Employee who engages in misconduct.

If it is verified that the hierarchical superior created an environment that allowed and/or encouraged the violation of the rules by the Employee, the disciplinary measure applied to the hierarchical superior shall be stricter and more rigorous than that applied to the Employee who committed the infraction.


5.5 EXCLUSION OF DISCIPLINARY MEASURES

No disciplinary measures shall be applicable if, before initiation of the internal verification or during the investigation, it is proven that the conducts, allegedly causing Compliance violation, had been carried out due to extreme urgency and emergence, to preserve human life and health, the environment, or to guarantee the going-concern of the business whose discontinuation would seriously impact Aegea’s businesses and/or image.

5.6 PROCEDURE FOR APPLICATION OF DISCIPLINARY MEASURES

After completion of the factual investigation, if the practice of misconduct is confirmed, the Integrity Department shall prepare a report recommending the CEO to enforce disciplinary measures.

The application of measures shall be in accordance with the misconduct nature and the definitions established by the CEO, based on a prior

	ORGANIZATIONAL GUIDELINE	Reference	D0018- GIT99
	POLICY ON CONSEQUENCES AND DISCIPLINARY MEASURES	Revision	02

recommendation from the Integrity Department or when determined under the HR's Disciplinary Measures Normative Rule.

The severity level of a measure must be recommended by the Integrity Department and ratified by the CEO, who have at their disposal a table for informational purposes only (attachment 1), which serves as a parameter for the initial discussion, not being necessarily delimiting or definitive.

If the CEO agrees with the Integration Department's recommendation, he/she can ratify it.

If the CEO intends to change the disciplinary measures recommended by the Integration Department, he/she can do so by taking a joint decision with one of the Vice-Presidents, provided that the position of person to be penalized is not above a managerial level. If the person's position is more senior, the CEO must forward his reasons for not accepting the Integration Department's recommendation to the People's Committee, which shall render the final decision.

Irrespective of the decision made, it must be reported to the Integrity Department, which shall be responsible for completing the process and enforcing the decision.

Should the CEO have a conflict of interest in the verification process, he/she shall request the People's Committee or the Board of Directors to take the final decision, as applicable.


Note 1: the above procedure may be carried out in person or by email, at the discretion of the CEO and the Board of Directors.

Note 2: the informational table (attachment 1) shall be classified as confidential and is not to be disclosed, being restricted to the Integrity Department, the CEO, the People's Committee and the Board of Directors.

5.7 PROVISIONAL AND PREVENTIVE MEASURES

Whenever there is risk to the quality, effectiveness or results of the investigation (ex.: attempt to eliminate evidence, concealment of facts, attempt to influence colleagues or subordinates to withhold information), Aegea can adopt provisional and preventive administrative measures, such as to discharge employees from their duties or suspend them, so as to ensure that the internal verifications have no risk of interference.

To assess the need for applying provisional and preventive measures, the following must be taken into consideration: the circumstances of the facts being verified, the seriousness of the conduct, the activities or functions of the Employee accused or involved in the verification.

	ORGANIZATIONAL GUIDELINE	Reference	D0018- GIT99
	POLICY ON CONSEQUENCES AND DISCIPLINARY MEASURES	Revision	02

5.8 TYPE OF DISCIPLINARY MEASURES (in accordance with the Labor Code - CLT)


If the infringing Employee is employed by the Company, the following measures may be adopted:

- **Oral warning:** the Employee must be verbally warned by the manager in charge in a respectful manner and in a suitable place, without suffering any kind of exposure, with a very clear reason of why he/she is being warned;
- **Written warning:** the Employee must be formally warned by the manager in charge in a respectful manner and in a suitable place, without suffering any kind of exposure, and must sign a form to be issued by the Human Resources Department containing the reasons why such measure is being applied;
- **Suspension:** disciplinary suspension, from 1 to 29 days, without right to remuneration, observing the time period established by Article 474 of the CLT;
- **Dismissal without cause:** termination of the employment agreement by the employer when the employee has not committed any serious fault, with payment of all of the employee's labor rights. This measure must be adopted when there are no elements that justify "good cause";
- **Dismissal with cause:** when there are sufficient elements for a dismissal "with cause". However, Aegea is responsible to assess the risks and make the appropriate decision. The Employee must be informed of the dismissal with cause by the manager in charge in a respectful manner and in a suitable place or at the HR Department, without being subject to any type of exposure, by means of a letter containing the reasons why such measure is being applied. It is worth highlighting that, regardless of the level of infringement committed, the dismissal with cause can only be applied if all the legal provisions set forth under the Labor Law in effect are met.

5.9 DISCIPLINARY MEASURES APPLICABLE TO MANAGEMENT MEMBERS

If the infringing Employee is a member of Aegea's management (Executive Officer or Director), besides having an employment relationship with the Company, the following measures can also be applied, in addition to the measures provided under item 5.8:

- a) Prohibition to participate in a successional process for a period of time;
- b) Prohibition to receive certain benefits;
- c) Suspension of raises, promotions, job rotations;

	ORGANIZATIONAL GUIDELINE	Reference	D0018- GIT99
	POLICY ON CONSEQUENCES AND DISCIPLINARY MEASURES	Revision	02

- d) Revocation of powers of attorney;
- e) Removal from the Company's approval and representation hierarchy before third parties (ex.: sign balance sheets, approval of purchases, sales, agreements);
- f) Prohibition of external participation to represent the Company (ex.: in committees, symposiums, trade unions, negotiations).

5.10 SUPPLEMENTARY MEASURES RELATED TO THE IMPROVEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROLS

If Corporate Governance failures or improvements are detected during the misconduct investigation, the Integrity Department may recommend to the management measures for revision of processes, procedures and controls, such as:

- a) training;
- b) process change;
- c) change of system or information technology tool;
- d) creation of additional controls;
- e) termination of agreement with a certain business partner, etc.

The measures mentioned in this item are not disciplinary.

5.11 implementation of disciplinary and other measures

The Human Resources Department, supported by the Legal Department, is responsible for ensuring the immediate implementation of the disciplinary measures.


The implementation of the recommended measures shall be monitored by the Integrity Department, which may request the person in charge for periodical reports.

5.12 BUSINESS PARTNERS

In the case of business partners, in addition to the termination of agreements in force entered into with Aegea, other disciplinary measures may be taken depending on the seriousness of the infraction and the impact on Aegea.

Upon confirmation of the misconduct, irregularity, illegality or attitude against Aegea's ethical principles and integrity, the business partner is forbidden, for 5 years, to provide any services or products to Aegea's units.

Management shall create a register of punished and rehabilitated business partners, and such register shall be managed by the same area in charge of the suppliers register.

	ORGANIZATIONAL GUIDELINE	Reference	D0018-GIT99
	POLICY ON CONSEQUENCES AND DISCIPLINARY MEASURES	Revision	02

5.13 SECRECY AND GUARANTEES

Aegea must ensure full secrecy, confidentiality and institutional protection against any attempts of retaliation to denouncers, in accordance with its Code of Conduct. Retaliation against denouncers, witnesses, or any other person of the company must be treated as a serious infraction, which deserves an exemplary disciplinary measure.

Aegea must ensure that the Employees involved in the verification of denunciations have their functional rights respected during the entire verification period, and shall guarantee the institutional protection of the Employees working in all the phases of management and treatment of denunciations and infractions, so as to preserve their institutional independency and the neutrality of decisions.

During the verification process, Aegea must guarantee full secrecy, confidentiality, institutional protection to the Employees denounced or involved in denunciations. Note, however, that the disciplinary measures applied to them, arising out of the investigation process, recommended by the Integrity Department and ratified by the CEO and/or the Board of Directors, are not considered as retaliations.

As a general rule, the Company must adopt the principle of “only provide information to whom, in fact, needs it”, without prejudice to the company, the persons or the process itself, in conformity with the Ethical and Integrity Principles.

6 ATTACHMENTS

- AN01- D0018-GIT99 - CONSEQUENCES TABLE. Confidential document, which shall not be disclosed (item 5.5).

7 RECORDS

IDENTIFICATION	STORAGE		PROTECTION	RECOVERY	RETENTION	DISPOSAL
	PLACE	FORM				
Minutes of meetings and other documents, if any, mentioning the decision taken and the arguments used	Network - Integrity Department	Digital	Integrity Department	Backup	5 years	Digital Archive
Evidence of implementation of the disciplinary measures (*)	Network - Integrity Department	Digital	Integrity Department	Backup	5 years	Digital Archive