

Report Sustainability 2010



sabesp

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As Chairman of the Board of Directors of Sabesp, I am fully aware of the enormous responsibility I have because of the importance and greatness of this company.



GRI 1.1 Recently, people have become more demanding regarding environmental issues. They have started to focus on and demand actions such as universal water and sewage services and material information on the risks of water shortage. People today are unhappy with the pollution of our watersheds, rivers and brooks. In a nutshell, people are more attentive to the “Sabesp matters”.

This is an important moment of reflection, to define strategies that will ensure funding and investment capacity to efficiently meet society’s expectations. At the same time, we have to seek a constant increase in profitability and be a highly-respected company for our figures and our results, but principally for the high quality of our staff.

Motivate and offer effective conditions to our employees so that they are fully dedicated to attaining

company goals will surely be one of our great challenges.

Fulfill the commitments taken on with the municipalities under the program contracts, reach the established loss reduction goals, seek excellence in services provided, mainly in water quality and road recovery, reduce the number of water outages and ensure supply for the coming decades, encourage rational water usage actions and increase the use of reclaimed waste water, and recover our watersheds are now our goals as Board of Directors. Further, we must strategically assess actions and results and ensure Sabesp in kept in the right course.

While the State sets its public water and sewage policies, Sabesp is the right tool to implement them.

Water and sewage connections have increased

significantly. The collected sewage treatment ratios are improving. Sabesp has won awards and is already globally acknowledged as one of the best water and sewage companies in the world, which is an enormous satisfaction for our employees, executive committee, and board of directors. This further increases our responsibility to ensure the company keeps its right course. We have to seek improving even further our efficiency and our results.

A company increasingly as healthy as the population we are committed to serve by providing universal services will always be our commitment.

Edison Giriboni
Chairman of the Board of Directors.

MESSAGE FROM THE CEO



Sabesp faces enormous challenges steps to accomplish its mission to “render sanitation services contributing for a better life and environmental quality”. We have reached important results in 2010 that can be summarized in five work fronts.

GRI 1.1 Firstly, we have made investments to improve the quality of life of people and the environment. In 2010, approximately 23.6 million people received water directly in their households (a figure that increases to over 27 million if we include the population of the cities that buy bulk water from Sabesp). 20 million people have their sewage collected by us, and we treated the wastewater generated by 14.7 million people. In 2007-2010, 900,000 more people had access to water supply services, 1.5 million to sewage collections services, and 3.4 million to wastewater treatment services.

Total investment in 2010 was approximately R\$2.2 billion, including investments of R\$224.2 million in PPPs. The considerable investment effort resulted in approximately 190,000 new water connections and 230,000 sewage connections. The water supply service rate remained at the universal service level, and sewage collection increase to 80 percent and the collected sewage treatment ratio reached 74 percent.

Investment acceleration was made using structuring programs, which facilitate planning and fundraising. The highlight is the Onda Limpa Baixada Santista (Santos Lowlands Clean Wave), which will increase sewage collection from 53 to 95 percent, and treat all collected wastewater. Investments in this program will total R\$1.5 million by the end of 2011. Up to 2010, we invested nearly R\$1.28 billion, equivalent to 87 percent of the construction works. All seven Sewage Treatment Plants (STPs) and two Wastewater Pretreatment Plants (EPCs) were opened in 2010, including the Praia Grande and Santos/São Vicente sea outfalls. After the opening of the sewage treatment plants in 2010, we have prioritized property connection to the sewage systems, which by the end of December 2010 totaled 37,000 of the 123,000 connections estimated in the Program.

Important steps toward universal sewage treatment services have been taken in the Greater São Paulo Metropolitan Area (RMSP) with the third stage of project

Tietê, the decontamination of 96 brooks under the Córrego Limpo (Clean Brook) program, and investments in the Vida Nova (New Life) program. Another priority is water supply security. To do that, we have been working in two major fronts in the RMSP. One is the Metropolitan Water Program, which comprises several actions, including the 5 m³/s increase in treated water supply through the Alto Tietê PPP. In 2010, we added 2 m³/s in supply capacity to the Greater São Paulo Metropolitan Area and in the first half of 2011 we will increase supply by 3 m³/s, totaling 5 m³/s, which will increase the capacity of the Taiaçupeba Water Treatment Plant (WTP) from 10 m³/s to 15 m³/s. This investment effort comprises major construction works such as the Itaquera-Artur Alvin Watermain and the Itaquera Booster, the Guaraú-Jaragua Watermain and the Jardim Damasceno Lifting Station, and the Mutinga-Vila Iracema Watermain.

The other is the permanent water loss reduction program intended to decrease leaks in the distribution system and maximize water supply for consumption. In 2010, our water loss ratio remained at 26 percent, which represents a decrease of 6 percentage points as compared to 2006, when losses reached 32 percent. This program incorporates medium- and long-term actions, has the technical assistance of the Japan International Cooperation Agency (JICA), and sets a goal of 13 percent, consistent with the best international practices.

Secondly, the ambitious investment program was coupled with an improvement in the economic and financial indicators. Our profit in 2010 was R\$1.6 billion, the highest in our history. This was possible because of the important cost cutting, asset base optimization steps, and debt profile improvement actions taken.

Thirdly, we have sought to increase transparency and the dialogue with our stakeholders. In 2010, we approved a new Succession and Career Plan. In 2011 we have the challenge of improving and implementing this plan, by designing a policy that will transform Sabesp in one of the

best companies to work in Brazil.

The improvement in our relationship with customers can be perceived by our customer satisfaction index, of 89 percent in 2010, twelve percentage points above the index for 2009. We have also improved our relationship with suppliers and nongovernmental organizations.

The Company is particularly concerned in establishing successful partnerships with municipalities. In effect, our activities only add up when performed as a complement to the actions of municipalities. The attainment of the universal sanitation service goal will be possible if we work together. The Cities must work to clear irregularly occupied, invaded and environmental preservation areas, eliminate unauthorized connections and make the connection to the sewage system mandatory, detect illegal wastewater discharges, etc. We are responsible for the investments agreed in the municipal sanitation plans.

We have also shown special concern regarding our relationship with shareholders and Corporate Governance issues. Sabesp is for the fourth consecutive year part of the Corporate Sustainability Index (ISE) portfolio of the São Paulo Mercantile and Stock Exchange (BM&FBovespa).

In addition, we received the 2010 Anefac Transparency Trophy, in the category “Publicly-traded company with revenue of up to R\$8 billion”.

Our relationship with the São Paulo State Sanitation and Power Regulatory Agency (ARSESP) has also been improved. In 2010, Arsesp also issued standards that set out the general terms and conditions for the provisions and use of water and sewage utility services. We are currently implementing these standards, which we should complete in 2011-2012. Another important discussion in 2011 will be the tariff reform.

Fourthly, we kept our focus on the renewal of concessions and contractualization of our relationships. The highlight was the execution of a contract with the City and the State of São Paulo to perform water and sewage services in



the state capital. Also in 2010, we entered into program contracts with another 26 municipalities, totaling 200 municipalities in 2007-2010 with contract under Law 11445/07, which account for approximately 66 percent of our revenue.

Fifthly, we are a social and environmental sustainability-oriented company. Our concern for the environment is now in the core of our work program, and is part of all company actions. In a pioneering feat in the water and sewage industry, we received the ISO 14001 certification of 50 of our sewage treatment plants.

Social responsibility is portrayed in the partnerships with civil society in actions such as the Cooking Oil Recycling Program, the Eco-mobilizations, the Sustainability Hearings, the Abraço Verde (Green Hug) Program to plan seedlings around Sabesp facilities, and the Plantation Program of one million trees in the Cantareira region.

These results show that we are in the right track to attain our strategic goal of “to be recognized by 2018 as the company that, within its area of operation, with a focus on the customer, has universalized water and sewage services, in a competitive and sustainable way, with excellence in environmental solutions”.

Dilma Seli Pena
Sabesp's CEO



GRI 2.1 / 2.2 / 2.3 / 2.4 / 2.5 / 2.6 / 2.7 / 2.8

Sabesp is a listed semi-public enterprise, whose controlling shareholder is the São Paulo State Government. Its shares, all common, are traded in the stock exchanges of São Paulo, under ticker symbol SBSP3, and New York as American Depositary Receipts (Level III ADRs), under ticker symbol SBS.

- Established in 1973, we are the largest water and sewage company in the Americas and one of the largest in the world in number of customers, according to the 12th issue of the Pinsent Masons Water Yearbook.

- In addition to providing water and sewage services in the State of São Paulo, we can also provide these services in other states or countries, and operate in the drainage, urban cleansing, solid waste handling, and power markets.

- On December 31, 2010, we operated directly water and sewage services in 364 of the 645 municipalities of the State of São Paulo. We also operate four public-private partnerships in this State. In addition, we supply bulk treated water in other seven municipalities in the State and treat sewage in five of these municipalities, serving in total over 27.1 million people, which represents approximately 68% of the State's urban population.

- Overseas, we operate Panama and in Honduras, in a consortium with Latin Consult, as a consultant in a rational water use program and its commercial and operational management.

- Our economic value and our environmental and social importance are recognized in Brazil and abroad. We are signatories of the Global Pact since 2006, a UN initiative da ONU that gathers the largest voluntary

social responsibility groups in the world, and since 2007 we are included in BM&FBovespa's Corporate Sustainability Index (ISE), a portfolio composed only of companies highly committed to sustainability and social responsibility.

- Our Mission is to "Provide water and waste services and thus contribute to the improvement of the quality of life and the environment", and our Vision for 2018 is "To be recognized as the company that, within its area of operation, with a focus on the customer, has universalized water and sewage services, in a competitive and sustainable way, with excellence in environmental solutions."

- The actions necessary to have universal water and sewage services, our greatest objective, promote the improvement of health conditions and the quality of the environment, which are key for the social and economic development of the population toward full citizenship.

- Currently, 141 municipalities served by Sabesp already have universal water and sewage services. In order to bring universal services to other municipalities where we operate in the State of São Paulo by 2018, we are making hefty investments using own and third-party funds, totaling around R\$1.8 billion per year by 2013; the investment of own funds has been possible due to our strong cash generation, which in 2010 was the highest ever.



In addition, we are expanding our environmental solutions platform, offered to large customers that want to utilize Sabesp's knowledge and technology for rational water use and appropriate wastewater disposal, thus contributing for the preservation of the environment.

Our mission and vision are fully aligned with our ethical values: respect for society and our customers, respect for the environment, respect for people, integrity, competence, and citizenship. These values have been rewarded and acknowledged by society, which in 2010 awarded us the following titles **GRI 2.10:**

- Watershed Revitalization Innovative Practices Award – granted by the Ministry of the Environment (Department of Water Resources and Urban Environment) for the project Environmental Education – Learning to Learn

- 20th company with the best reputation index in Brazil, according to the 2010 Reputation Index Ranking, based on a study conducted by DOM Strategy Partners, prepare from the analysis of intangible assets: corporate governance, sustainability, and customers and consumers.

- Participation in BM&FBovespas ISE 2011 Portfolio (Corporate Sustainability Index), created based on the methodology developed by the Sustainability Studies Center, of the São Paulo Business Administration School, Fundação Getúlio Vargas (FGV-EAESP).

- BNDES Pro-Universal Sanitation Services Award, granted by the National Bank for Economic and Social Development (BNDES) to Sabesp for its success in the partnership with Companhia de Saneamento de Alagoas (Casal).

- 2010 Prêmio Nacional da Qualidade® (PNQ) (National Quality Award) Highlight in the Customer criterion, granted by Fundação Nacional da Qualidade, to the South Business Unit.

- National Water & Waste Quality Award (PNQS) 2010, granted by the Brazilian Sanitation and Environmental Engineering Association (Abes) for:

- Water & Waste Innovation Category (IGS), to the South Business Unit (MS), to business case "business strategy development through strategic and operating water and sewage marketing". This business case was elected the grand winner.

- Level II – Silver Trophy: Itaim Paulista Regional Office, East Business Unit.

- Level II Gold Trophy: Butantã Regional Office, West Business Unit.

- Level III Commendation – "Progress in Excellence" certificate, granted for the panel of judges to the West Business Unit.

- Special participation diploma – Level II "Toward Excellence", granted by the CNQA (Abes Quality Committee), to the Capela do Socorro Regional Office, the Large Consumers Division, and the São Bernardo do Campo Regional Office, all of the South Business Unit.

- According to the Brazil's Sustainability Report (2009), title awarded during the survey 2010 Toward Credibility, organized by Fundação Brasileira para o Desenvolvimento Sustentável (FBDS), in an event at BM&FBovespa.

- São Paulo Management Quality Award PPQG/2010 – Category Semi-Public Companies – Bronze Medal, granted by Instituto Paulista de Qualidade da Gestão (IPEG), to the South Large Consumers Division (MS) and the Metropolitan Planning and Development Superintendency.

- Best water and waste company in Brazil, title awarded to Sabesp by Instituto Trata Brasil. We were also first in ranking prepared by this agency at the request of the Exame Magazine.

- ISO 14001 Certification, granted by Bureau Veritas Certification (BVC) to 46 Sabesp sewage treatment plants, totaling 50 certified STPs.

- Anefac 2010 Transparency Trophy – Category Publicly listed Companies with revenue of up to R\$8 billion, awarded by the National Finance Executives Association (Anefac) to Sabesp's financial statements, considered those with the best preparation technique.

- São Paulo Diversity Seal 2010 Full Category, awarded to Sabesp by the São Paulo State Government, highlighting us as one of the companies in social practices.

- Modern Consumer Award of Customer Service Excellence – category State Utilities, granted by the Consumidor Moderno magazine to the Planning and Development Superintendency.

- Quality Company, titles awarded by the Isto É Dinheiro magazine to Sabesp for being a company that combines sustainability with financial health.

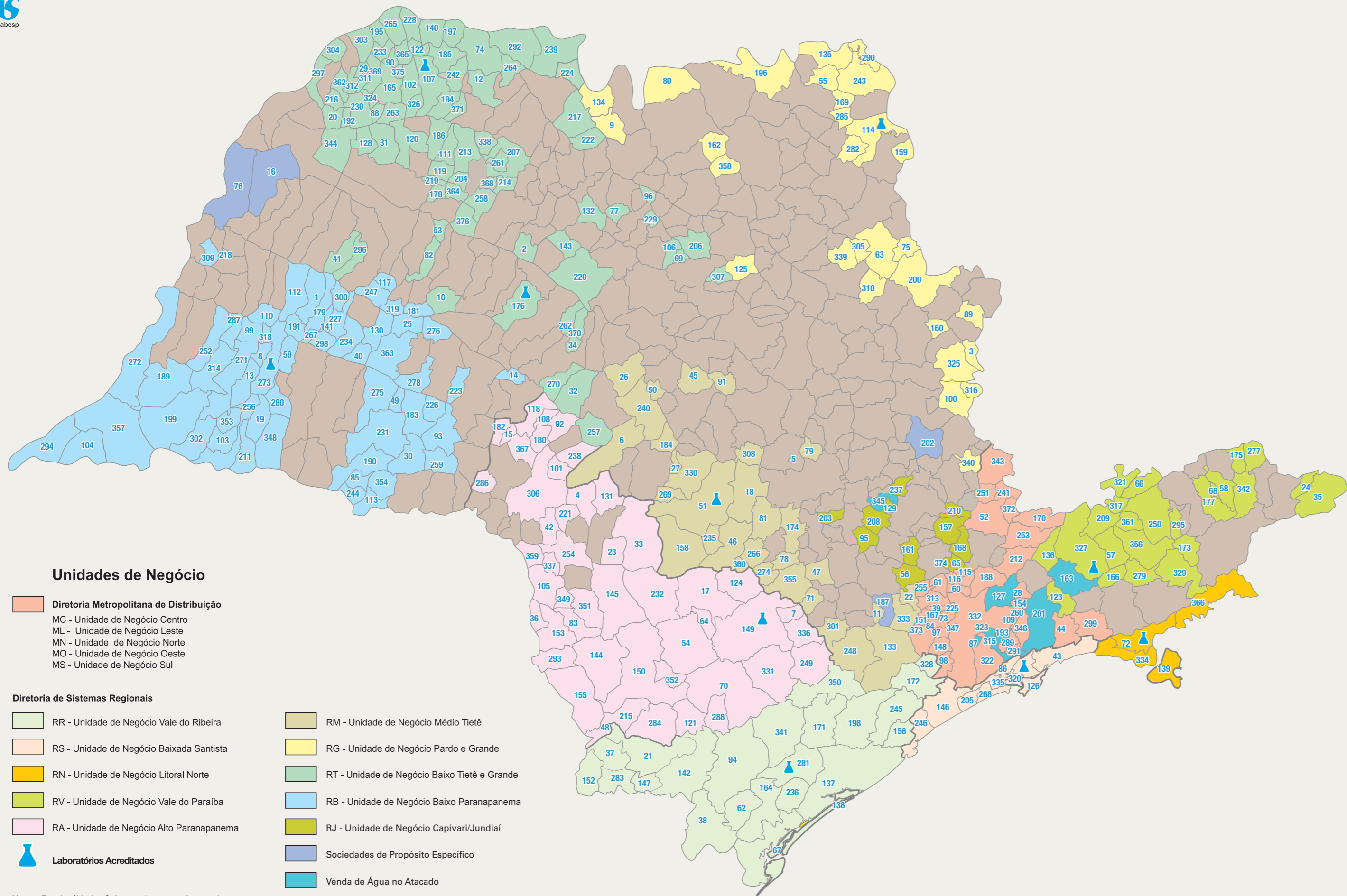
- One of the four most reliable organizations, titles awarded by the São Paulo population to Sabesp, according to a survey published in January 2010 by Ibope for Movimento Nossa São Paulo. Sabesp is part of the ranking since the first survey in 2008.

- 2010 Top HR ADVB (Brazilian Sales and Marketing Managers Association) for the business case Knowledge Management – Contributing to Organizational Development.

- National Quality of Life Award – PNQV, Brazilian Quality of Life Association (ABQV) for the Live Happy Program.

- E-Learning granted by Micropower for our Distance Learning work.

- Cubic Corporate Education Excellence Award, First Place – Best Mature Sabesp – granted by IQPC for Sabesp Corporate University.



Unidades de Negócio

Diretoria Metropolitana de Distribuição

- MC - Unidade de Negócio Centro
- ML - Unidade de Negócio Leste
- MN - Unidade de Negócio Norte
- MO - Unidade de Negócio Oeste
- MS - Unidade de Negócio Sul

Diretoria de Sistemas Regionais

- RR - Unidade de Negócio Vale do Ribeira
- RS - Unidade de Negócio Baixada Santista
- RN - Unidade de Negócio Litoral Norte
- RV - Unidade de Negócio Vale do Paraíba
- RA - Unidade de Negócio Alto Paranapanema
- RM - Unidade de Negócio Médio Tietê
- RG - Unidade de Negócio Pardo e Grande
- RT - Unidade de Negócio Baixo Tietê e Grande
- RB - Unidade de Negócio Baixo Paranapanema
- RJ - Unidade de Negócio Capivari/Jundiá
- Societies de Propósito Específico
- Venda de Água no Atacado

Nota: Em dez/2010 a Sabesp não estava faturando as ligações em Tarumã.

No município de Jacareí o fornecimento de água no atacado é feito apenas para 1 distrito

MAP OF MUNICIPALITIES SERVED BY SABESP

1. Adamantina	77. Catiguá	153. Itaporanga	229. Palmares Paulista	305. Santa Cruz da Esperança
2. Adolfo	78. Cesário Lange	154. Itaquaquecetuba	230. Palmeira d'Oeste	306. Santa Cruz do Rio Pardo
3. Águas da Prata	79. Charqueada	155. Itararé	231. Paraguaçu Paulista	307. Santa Ernestina
4. Águas de Santa Bárbara	80. Colômbia	156. Itariri	232. Paranapanema	308. Santa Maria da Serra
5. Águas de São Pedro	81. Conchas	157. Itatiba	233. Paranapuá	309. Santa Mercedes
6. Agudos	82. Coroados	158. Itatinga	234. Parapuá	310. Santa Rosa de Viterbo
7. Alambari	83. Coronel Macedo	159. Itirapuá	235. Pardinho	311. Santa Salete
8. Alfredo Marcondes	84. Cotia	160. Itobi	236. Pariquera-Açu	312. Santana da Ponte Preta
9. Altair	85. Cruzália	161. Itupeva	237. Paulínia	313. Santana de Parnaíba
10. Alto Alegre	86. Cubatão	162. Jaborandi	238. Paulistânia	314. Santo Anastácio
11. Alumínio	87. Diadema	163. Jacareí	239. Paulo de Faria	315. Santo André
12. Álvares Florence	88. Dirce Reis	164. Jacupiranga	240. Pederneras	316. Santo Antônio do Jardim
13. Álvares Machado	89. Divinolândia	165. Jales	241. Pedra Bela	317. Santo Antônio do Pinhal
14. Álvaro de Carvalho	90. Dolcinópolis	166. Jambuí	242. Pedranópolis	318. Santo Expedito
15. Alvinlândia	91. Dourado	167. Jandira	243. Pedregulho	319. Santópolis do Aguapeí
16. Andradina	92. Duartina	168. Jarinu	244. Pedrinhas Paulista	320. Santos
17. Angatubá	93. Echaporá	169. Jeriquara	245. Pedro de Toledo	321. São Bento do Sapucaí
18. Anhembi	94. Eldorado	170. Joanópolis	246. Peruíbe	322. São Bernardo do Campo
19. Anhumas	95. Elias Fausto	171. Juruá	247. Piacatu	323. São Caetano do Sul
20. Aparecida d'Oeste	96. Embaúba	172. Juquitiba	248. Piedade	324. São Francisco
21. Apiaí	97. Embu	173. Lagoinha	249. Pilar do Sul	325. São João da Boa Vista
22. Araçariçuama	98. Embu-Guaçu	174. Laranjal Paulista	250. Pindamonhangaba	326. São João das Duas Pontes
23. Arandu	99. Emilianópolis	175. Lavrinhas	251. Pinhalzinho	327. São José dos Campos
24. Arapeí	100. Espírito Santo do Pinhal	176. Lins	252. Piquerobi	328. São Lourenço da Serra
25. Arco Íris	101. Espírito Santo do Turvo	177. Lorena	253. Piracaia	329. São Luiz do Paraitinga
26. Arealva	102. Estrela d'Oeste	178. Lourdes	254. Pirajuru	330. São Manuel
27. Areiópolis	103. Estrela do Norte	179. Lucélia	255. Pirapora do Bom Jesus	331. São Miguel Arcanjo
28. Arujá	104. Euclides da Cunha Paulista	180. Lucianópolis	256. Pirapozinho	332. São Paulo
29. Aspásia	105. Fartura	181. Luiziânia	257. Piratininga	333. São Roque
30. Assis	106. Fernando Prestes	182. Lupércio	258. Planalto	334. São Sebastião
31. Auriflama	107. Fernandópolis	183. Lútecia	259. Platina	335. São Vicente
32. Avai	108. Fernão	184. Macatuba	260. Poá	336. Sarapuá
33. Avaré	109. Ferraz de Vasconcelos	185. Macedônia	261. Poloni	337. Saratubá
34. Balbinos	110. Flora Rica	186. Maçã	262. Pongai	338. Sebastiãoópolis do Sul
35. Bananal	111. Floreal	187. Mairinque	263. Pontalinda	339. Serra Azul
36. Barão de Antonina	112. Flórida Paulista	188. Mairiporã	264. Pontes Gestal	340. Serra Negra
37. Barra do Chapéu	113. Florínea	189. Marabá Paulista	265. Populina	341. Sete Barras
38. Barra do Turvo	114. Franca	190. Maracá	266. Porangaba	342. Silveiras
39. Barueri	115. Francisco Morato	191. Mariópolis	267. Pracinha	343. Socorro
40. Bastos	116. Franco da Rocha	192. Maripolis	268. Praia Grande	344. Sud Menucci
41. Bento de Abreu	117. Gabriel Monteiro	193. Mauá	269. Pratânia	345. Sumaré
42. Bernardino de Campos	118. Gália	194. Meridiano	270. Presidente Alves	346. Suzano
43. Bertoga	119. Gastão Vidigal	195. Mesópolis	271. Presidente Bernardes	347. Taboão da Serra
44. Biribiri-Mirim	120. General Salgado	196. Miguépolis	272. Presidente Epitácio	348. Taciba
45. Bocaina	121. Guapira	197. Mira Estrela	273. Presidente Prudente	349. Taquai
46. Bofete	122. Guarani d'Oeste	198. Miracatu	274. Quadra	350. Tapiraí
47. Boituva	123. Guararema	199. Mirante do Paranapanema	275. Quatá	351. Taquaritinga
48. Bom Sucesso de Itararé	124. Guareá	200. Mococa	276. Queiroz	352. Taquarivaí
49. Borá	125. Guariba	201. Mogi das Cruzes	277. Queluz	353. Tarabai
50. Boracéia	126. Guarujá	202. Mogi Mirim	278. Quintana	354. Tarumã
51. Botucatu	127. Guarulhos	203. Mombuca	279. Redenção da Serra	355. Tatui
52. Bragança Paulista	128. Guzolás	204. Monções	280. Regente Feijó	356. Taubaté
53. Brejo Alegre	129. Hortolândia	205. Mongaguá	281. Registro	357. Teodoro Sampaio
54. Buri	130. Iacri	206. Monte Alto	282. Restinga	358. Terra Roxa
55. Burtizal	131. Iaras	207. Monte Aprazível	283. Ribeira	359. Timburi
56. Cabreúva	132. Ibirá	208. Monte Mor	284. Ribeirão Branco	360. Torre de Pedra
57. Caçapava	133. Ibiúna	209. Monteiro Lobato	285. Ribeirão Corrente	361. Tremembé
58. Cachoeira Paulista	134. Içém	210. Morungaba	286. Ribeirão do Sul	362. Três Fronteiras
59. Caiabu	135. Igarapava	211. Naranhã	287. Ribeirão dos Índios	363. Tupã
60. Caieiras	136. Igaratã	212. Nazaré Paulista	288. Ribeirão Grande	364. Turibua
61. Cajamar	137. Iguape	213. Nhandeara	289. Ribeirão Pires	365. Turmalina
62. Cajati	138. Ilha Comprida	214. Nipoá	290. Rifaina	366. Ubatuba
63. Cajuru	139. Ilhabela	215. Nova Campina	291. Rio Grande da Serra	367. Ubirajara
64. Campina do Monte Alegre	140. Indaiatuba	216. Nova Canaã Paulista	292. Riolândia	368. União Paulista
65. Campo Limpo Paulista	141. Indúbia Paulista	217. Nova Granada	293. Riversul	369. Urânia
66. Campos do Jordão	142. Iporanga	218. Nova Guataporanga	294. Rosana	370. Uru
67. Cananéia	143. Irapuá	219. Nova Luzitânia	295. Rosira	371. Valentim Gentil
68. Canas	144. Itaberá	220. Novo Horizonte	296. Rubiácea	372. Vargem
69. Cândido Rodrigues	145. Itai	221. Orlândia	297. Rubinéia	373. Vargem Grande Paulista
70. Capão Bonito	146. Itanhaém	222. Onda Verde	298. Sagres	374. Várzea Paulista
71. Capela do Alto	147. Itaoca	223. Oriente	299. Salesópolis	375. Vitória Brasil
72. Caraguatatuba	148. Itapeverica da Serra	224. Orindiuva	300. Salmourão	376. Zacaíras
73. Carapicuíba	149. Itapetininga	225. Osasco	301. Salto de Pirapora	
74. Cardoso	150. Itapeva	226. Oscar Bressane	302. Sandovalina	
75. Cássia dos Coqueiros	151. Itapeví	227. Osvaldo Cruz	303. Santa Albertina	
76. Castilho	152. Itapirapuá Paulista	228. Ouroroste	304. Santa Clara d'Oeste	

Table 1: Panel of Indicators

Indicators	Units	2010	2009	2008	2007	2006	2005
Customer Service							
Water Service Rates		Trend to universal service ⁽¹⁾					
Sewage collection service rate	%	81	80	79	79	78	78
Collected sewage treatment ratio	%	75	74	72	66	63	61
Resident population served by water supply	thsd. inh.	23,625	23,363	23,162	22,959	22,700	22,570
Resident population served by sewage collection	thsd. inh.	20,024	19,600	19,198	18,881	18,519	18,326
Number of cities with universal service (2)	un.	141	125	110	108	104	-
Positive customer satisfaction perception (3)	%	89	76	80	78	-	-
Operational							
Water connections	thousands	7,295	7,118	6,945	6,767	6,609	6,489
Sewage connections	thousands	5,718	5,520	5,336	5,167	5,002	4,878
Water system extension (4)	km	65,379	63,732	62,582	62,318	61,469	57,999
Sewage system extension (4)	km	44,279	42,896	41,312	40,608	39,126	37,181
WTP - Water Treatment Plant	un	213	208	206	198	197	201
STP - Sewage Treatment Plants	un	490	475	464	461	446	440
Water loss	%	26	26	27.9	29.5	31.9	32.4
Water loss per connection	liters / (conn. vs. day)	403	402	436	467	511	520
Water metering ratio (5)	%	99.97	99.97	99.98	99.98	99.97	99.97
Produced water volume	million m3	2,953	2,845	2,853	2,874	2,887	2,830
Retail water micro metered volume	million m3	1,514	1,444	1,404	1,392	1,363	1,313
Bulk water volume billed	million m3	293	288	285	274	263	259
Retail water volume billed	million m3	1,699	1,630	1,596	1,573	1,544	1,500
Sewage volume billed	million m3	1,434	1,373	1,330	1,300	1,246	1,198
Number of employees (6)		15,330	15,103	16,649	16,850	16,978	17,448
Operating productivity	conn./ employee	849	837	738	708	684	651
Finance ⁽⁷⁾							



Guaraú Water Treatment Plant

Indicators	Units	2010	2009	2008	2007	2006	2005
Gross revenue	millions of reais	-	7,236.2	6,838.8	6,448.2	5,984.0	5,356.3
Gross revenue (IFRS)	millions of reais	9,785.9	9,085.2	8,296.4	-	-	-
Net revenue	millions of reais	-	6,730.5	6,351.7	5,970.8	5,527.3	4,953.4
Net revenue (IFRS)	millions of reais	9,231.0	8,579.5	7,809.3	-	-	-
EBITDA	millions of reais	-	2,741.4	2,840.1	2,698.9	2,446.1	2,285.6
EBITDA (IFRS)	millions of reais	3,222.5	2,727.0	2,865.0	-	-	-
EBITDA Margin	% of net revenue	-	40.7	44.7	45.2	44.3	46.1
EBITDA Margin (IFRS)	% of net revenue	34.9	31.8	36.7	-	-	-
Operating income (8)	millions of reais	-	2,180.8	2,222.3	2,083.0	1,804.0	1,689.6
Operating income (IFRS)	millions of reais	2,674.0	2,164.7	2,246.8	-	-	-
Operating margin (9)	% of net revenue	-	32.4	35.0	34.9	32.6	34.1
Operating margin (IFRS)	% of net revenue	29.0	25.2	28.8	-	-	-
Profit/loss	millions of reais	-	1,373.9	63.6	1,055.3	778.9	865.6
Profit/loss (IFRS)	millions of reais	1,630.4	1,507.7	862.9	-	-	-
Net margin (9)	% of net revenue	-	20.4	1.0	17.7	14.1	17.5
Net margin (IFRS) (9)	% of net revenue	17.7	17.6	11.0	-	-	-
Net debt to EBITDA	multiple	-	2.11	2.20	1.93	2.45	2.79
Net debt to EBITDA (IFRS)	multiple	1.95	2.12	2.18	-	-	-
Net debt to equity	%	-	55.0	65.3	53.4	66.5	75.3
Net debt to equity (IFRS)	%	6.5	68.6	85.1	-	-	-
Investment	millions of reais	-	1,834.0	1,708.0	921.0	905.0	678.0
Investment (IFRS) (10)	millions of reais	2,194.0	2,059.0	1,734.0	-	-	-

Indicators	Units	2010	2009	2008	2007	2006	2005
Environmental							
Reclaimed water volume sold (11) EN21	thsd. m3	2291.6	2078.491	1946.228	1936.724	1050.04	1025.06
Reclaimed water volume to treated sewage volume (11) EN21	%	0.49	0.40	0.40	0.45	0.3	0.31
Reclaimed water volume to supply capacity EN21	%	39.94	37.29	40.10	40.71	32.5	31.72
Total electricity consumption EN3	Terajoules(TJ)	7772.97	7,631.58	7,731.50	7,717.60	7,575.18	-
Electricity consumption/m3 of produced water (12)	kWh/m3	0.613	0.634	0.649	0.648	0.637	-
Electricity consumption/m3 of treated sewage (13)	kWh/m3	0.411	0.430	0.393	0.417	0.428	-
Direct and indirect greenhouse gas emissions EN16 (14)	t CO2 e	-	-	-19	1,719,159	-	-
Recycled A4 paper by A4 paper used	%	19.64	17.53	15.53	14.41	2.9	-
Volume of A4 paper used per employee	sheets/(employee/year)	3,352	3,311	2,846	2,829	2,893	2,751
Positive public perception of Sabesp's environmental responsibility (3)	%	81	71	66	-	-	-
Positive public perception of employee engagement in environmental issues (3)	%	51	51	44	-	-	-
Voluntarily planted seedlings (15)	units	726,255	547,750	125,573	127,118	50,253	88,026
Number of recyclables collected by Sabesp 3Rs	t	101	130.9	77.4	-	-	-
Average consumption of fuel alcohol EN6	liters/ vehicles	2,232	2,174	1,724	2,500	2,552	2,836
Alcohol consumption to total fuels (16) EN6	%	48%	46%	34%	28%	28%	29%
# of business units with an implemented Environmental Management System (SGA)	units	65	26	4	4	4	0
# of ISO 14001 certified business units	units	50	4	4	4	4	0

Indicators	Units	2010	2009	2008	2007	2006	2005
Social							
Frequency ratio of accidents w/ leave of absence (17)	accidents / million of hours worked	6.2	5.1	7.2	7.1	7.4	7.7
Amount invested in internal social programs (18)	millions of reais	382	463	432	391	433	384
Amount invested in internal social programs (18)	% of net revenue	4.1	5.4	6.8	6.6	7.8	7.8
Amount invested in external social programs	millions of reais	35	62	51	75	25	22
Amount invested in external social programs	% of net revenue	0.6	0.5	0.8	1.3	0.5	0.5
Positive public perception of Sabesp's social responsibility (3)	%	83	78	71	-	-	-
Positive public perception of employee engagement in social issues (3)	%	49	47	41	-	-	-
Complaints ranked with Procon	unit	49	98	95	228	118	82
Procon ranking - (19)	position	- (19)	45th	43rd	16th	- (19)	25th

Notes:

- (1) 99% or more.
- (2) Water service \geq 95 percent, sewage collection \geq 90 percent and collected sewage treatment \geq 97% considered. Based on IBGE (Brazilian Institute of Geography and Statistics) data, to be revised with the 2010 Census. In April 2010, there were 125 cities with universal services.
- (3) Surveys conducted in 2007 by Formar (8,030 interviewees); In 2008 by Vox Populi (November 2008-January 2009, 7,337 interviewees in the entire operating base, with 1 percent error margin and 95 percent confidence interval); in 2009 by Marks Sist. Informações (December 2009-February 2010, 7,440 interviewees in the entire operating base, with 1 percent error margin and 95 percent confidence interval); and in 2010 by Mark Sistemas de Informações e Informática Ltda. (7,287 interviewees in the entire operating base, with 1 percent error margin and 95 percent confidence interval).
- (4) Includes watermains, sewage mains, interceptors and outfalls.
- (5) Connections by water meter/total connections.
- (6) Number of own employees, excluding employees assigned to other entities.
- (7) Amounts at period end.
- (8) Does not include financial expenses and other operating income and expenses.
- (9) adjustment to 2006, 2007 and 2008 operating income/expenses and net income (2006 and 2008) resulting from the adoption of Law 11638/07 (reversal of deferred charges) and 2008, resulting from the adoption Law 4819 (republishing of 2008 Financial Statements), which impacted operating margin and net margin.
- (10) Does not include commitments assumed in program contracts, R\$253 million in 2008 and R\$18 million in 2009
- (11) Refers to the São Paulo metropolitan area (RMSP) and includes reclaimed water and used sold and internally used in the STPs (e.g.: pump sealing). The treat sewage volume does not include STPs without facilities to reclaim water. From August 2008, beginning of supply to Santher by Parque Novo Mundo WTP.
- (12) Includes sourcing, treatment and distribution consumption.
- (13) Includes collection and treatment consumption (45% of electricity from CESP, which is 100% hydropower).
- (14) Work validity exceeds 1 year. Sabesp is hiring new inventories to evaluate the modeling.
- (15) Excludes young trees planted under the environmental offset and policy adjustment commitments, which totaled 130,000 in 2009. In 2010, 34,400 seedlings were planted by the NGOs IPÊ and TNC, 681,000 by DERSA (São Paulo Road Authority), and 10,855 under the "Green Hug" project in the Cantareira system.
- (16) Own and leased fleet light vehicles considered; alcohol and gasoline.
- (17) Excludes commuting accidents and occupational diseases.
- (18) Includes profit sharing.
- (19) Less 50 companies with the highest number of complaints in the Procon ranking



In 2010, Sabesp met almost all the goals set for the year. Six of the main goals were fully met: new water connections; new sewage connections; collected sewage treatment rate; customer satisfaction/complaints filed with the PROCON; increase in billed sales volume; and EBITDA margin.

The goal of units with ISO14001 certification, which prepared 65 operating units for the certification with the implementation of the environmental management system, resulting in the certification of 50 operating units, was partially met, and the investments made totaled 90 percent of the goal.

Our water loss indicator is systematically dropping since 2004. We obtained a reduction of 5.9 percentage points in four years, from 31.9 percent in December 2006 to 26.0 percent in December 2010. However, the results for 2010 point to a stability around 26 percent. We believe that it is key to maintain the investments in the Loss Reduction Program, and we have maintained our goal to reduce losses to 13.1 percent by 2019.

The maximum number of occupational accidents was

better than the historical average, while higher than the number we expected, which shows that we are committed to reduce the number of accidents. We understand that it is essential to seek increasingly smaller occupational accident rates.

Table 2 Lists the ten main 2010 goals and the results obtained by the Company.



Barueri Sewage Treatment Plant

Table 2: Goals and Achievements

Indicators	Unit	Goal	Achieved
Water supply service rate		Tends to universal service	
Number of new water connections	thou un	148.5	189.4
Sewage Collection Service Rate	%	81.2	81.1
Number of new sewage connections	thou un	180.0	233.5
Collected sewage treatment rate	%	75.3	75.5
Revenue loss rate	%	25.0	26.0
Metering loss rate	liters / conn. x day	378.0	403.0
Customer satisfaction rate	%	80.0	89.0
Complaint with PROCON	Complaint/millions of customers	2.3	2.1
Maximum number of occupational accidents (1)	un	120.0	149.0 (2)
EBITDA Margin	%	42.0(5)	42.9(5)
Increase in billed sales volume	million m ³	3,316.9	3,426.6
ISO 14001 certified units	un	65.0	50.0 (3)
Investments (4)	billion R\$	1.8	1.6

(1) Does not include commuting accidents and accidents without leave of absence.

(2) Refers to occupational accidents in the Business Units of the Metropolitan and Regional Systems Departments. It was set because of the 2010 Profit Sharing Plan.

(3) The SGA (environmental management system) was implemented in the 65 units

(4) Amounts from the base financial budget. Does not include the PPP, the arrangement with the City of São Paulo and lease of assets

(5) Disregarding CPCs and IFRSs



Corporate Management

Sabesp took important steps in 2010 toward accomplishing its future vision.

The volume of investments remained continued to be high, reaching R\$2.2 billion, cost cutting actions taken in 2009 started to pay off, and we executed the water and sewage service agreement with the City of São Paulo, our main market.

We also progressed in conquering new markets by establishing three special purpose entities, in association with private sector companies, to provide water and sewage services, and won an international tender, in association with Latin Consult, to provide commercial

and operational management consulting services in Honduras.

The management modernization process evolved with the creation of a Research, Development & Innovation (RD&I) function, by adjusting our headcount, and implementing a new succession and career plan to train our new leaderships.

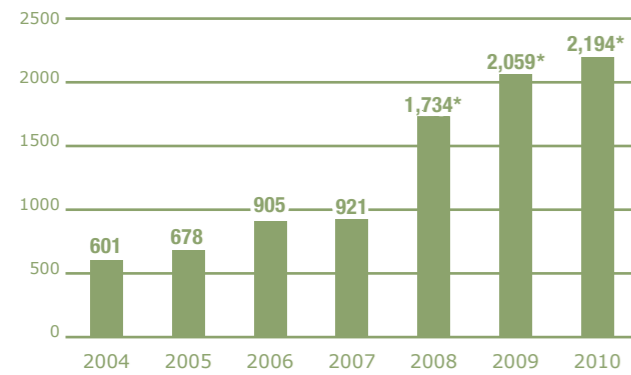


Sumaré Water Treatment Plant



In 2010, Sabesp invested R\$2.2 billion, including private investments made under new concepts, such as the Alto Tietê PPP, totaling R\$224.2 million.

Table 3: Investment History



Note: *Pursuant to CPCs/IFRSs

2008, 2009 and 2010 – does not include commitments assumed under program contracts (R\$253 million, R\$18 million, and R\$63 million, respectively)

Following is a breakdown of investments made in 2010 by region:

Table 4: Investments made in 2010 by region

	Water	Sewage	Total
Greater São Paulo Metropolitan Area	463.3	787.4	943.7
Regional Systems (coastal and inland)	589.8	353.9	1,250.7
Total	1,053.1	1,141.3	2,194.4

2010 – obligations assumed under program contracts (R\$63 million) are not included

In 2010, in addition to conventional investments, we continued the investments funded by private sector capital, under a public-private partnership (PPP), and the first investments funded through the lease of assets. These funding models allow us to access alternative public and private fund, and accelerate investments.

Also in 2010, we made roughly 189,400 new water connections and 233,500 new sewage connections. The water supply service rate remained at the universal service level and sewage collection increase to 81 percent, and the collected sewage treatment ratio reached 75 percent. Approximately 23.6 million people received water directly in their households (a figure that increases to over 27.2 million if we include the population of the cities that buy bulk water from Sabesp). At the same time, approximately 20 million people have their sewage collected by us, and we treated the wastewater generated by 14.6 million people.



Santa Inês lifting station

The table below shows the 2010 results and summary of the operating goals for the 2010-2019 period:

Table 5: 2010 Actual and 2010-2019 Goals

	Actual	Goals					
	2010	2010	2011	2012	2013	2014	2019
Water supply		Trend to universal service					
Sewage collection (%)	81.1	81.2	82.5	83.6	84.2	84.6	90.0
Collected sewage treatment (%)	75.5	75.3	79.5	82.3	83.5	85.0	93.4
New water connections (thou)	189.4	148.5	143.5	144.3	144.6	143.7	724.4*
New sewage connections (thou)	233.5	180.0	168.8	162.4	156.4	169.6	1,008.2*
Water losses (%)	26.0	25.0	23.4	22.1	20.4	19.5	13.1

* 2015-2019 cumulative goal

Table 6: Water and sewage connections performed and population served by these connections

		RMSP	Regional Systems (coastal and inland)	Total
Water	Number of new connections (1)	107.3	82.1	189.4
	Population served (2)	310	210	520
Sewage	Number of new connections (1)	119.4	114.1	233.5
	Population served (2)	490	350	840

(1) in thousands of units

(2) in thousands of inhabitants

STRUCTURING PROGRAMS

The continuity of our ambitious investment plan was still supported by the structuring programs described below, to facilitate planning and raise the necessary funds to achieve our vision.

ONDA LIMPA BAIXADA SANTISTA (SANTOS LOWLANDS CLEAN WAVE)



The Onda Limpa will increase significantly the rate of collected sewage and sewage treatment in Santos, São Vicente, Praia Grande, Guarujá, Itanhaém, Peruíbe, Mongaguá, Cubatão, and Bertioga, to the benefit of three million people (resident and seasonal population).

The program provides for the decontamination of rivers and canals, which will improve swimming conditions on 82 beaches, promoting tourism, job creation, and income generation in the Santos Lowlands. Additionally, it will reduce the number of hospital and clinic admissions due to water-transmitted diseases, and the overall mortality rates, in particular the infant mortality rate.

This program was initiated in 2007 and provides for a total investment of R\$1.5 billion through the end of 2011. Total amount invested in the up to 2010 reached approximately R\$1.3 billion or 87 percent of the works. All seven Sewage Treatment Plants (STPs) and two Wastewater Pretreatment Plants (EPCs) were opened in 2010, including the Praia Grande and Santos/São Vicente sea outfalls.

After the opening of the sewage treatment plants in 2010, we have prioritized property connection to the sewage systems, which by the end of December 2010 totaled 37,000 of the 123,000 connections estimated in the Program.



ONDA LIMPA LITORAL NORTE (NORTH SHORE CLEAN WAVE) EC9

The objective of the program is to extend the sewage collection system and the collect sewage treatment capacity on the north shore of the State of São Paulo, to be benefit of 600,000 people. The program will increase the region's sewage collection and treatment rate from the current 36 percent to 85 percent by 2015, improving the population's health and well-being, and leveraging economic development by increasing the region's tourist flows. In 2010 we started the construction of two sewage treatment plants in São Sebastião and other sewage system projects, in Ubatuba, Ilhabela and São Sebastião, which we expect to conclude in 2012.

Total investment in the program will be approximately R\$500 million by 2015. Up to 2010 we invested R\$77.0 million.



ÁGUA NO LITORAL (COASTAL REGION WATER)



The objective of this program is to expand production capacity, ensuring the availability of treated water in Santos Lowlands municipalities, eliminating irregular supply, in particular during summer time. Approximately four million people will be benefited, including resident and seasonal population.

Up to 2013, we expect to invest R\$1.1 billion in production expansion, improvement of treated water quality, increasing water transmission and storage capacity, distribution system expansion, and increase in the number of household connections. Up to 2010 we invested R\$278.0 million.

The main works under this program are the Mambu-Branco Production System, the Jurubatuba Water Treatment Plant, Guarujá municipality, and the renovation of the Cubatão Water Treatment Plant, with 63, 26, and 88 percent of the works completed, respectively.



PROJETO TIETÊ (PROJECT TIETÊ)

The objective of Project Tietê is to improve water quality in the Tietê River Basin, São Paulo Metropolitan Area, by expanding the wastewater collection and treatment infrastructure. The project was started in 1992 and involved investments of approximately US\$1.6 billion during stages I and II, completed in 2008.

The first two stages of the program increased sewage wastewater collection in the São Paulo Metropolitan Area (RMSP) from 70 to 84 percent, and sewage treatment leaped from 24 to 70 percent. These actions resulted in a significant reduction in the pollution level in River Tietê, in the Mid Tietê region, and the pollution load on the Billings dam watershed.

The objective of Stage 3 of Project Tietê, initiated in 2009, is to increase the sewage collection rate in the RMSP to 87 percent and the treatment of total sewage wastewater collected to 84 percent, which requires investments estimated at about US\$1.1 billion. Approximately 40 percent of the works are already under way and another 32 percent are being tendered. This stage will have a direct benefit in roughly 1.5 million people with collection services and 3 million with sewage treatment services.



**PROGRAMA METROPOLITANO DE ÁGUA
(METROPOLITAN WATER PROGRAM)**



Alto Tietê_Osasco PPP

The objective of this program is to ensure the continuity of regular treated water supply in the municipalities of the Greater São Paulo Metropolitan Area (RMSP), including both in those operated by us and those to which we supply bulk water, increasing water production capacity by 13.2 m³/s, i.e., 20 percent above current capacity by 2014. Total investments under the program are estimated at R\$2.7 billion, over eight years to the benefit of 18.9 million people.

In 2010 we completed the transmission works, improving the water supply rate in the eastern and western regions of the RMSP. The highlight was the Alto Tietê Public-Private Partnership works, with R\$224.2 million in investments in 2010, that permitted anticipating the completion of stage one of nominal treatment capacity expansion of the Alto Tietê System, increasing to 12 m³/s in 2010 from 10 m³/s.

In February 2011, this treatment plant reached a peak of 13.8 m³/s and average production was 12.1 m³/s. After the completion of all the works, the system's nominal capacity will increase to 15 m³/s, with direct benefits to 1.5 million people in the eastern region of the RMSP, all will improve the reliability, flexibility, and water availability of the integrated system that supplies the Greater São Paulo. With the production increase, the east, north and west supply indicators improve, since it is possible to transfer water from the east system to other locations.

PROGRAMA VIDA NOVA (NEW LIFE PROGRAM)

The objective of the Vida Nova Program is to recover and protect dams, rivers and brooks used for water supply in the Greater São Paulo Metropolitan Area, and also to improve the quality of life of the population residing in watershed areas. Most of the actions and funds are concentrated in the Guarapiranga and Billings sub-basins, both featuring severe urban poverty, high population density, and environmental degradation.

This Program comprises interventions to improve living conditions in 43 favelas (slums), precarious land development, and two residential compounds in sub-basin areas. In total, 50,000 families will benefit from this program.

The scope of program actions, which we expect to complete by 2015, is broad: urbanize slums, expand urban infrastructure to communities of lower-income population, build residential compounds, implement and/or improve sewage and water supply systems, advance in the study and control of water quality, and build parks and leisure areas.

The program provides for total investments of about R\$1.3 billion, with funds from the Federal Government, the State, the municipalities, and CDHU (State Housing Authority), Sabesp, and the World Bank. We are responsible for building and improving the water and sewage systems, by investing approximately R\$355 million, of which roughly 16% have already been raised and will be used to expand the wastewater sewage system in Itapeçerica da Serra and Cotia/Carapicuíba, and build a sewage treatment plant in Bragança Paulista.



Vida Nova (New Life) Program



Atibainha Dam



**PROGRAMA CÓRREGO LIMPO
(CLEAN BROOK PROGRAM)**

Developed in association with the City of São Paulo, the objective of this program is to decontaminate and clean urban water brooks, including improving the wastewater sewage system, eliminating wastewater discharge in brooks and stormwater sewers. Cleaning brook margins and beds, and remove and relocate dwellings by the brooks.

The Program was initiated in 2007 and has already decontaminated 96 brooks, to the benefit of 1.7 million people, with a total investment of R\$136.0 million.

For 2011-2012, decontamination works will be carried out in 46 other brooks, to the benefit of 950,000 people, with estimated investments of R\$61.0 million

**PROGRAMA CORPORATIVO DE REDUÇÃO
DE PERDAS DE ÁGUA (CORPORATE WATER LOSS
REDUCTION PROGRAM) Ecs**

This Program was initiated in 2009, when the water loss ratio was around 27.9 percent and our objective is to reduce this ratio to 13 percent by 2019.

The budgeted investment for the 11 years of the program (2009-2019) is approximately R\$4.3 billion, to be used primarily in the replacement of water mains and service pipes, compartmentalization (reducing water pressure), and replacement of water meters.

By 2010 we invested approximately R\$398.0 million, of which R\$216.0 million were made in the twelve-month period of 2010. Current the water loss ratio is 26 percent.



In 2010, we kept on the efficient economic and financial sustainability management process. The maintenance of the ambitious investment plan was coupled with cost cutting actions, optimizing the asset base, improving fundraising profile and volume, resolving the pension deficit, ensuring quality relationships with stakeholders, and consolidating the operating base, with the guaranteed revenue from our main market, the city of São Paulo.

The comprehensive cost cutting program that we implemented in 2009 started to pay off. In 2010 there was an increase of just 2.2 percent in costs and administrative and selling expenses as opposed to a 7.6% percent growth in net revenue.

However, if we take into account the 5.04 percent increase in the average Extended Consumer Price Index (IPCA) for 2010 over the average 2009 IPCA, the increase in costs actually represents a 2.8 percent decrease. This result is mainly due to the reduction of expenses on personnel, general supplies, and equipment and production system maintenance costs, and treatment materials.

In 2010, we also continued our asset optimization program and the inventory of assets held and used by us. The organization of this asset base will continue with the valuation of assets to meet the regulator's requirement.

As regards fundraising, in 2010 we raised US\$665.0 million from the Inter-American Development Bank (IADB) and the Japan International Cooperation Agency (JICA), in addition to R\$294.0 million from Banco Nacional de Desenvolvimento Econômico e

Social – BNDES (National Bank for Economic and Social Development) and R\$500.0 million through the 12th issuance of debentures subscribed by the Sanitation Portfolio managed by Caixa Econômica Federal (Federal Savings and Loan Bank), comprised of funds from the Government Severance Pay Fund, to finance its investment plan. These borrowings practically guarantee all the funds necessary to fund our main investment projects until 2013.

We should mention that the share of loans granted by development banks and multilateral agencies, of around 54 percent, shows the quality of our debt. In the capital market, we raised R\$1.8 billion and US\$350.0 million to roll over debt in 2010 and 2012. At yearend, our average borrowing costs were 7.9 percent per year, with our debt had an average maturity of 8.5 years. Risk rating agencies Standard and Poors and Fitch Ratings maintained Sabesp's rating in the global scale at "BB" and in the Brazil scale at "brAA-" and "A+", respectively.

Another highlight in 2010 was the approval by the National Pension Plan Authority (PREVIC) of the proposal to resolve the deficit of the Defined Benefit Pension Plan administered by Sabesprev. Since then, we launched a new pension plan, Sabesprev Mais, which is a defined contribution plan that allows participants to migrate from the old plan to the new plan. In order to mitigate the risk



Untreated water inlet in Rodolfo José da Costa e Silva WTP

of generating new projected deficits, the old plan was closed to new entrants.

The quality of our relationship with our stakeholders, one of pillars of Sabesp's soundness, is evidenced by our inclusion, for the fourth consecutive year, in the theoretical portfolio of the ISE. In addition, we were awarded the 010 Anefac Transparency Trophy, in the category "Publicly-traded company with revenue of up to R\$8 billion" for the transparency and the quality of the information disclosed in our financial statements.

The consolidation of the operating base was one of the economic and financial sustainability pillars in 2010, and was marked by the agreement entered into with the City of São Paulo, responsible for approximately 55 percent of our total revenue. The service agreement was entered into by Sabesp, the State of São Paulo and the City of São Paulo, and, while there is still no decision from the Federal Supreme Court with respect to the definition of the concession grantor in metropolitan areas, the agreement manages to formalize an arrangement between two concession grantors, the State and the City, thus providing legal certainty to the Sabesp. All the arrangements formalized under Law 11445/07 represent approximately 66 percent of our revenue.

Our economic and financial sustainability is also closely

linked to the fact that Arsesp (the state regulator) needs to define a tariff-setting formula that takes into account appropriate criteria with respect to type of services, tariff framework, and subsidy policy, among other aspects. The studies and discussions on the new formula will take the entire 2011 and will be implemented in 2012. The impacts caused by this new framework on our billings, investment capacity and financial health make the tariff issue a key issue for our continuity as a going concern. Accordingly, our Board of Directors approved the submission to the shareholders' meeting of a proposal to create in the Economic and Financial, and Investor Relations Department a specific function to handle costs and tariffs, thus ensuring that the way the issue is addressed is more focused on Sabesp's economic and financial balance.

NEGOTIATION WITH THE MUNICIPALITIES THAT BUY BULK WATER

In 2010, the main actions to manage the debt of the municipalities that buy bulk water were as follows:

a. Guarulhos: in the actions filed against Serviço Autônomo de Água e Esgoto de Guarulhos – SAAE we ceased to receive the amounts annually deposited by the government agency corresponding to the bonds issued to pay court-ordered debts for water bills issued and not paid;

b. Santo André: we also obtained an important favorable decision requiring the City of Santo André and the Santo André municipal water and waste authority, Serviço Municipal de Saneamento Ambiental de Santo André (Semasa), to include in their budgets the full amounts owed to Sabesp, but in 2010 payments were only partial;

c. Mauá: an injunction was granted in the actions filed against Saneamento Básico do Município de Mauá – SAMA because of the court decision that denies the revenue attachment request filed by us. On the other hand, in 2010 payments were still made, but partially; and

d. Off-court settlement initiatives negotiated with the municipalities that buy bulk water willing to resolve their debts to Sabesp:

- Mogi das Cruzes: the debt of approximately R\$8.5 million of Serviço Municipal de Água e Esgotos de Mogi das Cruzes SEMAE was rescheduled and is being regularly paid to Sabesp. The negotiations initiated in 2009 to create a Sabesp-SEMAE joint venture that will operate the city's sewage system have not progressed; and
- Diadema: the negotiations to create a water and waste company owned by the City and Sabesp continued in 2010 and we expect that negotiations will be completed in the first half of 2011, which would settle all the existing court actions filed against the City

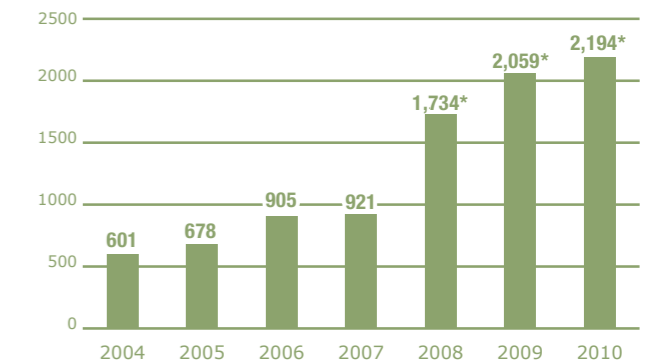
ECONOMIC AND FINANCIAL PERFORMANCE

We are presenting financial statements prepared in accordance with the new Brazilian accounting practices, pursuant to the standards, interpretations and guidelines issued by the Accounting Pronouncements Committee (CPC) effective since January 1, 2010, retrospectively to 2009, for comparison purposes. These financial statements are also in accordance with International Financial Reporting Standards (IFRSs), which are consistent with Brazilian accounting practices.

In 2010, net operating revenue totaled R\$9.2 billion, a 7.6 percent growth over the prior year. EBITDA increased from R\$2.7 billion in 2009 to R\$3.2 billion in 2010, an 18.2 percent increase. The EBITDA margin was 34.9 percent against 31.8 percent in 2009.

If the new CPCs and the IFRSs were not applied and in accordance with accounting practices in effect in 2009, 2010 profit would be R\$1,468.6 million, 6.9 percent higher than in 2009, which would be R\$1,373.9 million. The 2010 EBITDA, R\$3,115.2 million and in 2009 was R\$2,741.7 million. The EBITDA margin would be 42.9% in 2010 and 40.7 percent in 2009.

Table 7: Profit History



Note: *Pursuant to CPCs/IFRSs (million of current reais)

The table below summarizes the direct economic value generated and distributed by Sabesp in 2010

Table 8: EC1 Economic Value Added

Component (Parent Company)	AMOUNT (R\$'000)
A - Direct Economic Value Added	10,174,192
Revenue (1)	10,174,192
B- Distributed Economic Value	8,155,515
Operating Costs (2)	4,288,412
Employee Salaries and Benefits (3)	1,404,146
Payments to Lenders (4)	1,089,695
Payment to Government (5)	1,342,029
Investment in Community (6)	31,233
Economic Value Added (A-B)	2,018,677

GROSS OPERATING REVENUE

Gross operating revenue, including construction revenue, reached R\$9.8 billion, a 7.7 percent increase over prior year.

Gross operating revenue from water and sewage services increased R\$609.8 million, or 8.7 percent, to R\$7.7 billion in 2010 from R\$7.0 billion in 2009, as a result of the tariff increases made in September 2009 (4.43%) and September 2010 (4.05%), and the increase in billed volume of water (3.8%) and sewage (4.5%).

Table 9: Gross Operating Revenue History

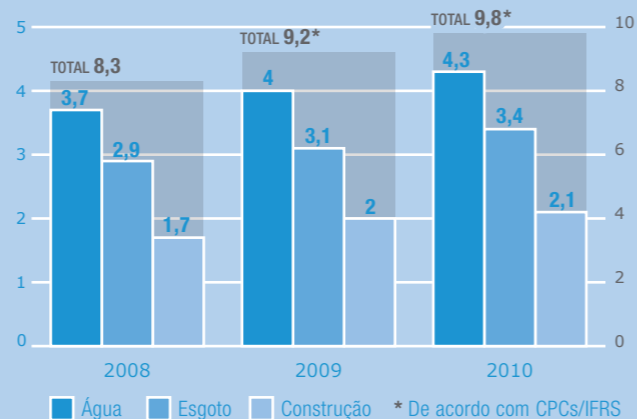


Table 10: Water and sewage volume billed by user category and by region

Water and sewage volume billed(1) by user category – millions of m³

	Water			Sewage			Water + Sewage		
	2009	2010	%	2009	2010	%	2009	2010	%
Residential	1,393.1	1,449.0	4.0	1,124.3	1,177.2	4.7	2,517.4	2,626.2	4.3
Trade	155.5	162.3	4.4	143.8	150.8	4.9	299.3	313.1	4.6
Industrial	34.4	37.2	8.1	34.8	37.8	8.6	69.2	75.0	8.4
Public sector	47.0	50.2	6.8	38.6	40.1	3.9	85.6	90.3	5.5
Total retail	1,630.0	1,698.7	4.2	1,341.5	1,405.9	4.8	2,971.5	3,104.6	4.5
Bulk	288.0	293.3	1.8	31.1	28.4	(8.7)	319.1	321.7	0.8
Reclaimed water	0.8	0.3	-	-	-	-	0.8	0.3	-
Total	1,918.8	1,992.3	3.8	1,372.6	1,434.3	4.5	3,291.4	3,426.6	4.1

(1) Não auditado

Water and sewage volume billed(1) by region – millions of m³

	Water			Sewage			Water + Sewage		
	2009	2010	%	2009	2010	%	2009	2010	%
Metropolitan area	1,083.9	1,119.2	3.3	911.1	947.2	4.0	1,995.0	2,066.4	3.6
Regional systems (2)	546.1	579.5	6.1	430.4	458.7	6.6	976.5	1,038.2	6.3
Total retail	1,630.0	1,698.7	4.2	1,341.5	1,405.9	4.8	2,971.5	3,104.6	4.5
Bulk	288.0	293.3	1.8	31.1	28.4	(8.7)	319.1	321.7	0.8
Reclaimed water	0.8	0.3	-	-	-	-	0.8	0.3	-
Total	1,918.8	1,992.3	3.8	1,372.6	1,434.3	4.5	3,291.4	3,426.6	4.1

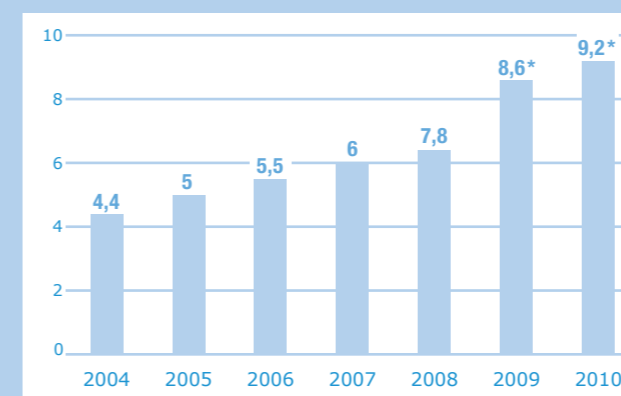
(1) Unaudited

(2) Includes coastal and inland regions.

NET OPERATING REVENUE

Net operating revenue reached R\$9.2 billion, a 7.6 percent increase over 2009.

Table 11: Net Operating Revenue History

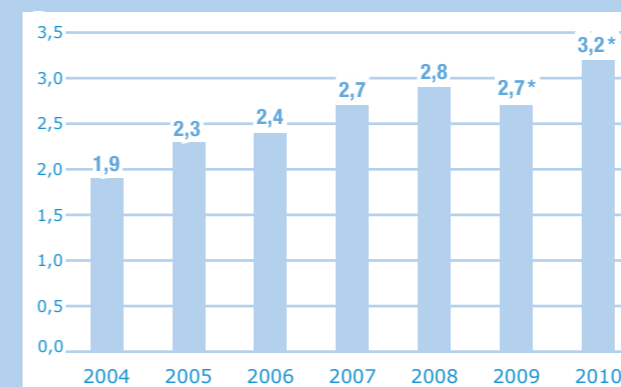


Note: * Pursuant to CPCs/IFRSs

OPERATING INCOME (EXPENSES)

Operating income (expenses) measured using the EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) reached R\$3.2 billion and a margin of 34.9 percent. The EBITDA margin was impacted by the adoption of IFRSs, which resulted in an increase of net revenue because we started to include construction revenue.

Table 12: EBITDA history



Note: * Pursuant to CPCs/IFRSs

DEBT REVIEW

In 2010, we incurred new debt, totaling R\$3.4 billion, and amortized R\$1.8 billion. Net debt at yearend was R\$6.2 billion, a 7.4 percent decrease as compared to 2009. At the end of 2010, foreign currency-denominated debt was 27 percent of total debt, same percentage as in 2009, of which 54 percent was owed to multilateral agencies. Even considering the new borrowings that we have incurred to fund the investment program and the need to refinance debts, in 2010 the net debt to EBITDA ratio was 1.9 times at yearend, against 2.1 times in 2009.

SOURCES OF FUNDING

DEBT SECURITIES

In April, we undertook the 11th Public Issue of Debentures amounting to R\$1.2 billion, in two series, the first series amounting to R\$810 million and maturing in five years, which pay semiannual interest equivalent to the interbank deposit rate (CDI) plus 1.9 percent per year, and the second series amounting to R\$405 million and maturing in three years, which pay semiannual interest equivalent to CDI plus 1.45 percent per year. The proceeds from the 11th Issue were used to redeem the 4th Promissory Note issued in 2009, amounting to R\$900.0 million and debt falling due in 2010.

In June, Sabesp held the 12th Issue of Debentures amounting to R\$500 million, subscribed by the Sanitation Portfolio, managed by Caixa Econômica Federal, with funds from the Government Severance Pay Fund, to fund works part of our Investment Program. The amount of R\$340.0 million was disbursed in 2010 and the remaining amount will be disbursed in 2011, contingent to our making proof the investments. These debentures mature in 15 years, consisting of a four-year grace period and 11 years of month amortization of the debt, and pay interest of 9.5 percent per year, plus inflation adjustment using the TR (a managed prime rate).

In August 2010, we conducted the 5th Issue of Promissory Notes amounting to R\$600 million, fully redeemed in January 2011 using the proceeds of the

13th Issue of Debentures, which mature in August 2012 and pay semiannual interest equivalent to the CDI plus 0.95 percent per year.

In December, we conducted a issue of Eurobonds amounting to US\$350 million, maturing in 2020, and bearing interest of 6.25 percent per year, payable semiannually. These funds will be used to settle financial obligations in 2011.

BORROWINGS AND FINANCING

In 2010 we entered into the following credit facilities to fund our Multiyear Investment Plan:

- JJapan International Cooperation Agency (JICA):** in October 2010, we entered into a credit facility of approximately US\$65 million to fund part of the Vida Nova Program that will be implemented in the Billings Dam area, in São Bernardo do Campo. This facility matures in 2035 and is amortizable in semiannual installments, after the seven-year grace period, plus interest of 1.2 percent per year on funds used in construction works and 0.01 percent per year for funds used to pay for consulting services.
- Inter-American Development Bank (IADB):** in September we entered into a credit facility agreement to fund part of the Tietê River Decontamination Program – Stage III. The investment will amount to US\$800 million, of which US\$600 million in project finance and US\$200 million in our counterpart funding. The loan is repaid in 25 years, with a six-year grace period, and bears LIBOR interest.

- National Bank for Economic and Social Development (BNDES):** in March, we entered into a credit facility agreement to fund part of the Onda Limpa Program – Stage 1. The financing amount is approximately US\$294.0 million and funds will be used to perform the works and services in the Santos Metropolitan Area. The loan will be amortize in 156 monthly, successive installments, after the 24-month grace period, and matures in 2025; interest is pegged to the Long-term Interest Rate (TJLP) limited to 6 percent, plus 1.92 percent per year.

In February 2011, the Company entered into with JICA an agreement to fund part of the Onda Limpa Program – Stage 1, in the approximate amount of US\$190.0 million. Funds will be used to perform the works and services in the Santos Metropolitan Area. This loan matures within 18 years and bears interest ranging from 1.8 to 2.5 percent per year.

We are still negotiating a credit facility with JICA for the Water Loss Reduction Program – Stage 2. The estimated amount for the program is of US\$572.0 million, of which US\$366.0 million is financed and US\$206.0 million is our counterpart funding. The current stage of negotiations still does not allow us to estimate when the deal will be closed.



Works of Tietê III Project - Itaquaquecetuba

CAPITAL MARKETS

Sabesp went public in 1994 and in 2002 we became the first semi-public corporation to join the BM&FBovespa's Novo Mercado (New Market), the highest corporate governance level segment in Brazil. In the same year, we became a Securities and Exchange Commission (SEC) registrant, and our shares started to be traded in the New York Stock Exchange ("NYSE"), in the form of Level III American Depositary Receipts ("ADRs").

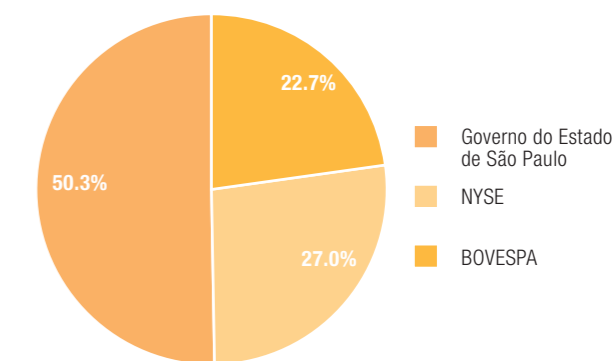
2010 was very positive year for Sabesp papers. Our shares traded on the BM&FBovespa closed 2010 at R\$42.59, an appreciation of 23.9 percent over the end of 2009, well above the 1.04 percent increase in the Ibovespa index for the same period.

The financial volume and the trading of our shares totaled R\$2.7 billion in 2010 and an average daily trading of 1,050 trades, and our papers were traded in all trading sessions.

The quotation of our ADRs appreciated by 35 percent and closed at US\$52.88, and the financial volume traded on the NYSE in 2010 was US\$2.8 billion. In May 2010, our ADR Program completed 8 years and closed the year with 30.7 million outstanding ADRs.

The growth of the importance of our shares in the market is also reflected in the increase in the number of financial institutions that monitor their performance. The higher number of opinions on Sabesp increases the availability of information on the company and tends to facilitate access conditions to the financial market. In December 2010 we were monitored by 19 financial institutions.

Table 13: Shareholders at December 31, 2010



Our shares are traded on the São Paulo Stock Exchange under ticker symbol SBSP3 and on the NYSE under ticker symbol SBS and continue to integrate the main indices of the BM&FBovespa and, for the fourth consecutive year, they are part of ISE's theoretical portfolio.

DIVIDENDS

Under our bylaws, common shares are entitled to mandatory minimum dividends corresponding to 25 percent of profit for the year, obtained after the deductions required or permitted under the law, and can be paid as interest on capital.

In 2010, we paid R\$394.2 million in dividends as interest on capital for 2009, corresponding to R\$1.73 per common share and dividend yield of 5.3 percent. As regards 2010, the Board of Directors approved the payment of interest on capital totaling R\$456.0 million, or R\$2.00 per common share and dividend yield of 4.7 percent, to be paid within up to sixty days after the Annual Shareholders' Meeting, to which the 2010 accounts will be submitted for approval.



Throughout 2010, we entered into 26 new and renewed contracts with municipalities to provide water and sewage services, totaling 200 contracts entered into since 2007, which together account for approximately 66 percent of our gross revenue.

MARKET CONSOLIDATION

The contracts signed in 2010 include the contract entered into with the City of São Paulo. To make this contract possible, the State of São Paulo and the City of São Paulo entered into an arrangement with the intermediation and the consent of Sabesp and Arsesp, under which they agree to share the planning and the investment in the basic sanitation system in the city of São Paulo. This arrangement provides for an agreement between the State, the City of São Paulo, and Sabesp granting us exclusive to provide water and sewage services in the state capital. Additionally, the arrangement established the role of Arsesp as regulation and oversight agency of our activities, and creates a Steering Committee that will be responsible for the planning of water and sewage services and the review of the investment plans. The Steering Committee will consist of six members appointed for one, renewable two-year term. The State and the City are entitled to appoint three members each and we will have the right to attend the Steering Committee meeting, but without any voting power.

The service agreement for the city of São Paulo requires us, but not limited to, (i) invest at least 13.0 percent of the gross revenue earned under this agreement, net of COFINS and PASEP (taxes on revenue), in the improvement of the water and sewage infrastructure in the city of São Paulo, and (ii) a transfer 7.5 percent of the gross revenue earned under this agreement, net of COFINS and PASEP to the Municipal Environmental Sanitation and Infrastructure Fund created by Municipal Law 17934/09. Also, the agreement prescribes that Arsesp will ensure that the tariffs charged (a) will adequately compensate us for the services provided and (b) can be adjusted to reestablish the original balance between the parties' obligations and our economic and financial equilibrium. In addition to ensuring operations in our main market, this agreement is also a innovative contractual model that could be used in the other municipalities in metropolitan areas.

Other 34 authorization acts have been approved by city councils and have already permitted delegating service performance to us in the related municipalities.

REGULATORY AFFAIRS

After structuring the Regulatory Affairs function in 2008, in the last two years we have started to implement best regulatory practices and disseminate a regulatory culture within the company.

There have been major breakthroughs in light of the challenges of the new regulatory framework, with an increasing interaction between the São Paulo State Sanitation and Power Regulatory Agency (ARSESP) and Sabesp, in particular:

Freedom to negotiate with large customers: after preparing a technical study and several discussions with Arsesp, we were authorized to negotiate prices with large customers, whose demand exceeds 500 m³/month, under specific contracts. This freedom is crucial to ensure we remain competitive in this market segment, where we face the competition of artesian wells, customized solutions, and water distribution using water trucks.

Tariff revision: Arsesp published on March 4, 2011 a schedule for the revision of Sabesp tariffs. This schedule extends to August 2012. In 2011 we will conduct technical discussions to define the economic regulation model and the regulatory consideration base survey (BRR). In 2012, there will be the application of final data to the model, a discussion of the tariff framework, public hearings, the publication of results on August 30, 2012, and the application of the tariff.

According to the regulator, the tariff revision will be steered to:

- Set a first milestone of the periodical tariff revisions for all municipalities that have entered into program contracts with us and services regulated by Arsesp;
- Review all the criteria adopted with respect to costs of services, tariff framework, subsidy policy, etc.;
- Set a methodology, standards and procedures for future revisions and adjustments;
- Ensure the involvement of all stakeholders in the process, including: the city government,

concessionaires, consumers, investors, etc.

Cost of capital: in light with the published tariff revision schedule, ARSESP published on March 4, 2011 a cost of capital calculation methodology proposal. It consists of a public hearing that will receive contributions from society until April 4, 2011.

Return on Capital Basis: in 2010 Arsesp set the rules to value Sabesp's equity (ARSESP Resolution 156/10). We will engage firms to make such valuation. The tender process is already under way.

Regulatory standards: In 2010, Arsesp issued standards that set out the general terms and conditions for the provisions and use of water and sewage utility services. This document basically addresses the standards that govern the business and operating relationship between utility operators and users. We are currently implementing these standards, which we should complete in 2011-2012, which impact in particular our business and operating processes.

In the context of the process to adapt to the regulated environment, our Board of Directors has recently authorized us to convene a shareholders' meeting to approve the creation of a Regulatory Affairs Committee, as a statutory body, and, among other proposals, create in the Economic and Financial, and Investor Relations Department a specific function to handle tariffs and costs.



The operation in new markets is strategic so that our operations in the water and waste industry can be sustainably consolidated. The development of new businesses creates new sources of income capable of supporting our challenges and the accomplishment of our vision.

Nesse sentido, a Sabesp tem atuado em duas grandes frentes. We have focused our actions to this regard in two fronts. The first in the establishment of partnerships in new businesses that include initiatives to operate in new municipalities, in other states, in other countries, and in new markets, such as power generation. The second in the Sabesp Environmental Solution platform that permits us to operate in industrial markets and with large customers.

PARTNERSHIP IN NEW BUSINESSES

In 2010, we developed several initiatives in the domestic and international markets and closed deals as a result of agreements entered into in recent years.

We have established three special purpose entities to operate in the water and sewage services industry: Águas de Castilho S.A. and Águas de Andrada S.A., a partnership with CAB-Ambiental, and Saneaqua Mairinque S.A., a partnership with Foz do Brasil.

Abroad, we signed two cooperation arrangements:

- a. With Empresa Pública de Medellín (EPM), a Colombian municipal company that operates in the water and waste, telephone, power and infrastructure services industries, to exchange experiences and jointly seek business opportunities; and
- b. with Agua y Saneamientos Argentinos S.A. (AYSA), the state-owned water and waste company of Buenos Aires, to exchange know-how and technology for water and sewage system renovation, loss control, household wastewater and sludge treatment, empathizing their use for energy, climate change prevention, project management, and process automation.

We entered into with the Espírito Santo state water and waste company, CESAN, a technology transfer agreement for the implementation of the Aqualog, a system developed by us to automate water treatment plants. The project results for the cooperation agreement entered into in 2008 and is estimated at approximately R\$3.0 million.



Taubaté Tremembé STP

Another opportunity in 2010 was the possibility of preparing Municipal Water & Waste Plans for the municipalities where we do not operate. The first municipality using this service was the City of Barro Alto, in Goiás, under an agreement amounting approximately to R\$500,000.

Also in 2010, we won another international tender. As in the Panamanian international tender won in 2009, we formed a consortium with Latin Consult to provide commercial and operational management consulting services to nine municipalities in Honduras. This is a three-year agreement, amounting to US\$2.3 million.

The agreement with the Sevtec/Tecniplan consortium for the concession of the right to exploit the energy potential of the Guaraú and Vertedouro Cascata water treatment plants was signed in March 2010. The energy generated in small hydropower plants (SHPs) will be sold by the consortium, which will pay Sabesp 23 percent of the gross revenue earned on power sales and 50 percent of the carbon credits generated. This agreement is estimated at R\$27.6 million. Startup is scheduled for 2013 and operations will be terminated in 2030. The start of construction awaits the environmental permit.

PARTNERSHIPS FOR ENVIRONMENTAL SOLUTIONS

Important partnerships were also entered into in the industrial market, as part of the Environmental Solutions Platform created by us.

The construction of the Aquapolo Environmental Project, a joint venture between Sabesp and Foz do Brasil established in 2009, started in 2010 and its objective is to build the largest reclaimed water system in the Southern Hemisphere, capable of producing up to 1 m³/s. The project provides for the supply to Quattor petrochemical complex and the inclusion of other companies located along the watermain, which will cross the municipalities of São Paulo, São Caetano do Sul, and Santo André.

In the industrial waste area, we have entered into an agreement with Estre Ambiental to build a station that will receive non-domestic wastewater and will include a pretreatment plant. We are estimating revenue of R\$40 million per year.

SABESP ENVIRONMENTAL SOLUTIONS

The Sabesp Environmental Solutions program consists of a platform of products and services offered to achieve customer loyalty and broaden our large customers' base, and obtain returns of existing assets. By using our new services, customers benefit from our expertise and technology in sustainability, environmental preservation and water resources management areas. Therefore, we have been increasing, for example, our competitive capacity in the segments the most targeted by alternative water suppliers.



- **Loyalty Contracts:** under a take-or-pay contract, companies benefit from differentiated rates and consumption management systems, thus, cutting their costs. Companies will also receive differentiated services and guaranteed supply. Loyalty contracts ensure us revenue of approximately R\$260 million per year and qualify us as efficient competitor in the segments most targeted by alternative water suppliers.



- **Non-Domestic Wastewater (END):** one of our greatest concerns is the final disposal of industrial wastewater. To meet the need, we are prepared to receive and treat this type of sewage. In 2010, we collected and treated more than 20 million m³ of sewage non-domestic wastewater and generated approximately R\$150 million in revenue.



- **Program for the Rational Use of Water (PURA):** specifically focused on the State Departments and the Municipal Governments, classified as public sector users, the solutions to reduce water consumption consists of a number of actions, such as leak detection and repair, replacement of conventional equipment with water saving devices, studies related to the reuse of water, and educational lectures. The implementation of the PURA in 1,723 properties (both state and municipal) generated savings of 79.3 million liters of treated water per month, sufficient to supply a city with roughly 23,000 inhabitants. These connections were under Public Sector Agreements (CEPs), which provide for a tariff 25 percent lower. The CEPs were also entered into with Clinicas Hospital Complex and Instituto do Câncer.



- **Reclaimed Water EN21:** treated wastewater that can be used in equipment cooling, manufacturing processes, and other nondrinking uses. The use of reclaimed water helps expanding water supply for public use and preserve the environment. Our reclaimed water production process is certified by the ISO 9001:2000 quality management system in conformity with strict quality standards. In 2010, we supplied 132,000 m³ per month of reclaimed water to our current customers.

- **Individualized Water Metering in Condominiums:** In 2008 we launched a technology that allows to separately measure the individual consumption of each apartment. Named "individual water metering", the new technology meets an old claim of many condominiums and may become an important economic incentive to rational water use. Individual Water Metering can be acquired by residential and commercial condominiums in all municipalities where we operated in the State of São Paulo. The model developed by ProAcqua, a partnership between Sabesp and Cediplac, uses cutting-edge technology, such as the installation of a concentrator developed exclusively for us that permits distance metering and interruption of water supply. Program results up to 2010:
 - 6,102 condominiums;
 - 3,313 estimates requested, representing about 132,000 apartments; and
 - 308 independent units with issue of bill and over 9,923 with a signed contract.

- **Telemetry:** this service allows for the web-based tracking of consumption registered in the water meter, in real time. Consumption history is presented in charts, according to the period requested by the customer. Additionally, the system can send warning flags about leaks and consumption peaks, via e-mail and cell phone messages. Real time consumption management increases the decision making agility, increases logistics efficiency of our response, and simultaneously reduces water waste. The system is currently implemented in 120 private sector customers and 339 meters in the State Department of Education, totaling 459 properties in the Greater São Paulo Metropolitan Area.

MANAGEMENT MODERNIZATION



We work continuously in modernizing management with the objective of becoming a more efficient company. Note that our productivity measured by the number of connections per employee ratio increased from 684 at the end of 2006 to 849 at the end of 2010, a leap of 24 percent.

This results from our efforts in five fronts:

- **people management** by investing in renovation and training
- **technology** by investing in research, development and innovation;
- **value added management (GVA)** with methodology enhancement focused on revenue, expenses, and asset management
- **Investment efficiency** by improving project management; and
- enhancing **corporate governance**

PEOPLE MANAGEMENT

In 2010, we underwent a personnel renovation process that included hiring 1,012 employees, terminating 514 retirees, 109 employee within the 2 percent cap provided for in the collective agreement, and 206 voluntary terminations.

We value the qualification of new talent that can succeed the current leaderships in the future. Accordingly, we prepared a succession and career plan, which a structured and continuous program to prepare employee for managerial positions. Our objective is to train a pool of employees with profile and potential compatible with the management of the business to prepare them for possible successions in managerial positions within the company.

RD&I – RESEARCH, DEVELOPMENT AND INNOVATION



In May 2010 we created the RD&I function that now centralizes several innovation activities, previously scattered among different business units.

The main challenges of the RD&I function is to inventory and disseminate existing our proprietary technologies, develop an intellectual property protection policy, coordinating technological alliances and cooperation agreements for the development of research within our interests, and help in the making of products that we will be able to sell using technologies developed by us.

In May 2009, Sabesp and Fundação de Amparo à Pesquisa do Estado de São Paulo (Fapesp) entered into a cooperation agreement to invest in scientific and technology research projects on water and sewage, as part of the Fapesp Research Program for Technologic Innovation Partnerships, effective for five years and with an estimated cost of R\$50 million, of which R\$25 million will be disbursed by Fapesp and R\$25 million by us. The main achievement of this area in 2010 was the approval of 12 projects under this agreement.



Wastewater Pretreatment Plant – Santos

- These projects cover the following subjects: (i) filtering membranes technology in water and sewage treatment plants, (ii) treatment, disposal and use alternatives of sludge in water and sewage treatment plants, (iii) new technologies for building, operating and the maintenance of water distribution and sewage collection systems, (iv) new technologies to improve unit operation processes, (v) water quality monitoring, (vi) energy efficiency, and (vii) water and waste economics. We maintained initiatives to encourage innovation, such as the innovation hearings and the Water & Waste Economics Group, which gathers several professionals and scholars interested in this subject.

VALUE ADDED MANAGEMENT (GVA)

In 2010, we completed the implementation of the Added Value Management (AVM) model in all our business units. The GVA® model is a complement to the Balanced Scorecard (BSC), adopted since 2003, and is crucial to steer actions related to the optimization our asset base and improve the quality of investments, to strengthen Sabesp and its long-term sustainability. We have identified building an information system as one of the key issues to ensure the implementation of the method. We have, therefore, developed a system that allows automatically generate results for all our Units.

The challenge for 2011 will be to implement the system in all our Business Units and set corporate goals based on the GVA metric.

PROJECT MANAGEMENT METHODOLOGY

The strategy to enhance the level of investments was coupled with an improvement in project management. Investment acceleration was made using structuring programs, which facilitate planning and fundraising. To improve monitoring, we created a streamlined and seamless framework, named Investment Executive Group (GEE). The enhancement of the project management methodology was also crucial.

In 2005 we initiated the development and implementation of a Project Management Methodology, based on the Project Management Institute (PMI), that is now integrated with the corporate systems. In 2010 we initiated the project for the development of the Program Management Methodology, to manage our Structuring Programs.

Better programming of investments brings direct benefits both to Sabesp and our customers. On our side, better programming means better cash management, reducing tender time, works with less delays and higher quality, and lower project costs. On the customer side, it results in a quicker delivery of investments that give access to water and sewage systems.

In addition to allow investment monitoring compared to budget, the management methodology also monitors other indicators, such as Environmental Permits Obtained, Monitoring of Project Milestones, and Monitoring of deviations in key activities.

CORPORATE GOVERNANCE **GRI 4.1**

We believe that Corporate Governance is essential for the good performance of our business and express in our strategy our concern with this principle.

As a publicly-traded company, listed in the Novo Mercado of the São Paulo Mercantile and Futures Exchange (BM&FBOVESPA), the highest level of corporate governance in Brazil, and in the New York Stock Exchange (NYSE) since 2002, we are subject to the rules of the Brazilian Securities and Exchange Commission (CVM) and the BM&FBovespa, in Brazil, and to the standards of the Securities and Exchange Commission (SEC) and the NYSE, in the United States.

We are included in the Corporate Governance Index (IGC) and the Differentiated Tag Along Share Index (ITAG), and are part of BM&FBovespa's Corporate Sustainability Index (ISE) since 2007.

GOVERNANCE STRUCTURE

Shareholders' Meeting: the highest decision-making body, with the power to decide on all businesses conducted by Sabesp and take all the actions it considers necessary to ensure our protection and development. The shareholders' meeting is responsible for, but not limited to, electing or dismissing the members of the board of directors and the supervisory board. All documents to be analyzed or discussed at a shareholders' meeting are available at our registered office and BM&FBovespa, from the call notice date.

A shareholder can evidence his or her condition as such at any time after the start of a shareholders' meeting, in compliance with the rules set forth in our bylaws, available on our website.

GRI 4.2 / 4.3 / 4.4 Board of Directors: in December 2010 it consisted of 8 members elected for a two-year term, who may be reelected. The chairperson of the board and CEO positions are filled by two different persons, and no CEO who is also elected a board member can hold the chair. Four of our directors are independent directors, in compliance with the Novo Mercado Listing Regulations, of whom one is elected by the non-controlling shareholders. The Company's bylaws provides for the participation of one representative of the employees in the Board of Directors, with a term of office similar to the other directors.

Audit Committee: the Board of Directors is advised by an Audit Committee, consisting of three independent directors, of whom one is specialized in finance and is the Committee's coordinator. The responsibilities of and the way this Committee functions are set out in its charter, available on our website.

Supervisory Board: it has been permanently instated since the Company's incorporation and currently consists of five active members and the respective alternates, of which one is the representative of non-controlling shareholders.

Executive Committee: the executive committee consists of six members elected for a two-year term, who may be reelected. Officers are elected by the Board of Directors and one is appointed as the CEO. The CEO is a member of the Board of Directors.

Executive Governance Departments: they provide assistance to the governance processes, assisting the chairman of the board, the audit committee coordinator, the supervisory board, and the CEO to set meeting agendas, convene and conduct shareholders' meetings, sending the agenda and meeting support material, prepare minutes, and interact with the executive committee members and other officers to improve governance.

Internal Audit: it is an independent body, whose purpose is to evaluate the integrity, suitability, effectiveness, efficiency and productivity of the information technology and internal control systems and processes. The Internal Audit department has access to all documents, hardcopy and electronic records, system, facilities and individuals involved in the Company's activities for the proper fulfillment of its duties. The Internal Audit department reports to the CEO and its activities are overseen by the Audit Committee.

External Audit: we abide by the principles that maintain the independence of the external auditor, namely: an auditor must not audit his or her own work; perform management functions; or act as an advocate for an audit client. PricewaterhouseCoopers was our independent auditor for the annual period ended December 31, 2010 and they did not provide non-audit services during this period.

GRI 4.5 Management Compensation: under the Brazilian corporate law, the compensation paid to the members of the board of directors, the members of the supervisory board, and to the executive officers is defined, as a whole, by the shareholders' meeting. The compensation of directors and officers in 2010, including benefits, totaled approximately R\$2.6 million. Additionally, approximately R\$0.9 million was paid as bonuses.

CODE OF ETHICS AND CONDUCT **GRI 4.8**

Our Code of Ethics and Conduct comprises the main guiding principles of our activities, such as respect for society and the customers, respect for the environment and the people, integrity, competence, and citizenship. The Code defines our relationship with our different stakeholders: directors, supervisory board members, officers, employees, customers, suppliers, shareholders, community, and society in general.

We have restructured the Ethics and Conduct Committee, which is responsible for ensuring the employee's commitment with the Code and the Code's continuous relevance, updating, and appropriateness, as well as guiding and suggesting the actions necessary for the companywide disclosure and dissemination of its principles.

Adopting the Code of Ethics and Conduct is crucial for consolidating and expanding our conquered reputation of a socially responsible company.

WHISTLE-BLOWING CHANNEL

To ensure compliance with the Code of Ethics and Conduct, we have an Ethics Committee and an internal Whistle-blowing Channel, as well as a Corporate Accountability Procedure and an Ombudsman Office and a Customer Service that receive external complaints. The internal channel can receive anonymous whistle blowing. The results of the investigations are forwarded to the Audit Committee. Incidents are reported to the Ethics Committee, which takes preventive actions.

In 2010, 158 whistle-blowing cases were registered, of which 51 percent is concluded and 49 percent is under analysis. The reported cases refer to:

- alleged irregularities in processes involving connections and operating water and sewage services (46%);
- alleged inappropriate behavior, such moral harassment, discrimination, sexual harassment, and unfair treatment (21%) **HR4**;
- situations involving several administrative proceedings, such as the inappropriate use of vehicles, product inventories, tender bids, and procurement (30%); and
- alleged irregularities in the management of construction contracts and services provided by building contractors (3%).

In 2010, in general, there was a significant decrease in the number of occurrences. This trend was stronger in processes that involve alleged irregularities in the management of construction and service contracts and cases of inappropriate behavior of employees.

INTERNAL CONTROLS

The function responsible for the activities related to Risk and Internal is independent, has trained work teams, and adopts a methodology set out in regulations, thus ensuring the appropriate identification, capture, valuation, control, monitoring, mitigation, and reduction of loss events.

The review conducted on the effectiveness of the 2009 internal control environment, in compliance with Section 404 of the US Sarbanes Oxley Act (SOX), was completed in June 2010 and no material incidents were identified. To obtain the certification for 2010, we continued the internal control testing, which will be completed in June 2011.

These reviewed controls cover the procedures that ensure the accuracy of accounting records; the preparation of statutory financial statements; and the proper authorization of transactions related to the purchase, use and disposal of Company assets.

RISK MANAGEMENT

The Risk Management practices are being constantly improved. In this context, we approved the composition of the Risk Committee and the Corporate Risk Management Policy, thus consolidating the general rules related to the organization, functioning and structuring of risk management at corporate level. The methodology adopted meets the ISO-31000 requirements, a standard indicated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which defines the continuous risk identification, review, assessment, treatment, monitoring and reporting procedure.

Aligned with these standards, in 2010 was prioritized the continuity of the risk mapping of our main processes and the implementation of mitigating actions.

ARBITRATION CLAUSE

We and our shareholders, officers, and members of the Supervisory Board are bound by the Arbitration Clause, under which we agree to solve through arbitration any dispute or controversy among us, whether related to or, in particular, arising from the enforcement, validity, effectiveness, interpretation, violation and effect therefrom of the provisions set forth by Law 6404/76, our Bylaws, the rules issued by the National Monetary Council, the Central Bank of Brazil, and the Brazilian Securities and Exchange Commission, as well as the other standards applicable to the operation of the capital market in general, in addition to those contained in Novo Mercado Listing Rules, the Novo Mercado Participation Agreement, and the Market Arbitration Chamber Regulation, to be conducted by the Market Arbitration Chamber created by the BM&FBOVESPA, in accordance with said Camber Regulation, considering the exception applicable to the unavailable rights.



Social Responsibility

Social responsibility is our commitment to society. The most significant progresses in 2010 refer to the relationship with stakeholders, by involving our employees in volunteer work actions, and our quality management effort. To achieve this, many partnerships and studies were made, in a transparent management, guided by our Code of Ethics and Conduct, in our search for sustainable development and improvement of quality of life. The living examples are the maintenance of voluntary adoption of international guidelines, such as the UN Global Pact, which gathers several world corporate segments aligning their activities to the following principles: human rights, right to employment, environmental protection, and the fight against corruption. Thus, for us the concept of sustainability is taken as a key commitment to improve business practices, marked by ethics and transparency, and contribute to the accomplishment of our mission. One of the consequences of this commitment is the inclusion of Sabesp in BOVESPA's Corporate Sustainability Index (ISE) since 2007, for four consecutive years.

We support and encourage the eight objectives of the United Nations included in the UN Corporate Outreach Program.

Also in 2010, we approved a procedure related to the 'Gifts and Gratuities Conduct'.

STAKEHOLDER RELATIONS

The way we relate with our different stakeholders is the expression of what we believe in. A relationship can only be sustainable when it holds the right ethical and transparency principles with its different stakeholders.





Clubinho Sabesp characters interacting with the community



In order to improve the satisfaction rate of our customers for each year and in light of the commitment to establish a more appropriate relationship approach, as well as expediting user service, we have two Call Centers.

The first call center serves the 38 municipalities under the jurisdiction of the Metropolitan Department and a second call center serves the State coastal and inland municipalities under the jurisdiction of the Regional Systems. Both call centers have 280 service stations. We have 320 individual Service Offices, of which 60 in the Greater São Paulo Metropolitan Area and 260 in the State coastal and inland regions. Our website includes the Virtual Office service, in which the customer can obtain a copy of the bill, make payments, request and track services, consult monthly consumption or check the readings schedule of his or her property, and use our live chat service. We also make available 10 interactive media stations for consultations, in subway stations in São Paulo with a large passenger flow.

WATER BILL – RISK MITIGATION

PR3 e PR4 We do not use procedures for minimizing specific risks in connection with product and service labeling, because such procedures are designed for packed products, which are different from water and sewage collection services.

PR3 However, it is worth emphasizing that we disclose water quality data in the monthly water and/or sewage bill, in compliance with Presidential Decree 5440/05 and Ministry of Health Administrative Rule 518/04. The

Administrative Rule establishes that the water produced and distributed for human consumption must be controlled. Legislation also defines the minimum quantity and frequency with which water samples must be collected, as well as the parameters and limits permitted. The Decree establishes how data must be disclosed. In addition to the monthly bill, the customer also receives a report with all information on the water supplied in his or her property and may refer to our website (www.sabesp.com.br) to obtain the following water parameters: turbidity, chlorine, fluorine, total coliforms, and thermotolerant coliforms. Such parameters result from the analysis of water quality from the source to the consumption points, and sanitation control centers strategically located throughout the São Paulo Metropolitan Area and the inland coastal regions. The information on water quality is available on our website.

2010 CUSTOMER SATISFACTION SURVEY

PR5 In 2010, the customer satisfaction survey resulted in a customer satisfaction rate of 89 percent, with a 1 percent margin of error. The customer satisfaction indicator is obtained based on the assessment made of customer satisfaction with tap water supplied, sewage collection, and customer service in general (provision of services). The survey interviewed 7,287 customers of all consumption categories and sizes, in the region

where we operate, within the geographic area of the State of São Paulo. As regards socio-environmental responsibility, we obtained an agreement rate of 81 percent, confirming the increasing trend for the third consecutive year. As regards employee commitment to socio-environmental actions, the rate was 51 percent. Additionally, we analyzed issues to determine priorities from the customer standpoint, to know the areas where we should aim priority assistance and partnerships related to socio-environmental responsibility. In the social side, customers prioritized: 1st education; 2nd charities; 3rd culture; 4th sports, and 5th the arts. In the environmental side: 1st environmental education; 2nd recycling and tree planting; 3rd rational use of water, and 4th technical events of sanitation.

SABESP HALVES THE NUMBER OF COMPLAINTS AND LEAVES THE PROCON LIST.

We are no longer included in the list of complaints of Procon, the customer protection agency that annually ranks the 50 companies with the higher number of complaints. In 2009, we were ranked 45, with 98 complaints. In 2010, this indicator was halved. There were 49 complaints during the entire year, from a total of 27.1 million customers in 364 municipalities. Because of this number of complaints, we are no longer in Procon's list. These complaints include those monitored and resolved still in their preliminary stage, before an administrative proceeding if initiated, which expedites response to consumer claims; the Zero Complaints program, which set service performance deadlines and fights consumption peaks—cases where there is an increase in water consumption in a property above usual average, whether or not due to leaks..

OMBUDSMAN OFFICE

The Ombudsman Office is a qualified, second-level escalation consumer service channel for the mediation of conflicts between the Company and its customers. In 2010, the ombudsman office received 111,416 calls and complaints.

Our ombudsman office is responsible for following up customer complaints filed with the São Paulo State Sanitation and Power Regulatory Agency (ARSESP). With the disclosure of the regulator and the ombudsman office telephone number in the customers' bills, we will take actions to adapt our service channels to the new complaint scenario, thus maintaining our quality standard.

In association with the Judiciary Power, the Ombudsman Office is developing the JEC/Digital (a digital special court), which offers a differentiated customer service in the Small Claims Courts system by seeking customer-friendly solutions of customer complaints, thus avoiding litigation.

In 2010, the JEC/Digital served 438 customers, with 440 hearings scheduled up to December 2010, and 80.6 percent of settlements in conciliation stage. As compared to prior year, there was a 17 percent decrease in the number of complaints filed with JEC, and a 29 percent decrease in the number of hearings. Settlements in conciliation stage also increased 2.6 percent.

The Ombudsman Office follows up all complaints registered by Procon (consumer protection agency). In 2010, we received 1,571 CIPs (Preliminary Information letters) from the Procon located in the State capital and 767 from municipal Procon, resulting in 2,338 customers served in the preliminary analysis stages.

A good result as regards Procon complaints was the 17.8 percent decrease in the total number of substantiated complaints: they totaled only 152 in 2010, over 179 in 2009.



Maintaining an open relationship, focused on the interests of investors and shareholder, has been a constant quest in our daily operations.

Accordingly, throughout 2010, we attended another 10 conferences and road-shows, in Brazil and abroad, organize four group visits of investors to the Água Guaraú Water Treatment Plant, located in the Cantareira mountain range, and held dozens of individual meetings at our head office to present our characteristics, challenges and risks, as well as to clarify the main events related to our business. The quality of this relationship was evidenced, among other situations, by the 2020 Eurobonds offering held in December 2010, when the demand for these papers was approximately four times

the amount offered, and the increase from 17 to 20 institutions that monitor our performance, in Brazil and abroad, the broadest coverage in our history. Also in 2010, we redesigned our Investor Relations website, to expand and facilitate the search for information.



Sabesp in São Paulo Stock Exchange New Market



HR 6 e HR 7 As a semi-public corporation, we must use selective procurement procedures—constitutional requirement regulated by Law 8666/93—which entails offering the same competition and participation conditions to all suppliers, regardless of their location.

We comply with this guarantee through the broad disclosure made by the electronic tender bidding portal, on our website (www.sabesp.com.br). We were the first state-owned company and the second company in general to implement an electronic procurement procedure. In addition to cutting costs, it provides our suppliers and the population in general more transparency, efficiency, and agility. With a focus on the increase in competitions in auctions, we prepared a Public Procurement Competition Guidelines manual.

EC6 On the other hand, we also promote the participation and engagement of local suppliers, in the regions where we operate, from a decentralized structure, divided into business units, where each unit has its own budget and independence to contract on a decentralized basis. In 2010, the participation of local suppliers in procurements with waiver of tenders based on amount and invitation was 44 percent.

As part of the compliance with broad subsidiary legislation on procurement, we grant a differentiated treatment to micro or small businesses, and cooperatives, thus encouraging the participation and engagement of local suppliers.

The regulatory framework of the basic sanitation industry (Federal Law 11445/07) places us in an environment in which business practices should take into consideration the provisions set forth in the competition protection legislation, in particular Federal Law 8884/1994.

We carry out a broad disclosure of our procurement plan to the market in order to encourage competition among suppliers. We designed our “Competition Guidelines for Public Procurement Processes”, which establishes the general guidelines to expand the portfolio of suppliers and encourage competition. Furthermore, it covers the authorizations in public biddings and the potential imposition of barriers to the entry of competitors in the market. Another initiative was the execution of the technical cooperation agreement with the competition defense agencies: Department of Economic Monitoring and Department of Economic Law, which provides for the exchanged of information, technical assistance, and preparation of analyses and studies in the competition and economic regulation areas, related to the water and water industry. Note also that in 2010 we conducted 923 e-procurement processes, totaling R\$1 billion, representing savings of R\$100 million.

Note that one of the obligations prescribed to maintain the Abrinq Seal is the adopting contractual clauses with suppliers in favor of children’s rights protection. **HR6 / HR7**



In recent years, we have taken up the challenge to adopt bold people management practices and at the same time preserve the characteristics of our institutional identity: a company focused on providing environmental solutions, with a semi-public and publicly-traded company framework, and whose mission is to contribute to increase quality of life of the society of which we are part.

HUMAN CAPITAL INDICATORS

Our headcount consists at the end of 2010 was 15,330 employees with employment contracts governed by the Labor Code (CLT), 1056 interns, and 548 young apprentices, and as regards the latter, we contribute to their development as citizens, their professional qualification, and insertion in the formal labor market, by creating job training opportunities. Note that we do not subcontract outside services and contract services as needed. We also count on a workforce of approximately 7,592 service providers included in these agreements. Our personnel is comprised of 81 percent male and 19 percent female employees, with an average period of 17.2 years working at Sabesp, and 69.4 percent of our employees are over 40 years old. Note that 14.5 percent of our employees completed elementary school, 47.4 percent graduated from high school, and 38.1 percent are college graduates. The distribution of the employees by ethnic group is 12,879 Whites, 2,150 Multiracial/Blacks, 277 Asians, 4 Amerindians, and 23 undeclared. We comply with Federal Decree 3298, of 1999, which requires the allocation of 5 percent of the positions offered through public selection processes to physically disabled individuals. In 2010 we employed 57 disabled

individuals and we had 55 positions filled under the agreement with the Association for the Appreciation and Promotion of the Disabled (AVAPE).

After a civil investigation initiated by the State Public Prosecution Office, we signed in February 2009 a Policy Adjustment Commitment (TAC) that provides for the termination of all retirees receiving benefits from the National Social Security Institute (INSS). Subsequently, we were authorized to hold a public selection process to fill 1,771 positions. In 2009, Sabesp employed 2,231 retirees, a number that increased to 2,888 at the end of 2010. We gradually dismissed 1,901 retirees, in stages, in 2009-2010, to avoid damages to services provided to the population. As required by the Electoral Law, dismissals were suspended from July 3 to December 31, 2010. The process was resumed in January 2011.



Table 14: LA13 Headcount Distribution by Position, Gender and Race

	Managers				College graduates				Adm./Staff				Operations			
	Male		Female		Male		Female		Male		Female		Male		Female	
Year	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
White	415	417	117	117	1,522	1,527	838	835	3,945	3,982	1,464	1,492	4,463	4,444	58	65
Black and Multiracial	17	17	4	5	130	128	85	84	609	663	188	206	944	1,025	21	22
Asian	16	17	1	2	83	87	54	54	48	55	46	48	12	14	-	-
Amerindian	-	0	-	0	-	0	-	0	2	2	-	0	-	2	-	-
Undeclared	-	0	-	0	3	3	-	0	5	5	2	2	11	10	-	-
Total	448	451	122	124	1,738	1,745	977	973	4,609	4,707	1,700	1,748	5,430	5,495	79	87

Table 15: Headcount Distribution by Gender and Race

	Male			Female			Total		
	Dec 09	Dec 10	% change	Dec 09	Dec 10	% change	Dec 09	Dec 10	% change
White	10,345	10,370	0.2	2,477	2,509	1.3	12,822	12,879	0.4
Black and Multiracial	1,700	1,833	7.8	298	317	6.4	1,998	2,150	7.6
Asian	159	173	8.8	101	104	3	260	277	6.5
Amerindian	2	4	100	-	-	-	2	4	100
Undeclared	19	18	-5.3	2	2	-	21	20	-4.8
Total	12,225	12,398	1.4	2,878	2,932	1.9	15,103	15,330	1.5

Table 16: LA1 Number of Employees by Region

Region	No. of Employees	
	2009	2010
1 (RMSP, Vale de Paraíba and Santos Lowlands)	10,397	10,745
2 (Regional Systems except Vale do Paraíba and Santos Lowlands)	4,706	4,585
Total	15,103	15,330

Table 17: LA13 Employee profiles by age, length of service, education, working hours, management, and gender

	Male	Female	Total
Profile by age			
Up to 17 years	0	0	0
18-30 y/o	657	259	916
31-40 y/o	3,016	755	3,771
41-50 y/o	4,507	1,173	5,680
Over 50 y/o	4,218	745	4,963
Average age	45.67	43.75	45.30
Length of service			
Up to 03 years	1,109	254	1,363
4-10 y/o	1,754	443	2,197
11-20 y/o	4,771	1,204	5,975
Over 20 y/o	4,764	1,031	5,795
Average length	17.27	16.68	17.16
Education			
Elementary	2,187	42	2,229
High school	6,318	948	7,266
College	3,893	1,942	5,835
Workday			
Part-time	1,265	250	1,515
Full-time	11,133	2,682	13,815
Manager			
Non-commissioned	0	0	0
Commissioned	451	124	575
Total	451	124	575

Table 18: LA14 Base salary comparison

	2009	2010
Lowest salary	718.24	754.49
Minimum wage	465.00	510.00
Ratio	1.54	1.48

Obs. Não existe diferença de salário base entre homens e mulheres

Table 19: Employees by Category

	2009	2010
Managers	570	575
College graduates	2,715	2,718
Adm./Staff	6,309	6,455
Operations	5,509	5,582
Subtotal	15,103	15,330
Interns	931	1,056
Apprentices	468	548
Total	16,502	16,934

Table 20: LA2 Total employee turnover by age group, gender, and region - 2010

Turnover in %	2009	2010
Gender		
Female	9.8	5.9
Male	13.0	5.7
Age group		
20-40 y/o	3.7	4.7
41-55 y/o	7.6	3.4
Over 55 y/o	47.4	18.8
Region		
RMSP	12.8	13.5
Inland and coast	11.2	11.5
Total company	12.3	5.8

Table 21: EC5 Proporção entre o menor salário local comparado ao salário mínimo e com o maior salário

	Region1	Region 2
Lowest salary	905.40	754.49
Minimum wage Dec 2010	510	
Ratio	1.78	1.48

*menor salário (inicial) ajudante geral

PEOPLE MANAGEMENT

LA3 We structure a benefit package that goes way beyond those required by law, to provide the employees and their dependents security and comfort that will meet their basic needs. The benefits granted are granted to all employees, regardless of their working hours, level or category, except for underage apprentices, whose benefits are governed by specific regulations. Namely: regular and special (for employees with physically and or mentally disabled children) childcare allowance, electronic benefits and meal card, childcare center, basket of food staples, salary premium (for employees on sick or accident leave paid by social security), drugstore, meals/snacks (in case of extraordinary service), supermarket, meal ticket, and transportation ticket. We also subsidize healthcare and pension fund benefits, through Fundação Sabesp.

Our people management policy reflects our commitment to responsible operations and assuring the upholding of human rights in our relations with our internal stakeholders. These assumptions are put into practice in our projects. To ensure an organizationwide communication and interface of people management, we have created the Strategic Human Resources Committee, with representatives from all departments. This Committee approves, points out, suggests, and validates issues material for the employees.

LA4 We encourage and support our employees to be involved in any type of entities and associations, as is their right and helps in their individual development and the improvement of the organizational climate. All our employees are entitled to freedom of association, are represented by a union, and are parties to collective labor agreements. Thus, the 2010-2011 collective bargaining process, an important tool of participative management, was conducted in May with the main employees' trade unions, resulting in the grant of benefits to the employees, such as the recovery of their salaries' purchasing power and benefits through their adjustment, and also the setting of the 2010 Profit Sharing Plan (PPR). Our negotiations are responsibly and transparently conducted, emphasizing an healthy dialogue with trade unions—São Paulo Water, Sewage and Environmental Workers' Union (SINTAEMA), Santos, Santos Lowlands, Southern Shore and Vale do Ribeira Urban Industry Workers' Union (SINTIUS), São Paulo State Engineers' Union (SEESP), São Paulo Lawyers' Union (SASP), and São Paulo State High School Graduate Technicians' Union (SINTEC-SP). Concurrently, we gather to discuss reasonable proposals that aim at meeting the expectations of employees and maintain a good organizational climate, within the limits of our financial capacity and governmental guidelines—State Equity Protection Board (CODEC). In 2010, there were not situations in which this right to freedom of association and negotiation were at risk. **HR5**

EC3 EC3 In 2010, we contributed 2.1 percent of monthly payroll to pension plans such as Sabesprev, the foundation that also administers medical and dental care plans. We were, therefore, able to provide to our employees the possibility to have access to pension benefits that supplement the official social security benefits. Up to December 2010, 90 percent of our employee contributed to Sabesprev.

LA12 Changes in personnel, involving promotions, transfers and assignment of employees to their positions, are part of the people management model adopted, and have become crucial to grant us the independence, flexibility and agility required to meet the employees' career expectations, which result in modern and efficient service to our customers. In 2010, changes totaled 10,939.

Our Profit Sharing Plan (PPR) is a corporate and motivational tool that creates challenges linked to the Corporate Planning challenge and is an acknowledgment of the effort made by our employees to meet or exceed the established goals. The objective of our 2010 PPR is to integrate and complement the other Company Management tools, such as the Balanced Scorecard (BSC), Strategic Planning, Goals Plan, Value Added Management (GVA), driving employees to achieve the proposed objectives and goals, and concurrently allows us to reward such efforts based on the attainment of the proposed indicators, thus strengthening the company-employee link. As agreed with the trade unions during the collective bargaining negotiations, we advanced 30 percent of the amounts estimated at January 24, 2011 and made the final payment on April 29, 2011 based on goals attained.

LA11 The Employee and Entrepreneurship Support Program (PAEE) remained active in 2010 for the purpose of supporting our retired employees in their search for new job opportunities. When a retiree is terminated, we offer him or her outplacement assistance through this program. Several actions were initiated to provide support during this transition phase in a retiree's life, including, the association with businesses and suppliers to create job opportunities and registration of CVs with the Sabesp's Association of Retirees and Survivor's Pensioners, which we support.

To meet the numerous challenges, people development at Sabesp has been one of the pillars to obtain results and boost our the business. In 2010 Sabesp Corporate University (UES) focused on contributing to the dissemination of the corporate sustainability vision to attain our strategic objectives and foster professional development. It also steered efforts to technical, operating, and occupational safety and health demands, covering our different operating segments. The balance of achievements in companywide in-class and distance training and development includes 103,733 attendances, reaching an average of 68 hours of training per capita, and an investment of R\$8 million in the same period. To make these programs possible, the UES uses a learning architecture that combines in-class methods with self-development techniques, knowledge sharing practices, and distance learning. Distance learning is being used since 1999—which makes us one of the pioneers in this area—and currently has an annual syllabus of 350 courses, from E-Learning to the Corporate TV, and had an annual average of 15,000 attendances.

The teaching programs of the UES comprised a set of corporate subjects with a direct relationship with our strategies and goals, including: Value Added Management (GVA), Quality Management, Environmental Management System - ISO 14001, Environmental Training, Occupational Health and Safety, etc. We also conduct training courses and dissemination actions in the concept of sustainability. In particular, we emphasized topics related ethics and social responsibility, which include human rights contents focused on the environment and financial considerations. The programs developed during the training program comprise in-class courses and distance learning, such as: Code of Ethics, Moral Harassment, Diversity, voluntary involvement, such Global Pact, Cleaner Production, Eight Objectives of the Millennium Development Goals, preparation of socio-environmental projects, volunteer work projects, financial mathematics, etc. In 2010, we accounted for 26,555 hours of social responsibility training, with the attendance of 3,953 employees. In addition, there were occupational hygiene, safety and medicine activities, which also focused on human rights considerations for 57,415 employees, totaling 203,141 hours. **HR3 /HR8**

Table 22: LA10 Média de horas de treinamento por categoria funcional

Categoria	Média
Adm/ Técnico	45,5
Aprendiz	50,7
Estagiário	56,1
Gerencial	71,1
Operacional	36
Universitário	71
Total	46,3

One of the highlights was the virtual business game, a distance professional development method with the objective of enhancing teamwork, business vision, and economic and financial vision. We participated in two editions in 2010. A total of 50 employees were involved.

The education benefit for employees and their dependents, with discounts of 5 to 40 percent in tuition fees of graduation, post-graduation, high school, elementary school, technical, pre-school, language, and adult education courses.

We also intensified the implementation of Knowledge Management practices to cope with a possible knowledge evasion in view of the retirement of employees, specifically focused on the following activities: knowledge and expertise bank, travel reports, virtual communities, wiki Sabesp, corporate blog, narratives, etc. Another initiative was introduced in 2010, focused on "Regulatory Affairs". The process resulted in the submission of 42 articles, assessed by an outside committee consisting of scholars or corporate professionals with renowned knowledge of the matter. Awards were distributed to the top twelve participants, including a course at the University of London for the first place, enrollment in domestic courses or congresses to the second to fifth place, and the digital publication of 10 articles.

In April 2010, we held the 10th annual edition of the "Domestic Sewage Training Techniques", in association with the JICA (Japanese government cooperation agency), which gathered, during one month, our employees and employees of Brazilian and foreign water and sewage authorities, for training sessions conducted by university and Sabesp instructors.

LA6 The basic sanitation and environmental activities and the conditions that are developed characterize all industry companies and have a high level of occupational accidents, often serious and even fatal. **PR1** Thus, the objective of Occupational Safety and Health Management is to ensure the development of actions that promote the development of actions that promote a companywide prevention culture and the improvement of working conditions, improving the quality of life of workers and service providers. Our Occupational

Safety and Health Management System is certified by the OHSAS 18001 standard since June 2006, and encompasses 100 locations within the scope of digging services and works, and work in confined spaces carried out in public ways. In 2009, the Bureau Veritas Certification recertified Sabesp.

PR2 Willful misconduct verified by the Specialized Occupational Safety and Health Engineering Services, the Internal Accident Prevention Committee (CIPA), internal and external audits, and inspections of outsourced services are discussed with and contribute to the safety of the employees and the population. The Occupational Safety and Health Management System is certified by the OHSAS 18001 standard since June 2006, and encompasses 100 locations within the scope of digging services and works, and work in confined spaces carried out in public ways. In 2010, Sabesp was recertified, with the updating of the 2007 version of the standard. We created a specific communication channel for outside stakeholders, covering occupational safety and health issues, available on our webpage.

Main guidelines of our safety policy:

- Everyone is responsible for occupational safety and health;
- Occupational safety and health-related performance must be permanently monitored and improved and;
- All processes, facilities, and work environments, including service providers, must be designed to ensure the health, comfort and efficient performance.

The occupational safety and health programs designed in recent years reduced the number of accidents in 2007-2010 by 30 percent as compared to the previous four-year period. The 2010 indices include situations without direct involvement of Sabesp, such as traffic accidents.

In recent years, there was a gradual reduction in the number and frequency of accidents. The reduction in 2007-2010 as compared to 2003-2006 reached 30 percent in the number of occupational accidents as a result of the development of work safety and health programs.

In 2010, we made heavy investments in accident prevention, totaling R\$11.2 million.

Table 23: LA7 Rate of injuries, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region

Indicadores de Segurança e Saúde do Trabalho por região	RMSP		Interior e Litoral		Total - Sabesp	
	2009	2010	2009	2010	2009	2010
Taxa de Frequência – TF	4,77	5,91	5,38	7,37	5,01	6,18
Taxa de Gravidade – TG	414	683	220	784	230	662
Dias Perdidos e Debitados	6.764	8.432	2.656	8.935	9.420	17.439
Doença ocupacional	1	2	0	2	1	4
Absenteísmo	4,7%	3,0%	6,1%	3,1%	5,3	3,0%
Óbitos em geral	24	17	18	17	42	34
Óbitos relacionados ao trabalho	0	1	0	1	0	2

LAG we highlight the following accident prevention actions: 557 safety and health inspections conducted under the Nota 10 Safety Campaign, holding of the First Safety and Health Hearing for service providers (230 participants) and 50 SIPAT (Internal Accident Prevention Week) events, attended by 18,000 employees; continuity of workers' safety and health training activities; development of a computer system to improve CIPA (Internal Accident Prevention Committee) controls; informational campaigns on reduction of motorcycle accidents, dengue and ergonomics.

In an action to preserve the health of our employees, we have anticipated the Anti-tobacco State Law—Law 13541/2009—and implemented the Tobacco-free Environment that restricts smoking in internal and external areas since December 2008. In addition to smoking restrictions, we offer group or individual psychotherapeutic treatment, through the Employee Recovery and Care Program (PARE). Every quarter we publish in internal media articles to raise employees' awareness on this issue.

In order to improve the quality of life of our employees, we created, together with the Sabesp Association, the Quality of Life Program – Live Happy, whose main objective is to encourage both employees and their families to make behavior changes that have a positive influence on their lives, such as engaging in physical and cultural activities that contribute to their wellbeing. In 2010, the Live Happy included, as a way of identifying the lifestyle of our employees, a survey containing questions on the seven quality of life domains: physical, emotional, social, professional, intellectual, spiritual and financial health. The results were used as basis for planning the program for 2011-2012. 6,274 employees responded to the survey, i.e., roughly 40 percent of our headcount, which exceeded our expectations. This gave rise to the projects Nutrition to Live Happy—for food balance and to provide weight control loss motivational support—and Workout Sabesp—which promotes incentive actions to participate in several sports and workout activities. In 2010, the Running Club participated in 18 races, totaling 1,466 athletes, including employees and their families.

We offer our employees and their families leisure and sports areas by granting access to 88 facilities of the Employees' Association, including 14 complete clubs and four vacation resorts inland and on the beach, and 70 other clubs with leisure and entertainment facilities, such as courts, swimming pools, saunas, gyms, game rooms, party rooms, soccer fields, lakes, camping areas, in particular the Cantareira Club, in the state capital, which has 865,000 sq m. In 2010, we contributed with R\$1 million for the expenses of the Sabesp Association as a donation. We also support other five employees' associations that gather engineers, lawyers, administrators, college graduates, and retirees whose head office are company facilities in the state capital.

As we are increasingly committed to our social responsibility and the quality of life of the population, we have taken up the challenge and demystified the issue to launch the Bone Marrow Campaign, to encourage our employees and their families to contribute to this noble cause. We disseminated the subject through more than 30 lectures and several awareness building videos that show how donation is a simple and safe process. As a result, more than 1,000 of our employees have registered as donors and may represent the cure of patients that need the transplant. We conducted in 2010, seven blood donation campaigns, involving 465 volunteers that resulted in 368 blood bags collected.

Our diversity work was also awarded with the São Paulo Diversity Seal, in the Full Category. The Seal is awarded by the São Paulo State Government and is a social responsibility certificate audited by Fundação Vanzolini. It evidences the work to suppress prejudice and discrimination, and value differences as a corporate and social development strategy. In this field, we participated in two Sustainability Hearings, in May and December de 2010, the main purpose of which was the insertion and valuation of the handicapped. Several actions evidence our concern with diversity in Sabesp, such as adapting our offices and facilities, to ensure accessibility, the service channel for the hearing impaired, publication of our census, etc. We continued to adapt our facilities during 2010 to improve accessibility.

QUALITY MANAGEMENT

With the growing prospects of operating in new markets, with new products and services, and the industry regulations, the Integrated Quality System will continue to be a key aide to continuously improve our management. The main challenges in this task are:

- Implement: a companywide Model of Management Excellence; ISO 31000 on Risk Management, and ISO 26000 on Social Responsibility/Sustainability;
- Develop channels that permit using our activities as a benchmark, which is already being done. In 2010, we conducted a total of 17 visits to several entities that use Sabesp as a benchmark for their actions;
- Promote the continuous improvement of operating and administrative processes and/or activities;
- Continuously promote a quality, safety, and environmental preservation culture by offering consulting opportunities.

In 2010, the Quality Management Excellence Program focused on the expansion of ISO 14001 certification (environmental management).

A total of 50 Sewage Treatment Plants were certified, of which 26 in August and 24 in December 2010. In additions, 15 plants (water and sewage treatment) are at the final stage of environmental management system implementation and will be soon be ready for certification.

In November the Integrated Sabesp System underwent a maintenance audit related to ISO 9001 (quality) and OHSAS 18001 (occupational safety and health) certification, which highlighted the recommendation of the new version of ISO 9001.

Note that 13 of our 16 health control laboratories are certified according to the ISO IEC 17025, by the Inmetro, ensuring that the water product as an international standard of quality control. In 2010, the Central Laboratory became the first lab of a utility concessionaire certified to conduct *Cryptosporidium oocyst* and *Giardia* cysts analyses.

This year we face the challenge of including Sabesp in the best companies to work ranking by 2014, and we have already submitted the actions implemented that will improve even further our current scenario and the relations between the company and its employees. We have, therefore, obtained external benchmarks, mapped employee perception, and defined the organizational climate drivers that are important for 2011



so1 Currently, we are working with the communities, together with local municipal governments and mainly in the city of São Paulo, where there is a higher concentration of lower-income population.

The programs implemented for this population include social-technical work focused on the socioeconomic and environmental sustainability of our projects, including the involvement of the community and environmental education, taking into account the works characteristics and the profile of the beneficiary population.

The socio-environmental work is performed in conformity with the following criteria:

- Preparation of specific projects to develop a series of informational, educational and social promotion activities;
- Conduct a socio-environmental mapping to identify the characteristics of the project jurisdiction, and the demands and impacts generated by the project and the local potentialities to create partnerships;
- Status diagnosis of waterborne diseases to monitor the impacts on health before and after completing the sanitation actions, when necessary;
- Promotion of community involvement by developing several actions, such as meetings, lectures, etc.;
- Establish and/or strengthen partnerships focused on participative work;
- Proposal for social mobilization and environmental education actions within the communities served, encouraging the development of sustainable social technologies.

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We are the cosponsors of the ICC (Citizen Child Institute), whose mission is investing in the education and training of youngster from poor families, supporting education, culture and welfare in the Greater São Paulo Metropolitan area and Guarulhos. Our annual contribution of R\$2.4 million, allows the community development and citizenship for approximately 6,000 children and adolescents free of charge, to the benefit of 3,500 families, through 9 daycare centers and 3 school circus.

OUR AGENT – GETTING CLOSER TO COMMUNITIES

so1 The objective of the program is to get closer to society through partnerships in different social segments, working to identify needs and jointly seeking solutions



for basic sanitation problems and for lower-income communities. Our staff socio-educational work in promoting socio-educational actions. This way, our eco-social projects, such as the Program for the Rational Use of Water (PURA), the



Biking tour

selective waste collection, the sanitation education (e.g., the “Toilet is not a Wastebasket” campaign), and other issues, have a two-way, direct channel with the community, where information is discussed and lived, and demands are made and directed to several of Sabesp divisions. The work involves holding lectures in schools, condominiums, churches, quarters, etc.; holding periodic meetings with community leaders; organizing Eco-mobilizations; participating in meetings with different society organizations, such as the Security Councils (Conseg) and residents associations; working in donation and winter clothing campaigns; and being constantly present in society initiatives. The over 000 activities in schools of the Paraisópolis and Butantã districts are examples of this type of work, which include environmental education based on discussions between teachers and employees, the environment recognition walk; screenings of the DVDs “A gota borralheira” and “Super H2O” as part of the discussion about waste and sewage; the recycled paper workshops; and the drawings or papers prepared by the students on the issues covered.

In the Greater São Paulo Metropolitan area, a group of 42 of our employees with different backgrounds are allocated full-time to this mission, working as citizens in their own communities. In the inland and coastal regions, we also have employees working part-time in this type of activities.

In 2010, the program reached 779,258 people through 6,023 technical visits to the community to identify demands, fill in the socio-economic quiz for the social tariff or negotiate with communities, 5,235 phone calls, 2,842 events organized by several social segments of society, taking information on basic sanitation and

rational use of water, 737 lectures, and 789 meetings with the community. The program also has 32 community vegetable gardens planted on top of the water mains in São Bernardo do Campo and São Paulo.

The work “Our Agent” contributed to regularizing 13,870 water connections and 6,897 sewage connections. Some of the work included: monitoring consumption with building inspections and discussions with high-consumption residents (door-to-door environmental education) and advising on the correct disposal of waste and cooking oil. One example of this work is the regularization of the connections in the S. José de Serzedelo, Edu Chaves district, area. We made 127 connections in this north-end community. In the first consumption metering after the project we detected only three unpaid bills and a low consumption standard, consistent with the number of dwellers in each property.

We should highlight that on September 23 we presented in the International Water Association (IWA) Congress, in Montreal, Canada, the “PROBE - Benchmarking for Pro-Poor Water Services Provision” project, consisting of the work conducted with the poor. The work was conducted in association with a Unesco/UN, the Institute for Water Education (IHE) in Delft, the Netherlands, and the University of São Paulo (USP),

SABESP PROMOTES UNITED NATIONS EIGHT MILLENNIUM DEVELOPMENT GOALS

SABESP CORPORATE VOLUNTEERING AND UN'S EIGHT MILLENNIUM DEVELOPMENT GOALS

As pillars of our Volunteering program, the eight MDGs guide the socio-environmental projects of volunteer employees. In 2010, the Millennium Day saw the presentation of 72 social projects implemented in the State of São Paulo, consisting of:

- facility renovations and painting, revitalizing green areas and planting vegetable gardens;
- lectures on the environment and food reuse;
- building a library and a toyroom;
- hairdresser and pedicure services;
- rubble removal; theater and afternoon book reading for children;
- comprehensive activities in Biritiba Mirim
- 1,366 volunteers including employees, friends, and families;
- 15,903 direct beneficiaries;
- 9,016 hours of Volunteer work

so1 A Our proposed work includes increasing our involvement in promoting the quality of life of the population. Accordingly, in 2010 the Sabesp Volunteering Program was committed to attaining the eight Millennium Development Goals, an initiative of the United Nations Development Programme (UNDP).



Atitude é participar

Through coordinated work, we got significantly closer to neighboring communities. It was an extensive mobilization, through monthly campaigns that resulted in 10 tonnes of food, 7 tonnes of books and magazines, and 73,000 school and hygiene items. The collected items were handed over to more than 200 welfare entities in the State of São Paulo. Up to the Millennium Day, on October 23, 1,200 volunteers including employees, friends, and families, conducted 76 citizenship projects and dedicated 9,000 hours to solidarity work, that benefited more than 15,000 people. An important example of this work were the



comprehensive activities in Biritiba Mirim, where more than 3,000 people were benefited with health activities, such as measuring blood pressure, cholesterol, blood glucose, guidance of STDs, AIDS, pregnancy, distribution of preservatives, prevention of drug abuse, breast, uterus and prostate cancer, and teething control. We also issued documentation, ID cards, work papers and senior citizen cards, provided legal counseling, talked about child and adolescent rights, consumer protection, and suppression of water waste, as well as guidance on tree planting. In the education area, we conducted actions to build awareness on adult education, educational games on the environment, reading rooms, learning workshops, ecologic children activities, introduction to recyclable toys, theater workshops, and child entertainment. Last but not least, we conducted leisure activities with gymnastic sessions, plays, handwork workshops for adults using recycled materials, guidance on sports and quality of life, dancing, hairdresser, the ICC made a presentation, painting for children, and collecting garbage after the event in association with waste collectors.

Also in State inland and coastal cities, we held several actions such as revitalizing squares, building libraries, planting seedlings, improving facilities, lectures, and playful activities. In 31 cities, we supported 115 entities, visited associations, and part of the dignity of many was restored.

An example of our Volunteering work: East Educate Program, a college preparatory course offered in association with the NGO Uneafro. Aimed at employees, employees' children and the community, 40 students attended the program in 2010, and it has benefited 480 people since it was created in 2002. Another example is the Solidarity Hands Group, formed by volunteer employees for the purpose of providing people basic things like comfort, food and care. In 2010, the actions of the group benefited more than 5000 people and 31,000 people have been benefited since the program started its activities, and in 2010, through its partnerships with Universidade Cruzeiro do Sul, renovated the home in the São Miguel district.

The strength of our volunteers was also present in Jardim Romano, a district severely affected by floods in

2010. We were the first company to arrive in the area after the floods on December 8, 2009. More than 25,000 liters of chloride were distributed to 12,500 residents to help cleaning their houses. We also supplied 13,000 cups with drinking water to the populations and the supporting teams.

The strength of our volunteers was also important in supporting those affected by the floods in São Luiz de Paraitinga by collecting more than 7.5 tonnes of food, sent to the Vale do Paraíba region.

The strength of our volunteers is also reflected in projects such as the Teaching How to Fish. Implemented in 2004, in the Northern region of the Metropolitan area, the objective of the project is to teach lower income people basic plumbing, making the community aware of the importance of using water rationally, correctly using the sewage system, environmental impacts, not polluting and contaminating water brooks, as well as strengthening our relationship with communities through our leaders, service providers, NGOs, and associations. Training courses are conducted in Sabesp facilities by volunteer employees with different professional backgrounds and training, in the evening, consisting of theoretical and hands-on classes. In 2010, we trained 29 classes totaling 625 attendants.

In the same line of work, we formed a partnership in the western region of the RMSP with the Cities and NGOs to start a plumbers course with objective of training 440 people by April 30, 2011.

The Apprentice Program offers, every two years, 500 opportunities on average to young people to attend citizenship and professional training courses, and insertion in the formal labor market. The program is developed in association with the Service for Industrial Training (SENAI), to offer the apprentices hands-on and theoretical knowledge to be able to work in administration, accounting, finance, and human resources functions in any business.

With the objective of showing the sanitation cycle, in the Cantareira System Water Treatment Plants, the tour program to Sabesp facilities totaled in 2010, 366

tours that also included lectures, totaling approximately 14,300 people. Tours to the Sewage Treatment Plants in the greater São Paulo totaled 2,080 visits.

In order to create opportunities to those interested in providing institutional and financial support to environmental, social and cultural and sports projects, we offer a selection process, using tender invitations, to legal entities that engage in environmental preservation work and are aligned with the social responsibility principles, cultural incentive, partnerships with civil society organizations and the community.

In 2010, Sabesp invested, by means of tax incentives, R\$3.4 million in the State Fund for the Rights of Children and Adolescents, through CONDECA (State Council for the Rights of Children and Adolescents), whose Mission is to "Incentive, decide and control the actions related to the Policies for the Compliance of the Rights of Children and Adolescents in the State of São Paulo".

Our Sabesp Program for Those Who Want Culture sponsors several literary, visual arts, music, dance, theater, circus, cinema, and preservation of cultural heritage projects. Since 2000, 110 movies have received our support, totaling more than R\$70 million invested. In 2010, we invested R\$14.3 in cultural projects using incentives under the Rouanet Act and the Audiovisual Law. We also sponsored sports, with R\$3.4 million as tax incentives.

In 2010, we maintained our involvement in the Sustainable Planet initiative, promoted by Editora Abril and that gathers seven companies. It is a multimedia project that covers 38 magazines, reaching 13 million readers in Brazil, and two websites, one of which dedicated to children. We use this channel as a tool of environmental and basic sanitation education.



SABESP FOR THOSE WHO WANT CULTURE

THE ARRIVAL OF CINE SABESP CONFIRMS OUR SUPPORT TO CULTURE; NEW SPACE PROMOTES FESTIVALS AND COMPETITIONS



Sabesp confirmed in 2010 its praiseworthy commitment of investing in the São Paulo cinema by opening the

Cine Sabesp, in São Paulo: a movie theater with 271 seats located in Fradique Coutinho Street, Pinheiros district. In addition to sponsoring the movie theater, Sabesp is already the largest corporate movie sponsor in the State of São Paulo and the third largest investor, according to data from the State Department of Culture.

ECOCINE AND 34TH INTERNATIONAL CINEMA FESTIVAL



Cine Sabesp creates new possibilities for our cultural, educational and leisure actions. In 2010, we showed movies

of the 34th São Paulo International Cinema Festival, a gaming championship, and the First Environmental Cinema Festival (Ecocine), with free sessions that showed environment-related features for educators, guests, students, college students, and teachers.

Six of the Brazilian films participating in the 34th São Paulo International Cinema Festival shown in Cine Sabesp were sponsored by us: Meninos de Kichute”, “Bróder”, “Dores & Amores”, “Luz das Trevas”, “Boca do Lixo”, and the documentary “O Samba que mora em mim”.

In addition to the sponsored films that participated in the Festival, we also sponsored 15 bicycle spots in São Paulo during the International Festival. The bicycle spots were installed near the movie theaters showing the festival films, evidencing our concern with sustainable transportation.

GAMING CHAMPIONSHIP

In 2010, Cine Sabesp also housed one of the stages of the “Samsung World Cyber Games Brasil”, the largest electronic gaming championship in the world. The championships were Guitar Hero 5, Super Street Fighter IV, and other varied games opened to the public. Using the competitions in the main e-sports, the event promoted the cultural and technological exchange between players from different locations and with different experiences.

SOCIO-ENVIRONMENTAL ACTIONS

The 90-hectar area part of the Jales sewage treatment plant became a socio-environmental space where several activities are promoted, such as the reforestation of 100,000 trees. Several projects are conducted there, such as the recently awarded “A Child is Born, Plant a Tree”. The place has several attractions: the theme garden, the aroma garden, the ecological trail, and the environmental room. There is also a vegetable garden whose products are donated to charities and the medicinal garden, used by the Diocesan Health Ministry. There is a lake from the water spring where tilapia fish is bred. This project is an association with Casa de Apoio ao Migrante de Jales, which farms and sells the fish. The Old People’s Home also uses the lake for leisure and food.

In 2010, the sewage treatment plant received 3,453 visitors from local entities and schools, and from the region and other states. Jales also has a project in association with Diocesan Caritas to collect cooking oil, which is donated to a charity as a source of income.

SABESP SPONSORS CONCERTS OF FILARMÔNICA BACHIANA

In 2010, we sponsored seven concerts of the Filarmônica Bachiana orchestra, which is conducted by João Carlos Martins, a world famous conductor and one of the best interpreters of Johann Sebastian Bach. The shows were held in theaters in the State of São Paulo, in cities where we operate. The opening concerto, however, was in the open air, in the Victor Civita square, in São Paulo, which was also the event that launched Sabesp’s sound logo, performed live by the orchestra.

KNOWLEDGE STATION OPEN TO THE GENERAL PUBLIC



Sabesp opened in April 2010, the Knowledge Station, located in the Pinheiros metro train station. With a project designed by one of the artists responsible for the Football Museum, the basic sanitation technology, history and education exhibition space has 473 sq m, and uses

interactive audiovisual panels and monitors to invite the visitor to know curiosities about water, sewage, the rivers of São Paulo, our structuring programs, and the development of basic sanitation. In the entrance, a surprise: a 2,000-liter aquarium with several species of fish, reproducing the High Tietê basin Admission to the Sabesp Station is free and the station is open from Mondays to Fridays, from 8:00 am to 5:00 pm, and on Saturdays, from 9:00 am to 1:00 pm.

INTEGRATION PARK



EC8 THE ZILDA ARNS INTEGRATION PARK, built in the land of the Rio Claro watermain, is a linear, open

space, integrated with the neighboring community and institutions. It is built in a densely populated urban area, in the region from Sapopemba to São Mateus, in São Paulo, that has an estimated population of more than 250,000 people.

Its main objectives are: promoting the improvement of the quality of life of the neighboring population, permit the use of our watermain land, create a green area to improve the region’s microclimate, and preserve our assets. With an investment of R\$22 million, the park has: cycling and walking tracks, and equipment for cultural, sports and leisure activities, bathrooms, community policy centers, and 3,000 trees. Opened in January 16, 2010, the park has a total area of approximately 224,000 sq m, which makes it the 10th largest public park of city, with 7.5 meters in length. It is one of the most complete socio-environmental parks in the city because it is the only linear one and this long in Brazil.

To make use of the potential offered by the equipment installed and encourage the participation and share the responsibility for its use and management, we conduct actions, such as a course to train multipliers and design projects for the park, and support events held in these

facilities, such as: district anniversary, ecological walk, development of joint projects, Millennium Day, and them festivals. In 2010, the events only attracted 20,000 people to the park.

The population has some communication channels to make requests and complaints related to the park area, by email and the 195 telephone number, which are sent to an internal user service team.

THE COMMUNITY VEGETABLE GARDENS PROGRAM, in addition to improving the upkeep of the land over some of our watermains in the greater São Paulo area, encourage the production and distribution of quality food to the neighboring population, promote healthy food habits, social wellbeing, and create job and income opportunities for those involved. We have four community vegetable gardens in the greater São Paulo area, cultivated by 31 families. In average, in addition to own food, each farmer earns R\$200.00 per month. A great variety of pesticide free, low cost food is offered to the community for consumption. All projects are sponsored with the involvement of the stakeholders, thus promoting Collaborative Governance in their management..



Works at Rio Grande Water Treatment Plant

Table 24: Annual Social Balance Sheet

1 - Calculation basis	2010 Amounts (R\$'000)			2009 Amounts (R\$'000)		
Net revenue (NR)	9,230,370			8,579,519		
Operating profit (OP)	2,672,119			2,120,606		
Gross payroll (GP)	1,291,749			1,298,346		

2 - Internal Social Indicators	Amount (thou)	% on GP	% on NP	Amount (thou)	% on GP	% on NP
Meals	100,278	7.76%	1.09%	100,417	7.73%	1.17%
Mandatory payroll taxes	127,207	9.85%	1.38%	117,140	9.02%	1.37%
Pension plan	5,329	0.41%	0.06%	77,712	5.99%	0.91%
Healthcare	98,695	7.64%	1.07%	96,681	7.45%	1.13%
Occupational safety and health	9,631	0.75%	0.10%	9,304	0.72%	0.11%
Education	292	0.02%	0.00%	434	0.03%	0.01%
Culture	767	0.06%	0.01%	892	0.07%	0.01%
Professional training and development	7,026	0.54%	0.08%	9,331	0.72%	0.11%
Daycare centers or childcare allowance	1,592	0.12%	0.02%	1,536	0.12%	0.02%
Profit sharing	27,525	2.13%	0.30%	45,856	3.53%	0.53%
Other	3,581	0.28%	0.04%	3,295	0.25%	0.04%
Total - Internal social indicators	381,923	29.57%	4.14%	462,598	35.63%	5.39%

3 - Internal Social Indicators	Amount (thou)	% on OP	% on NP	Amount (thou)	% on OP	% on NP
Education	24	0.00%	0.00%	119	0.01%	0.00%
Culture	15,182	0.57%	0.16%	15,346	0.72%	0.18%
Health and sanitation	240	0.01%	0.00%	419	0.02%	0.00%
Sports	3,493	0.13%	0.04%	3,665	0.17%	0.04%
Hunger eradication and food security	0	0.00%	0.00%	0	0.00%	0.00%
Other	12,294	0.46%	0.13%	11,304	0.53%	0.13%
Total contributions to society	31,233	1.17%	0.34%	30,853	1.44%	0.36%
Taxes (excluding payroll taxes)	1,487,269	55.66%	16.11%	1,370,333	63.98%	15.97%
Total - External social indicators	1,518,502	56.83%	16.45%	1,401,186	65.42%	16.33%

4 - Environmental Indicators	Amount (thou)	% on OP	% on NP	Amount (thou)	% on OP	% on NP
Investments related to Company production/operation	411	0.02%	0.00%	640	0.03%	0.01%
Investments in external programs and/or projects	22,359	0.84%	0.24%	31,126	1.45%	0.36%
Total environmental investments	22,770	0.85%	0.25%	31,766	1.48%	0.37%
With regard to the setting of "annual goals" to minimize waste, general consumption in production/operation, and improve the efficiency in the use of natural resources, the Company	(x) has no goals			(x) has no goals		
	() meets 51 to 75%			() meets 51 to 75%		
	() meets 0 to 50%			() meets 0 to 50%		
	() meets 76 to 100%			() meets 76 to 100%		

5 - Staff Indicators	2010	2009
No. of employees at end of period	15,330	15,103
No. of hires during the period	1,090	415
No. of outsourced employees	0	0
No. of interns	1,056	931
No. of employees above 45 y/o	7,868	7,783
No. of female employees	2,932	2,878
% of management positions held by female employees	21.57%	21.40%
No. of black employees	2,150	1,998
% of management positions held by black employees	3.83%	3.70%
No. of physically-disabled employees or employees with special needs	57	49

6 - Material information on exercise of corporate citizenship	2010	2011 Goals
Highest wage to entry level wage ratio in the Company	23	nd
Total number of work accidents	163	136
The social and environmental projects developed by the Company were set by:	(x) officers	(x) officers and middle managers (x) all employees
The safety and health standards in the work environment were set by:	(x) officers and middle managers	(x) all employees (x) all + Cipa
As regards unionization freedom, the right to collective bargaining and internal representation of employees, the Company:	(x) does not get involved	(x) follows ILO standards (x) encourages and follows ILO
The pension fund encompasses:	(x) officers	(x) officers and middle managers (x) all employees
Profit sharing encompasses:	(x) officers	(x) officers and middle managers (x) all employees
In the selection of suppliers, the same ethical and social and environmental responsibility standards adopted by the Company:	(x) are not considered	(x) are suggested (x) are required

6 - Material information on exercise of corporate citizenship	2010			2011 Goals		
As regards the involvement of employees in voluntary work programs, the Company:	(x) does not get involved	(x) supports	(x) organizes & encourages	(x) will not get involved	(x) will support	(x) will organize & encourage
Total number of complaints and criticisms from consumers:	at company Ombudsman Office 39,037	at Procon CIP 1,571	at JEC/ Conc. courts 438	at company nd	at Procon nd	at courts nd
% of complaints and criticisms pursued or solved:	at company Ombudsman 97.41%	at Procon CIP 90.32%	at JEC/ Conc courts 80.61%	at company nd	at Procon nd	at courts nd
Wealth for distribution (in thousands of R\$):	In 2010: 5,316,928			In 2009: 4,518,306		
Distribution of wealth:	29.2% government			31.6% government		
	23.6% employees			32.6% employees		
	8.6% shareholders			8.7% shareholders		
	16.5% third parties			2.4% third parties		
	22.1% retained			24.7% retained		

7 - Other Information
"This company does not use child or slave labor, is not involved with prostitution or sexual exploration of children or adolescents, and is not involved in corruption." "Our company values and respects diversity both internally and externally."



Environment

An environmental solutions company that has sustainability as its mission



Navega São Paulo Project - Teaching youngsters how to sail (Guarapiranga dam)



Our position as provider of “Environmental Solutions” requires us to prioritize the implementation of policies focused on environmental sustainability and the improvement of the quality of life of the population.

Our Environmental Policy, in effect since January 2008, sets out the guidelines of Sabesp’s environmental management. To approach our environmental requirements in an integrated way, meeting the specific needs of each region where we operate, we implemented in 2007 and 2008, 20 Environmental Management Centers (NGAs) that report to the Environmental Management Superintendent.

In 2010, we approached several work fronts to improve environmental management and ensure the provision of universal water and sewage services aligned the concept of sustainability.

Note: In May 2010 we documented part of our environmental, quality, and health and safety policies to permit the training of employees and stress out its main principles.

ISO 14001 CERTIFICATION

Obtaining ISO 14001 certifications was a strategy adopted for our environmental management, by integrating corporate goals and conceive a calculation formula for the Profit Sharing Plan. The challenging objective, set in 2007, was the implementation of the Environmental Management System (SGA) and the certification of 65 operating units by December 2010, to improve our experience and gradually extend the SGA to our other operating facilities.

The scope of the SGA, set during 2007, focuses our core activities and comprises the Sewage Treatment Plants (STPs) and the Water Treatment Plants (WTPs). When we chose the facilities to be certified, we took into consideration our geographical reach, the different types of treatment processes and systems used, and the different scales as regards the size of the treatment plants.

Up to 2007, we had four certified STPs in the Greater São Paulo Metropolitan Area (RMSP). With the development of the ISO 14001 Progressive Certification Program, the certification scope was extended and we reached 50 STPs in December 2010, including plants in the RMSP, and the State inland and coastal regions, and the SGA was implemented in 66 STPs and WTPs.



Monte Alto Sewage Treatment Plant

CORPORATE PROGRAM FOR MAINTENANCE AND REGULARIZATION OF ENVIRONMENTAL LICENSING AND WATER RESOURCE USE CONCESSIONS

In view of the need to maintain and regularize the environmental permits granted to our facilities, and the use right concessions, we have been improving our management tools. Part of the existing operating is included in the Corporate Program for Maintenance and Regularization of Environmental Licensing and Water Resource Use Concessions

Permits and concessions for new projects are being obtained as part of planning and routines.

The implementation of the SGA required the training of more than 300 employees, through 14,000 hours of training, involving several corporate areas, such as environmental management, human resources, supplies, communication, legal, research and development, operating development, asset management, and information technology.

ISO 14001 proved to be an effective tool to change our attitude toward environmental issues, allowing us to know and control possible environmental impact caused by our activities, company products and services, with the direct involvement of the operating base, which is a key incentive to performance improvement through goals and targets.

The obtainment of large scale certification is also an important milestone for the water and waste industry and Sabesp. In addition, there was the challenge of certifying facilities in operation, which were not designed to meet the requirements of this standard.

Beginning 2011, the challenge is to maintain the certification of the 50 treatment plants and consolidating the methodology by extending the certification scope, including the improvement of the Environmental Management System.

PARTICIPATION IN WATER RESOURCES BOARDS

Currently, 150 of our employees are directly involved in 22 state and 2 federal basin committees. Decision making in these committees have a direct impact on our processes and activities, namely with respect to the water resources management tools established by the National Water Resources Policy, notably:

- charging rules and amounts charged for the use of water and water resources;
- guidelines set for the water resources use concessions and environmental licensing;
- progressive goals set in the basin plans for the classification of bodies of water; and
- actions related to environmental education and recovery of watersheds.

We are also members of the National Water Resources Council (CNRH), by filling seats of the National Association of State Water & Waste Utilities (AESBE) and the State Water Resources Council (CRH), as representatives of the São Paulo State Department of Sanitation and Water Resources.

Among the management activities of this representation we highlight the events and meeting for the exchange of information, knowledge equalization, and guidance for corporate alignment of the representatives from the different units.

We also seek resources from billing for water and sewage projects. Even though the volume is relatively small, in light of our needs, it is important to raise such resources since there are used in basic sanitation, the biggest problem of watershed in most of the country. Additionally, the monitoring by the CBHs allows the involvement of several players in watershed regions.

The management of this representation is the responsibility of the Environmental Management Superintendency, which also promotes events and meetings to exchange information, equalize knowledge, and provide guidance for corporate alignment of the representatives from the different units.



SABESP ENVIRONMENTAL EDUCATION PROGRAM (PEA)



A day at Sabesp

We conduct environmental and sanitation education activities for more than 20 years and, therefore, they are already part of our values, used in system operations and communication processes. However, with the enactment of the National and State Environmental Education Policies, we strengthen Environmental Education as part of our activities, integrating it with our sanitation, water resources and environmental actions.

We have, therefore, developed the companywide PEA Sabesp in 2009, in a participatory way, and with general guidelines for the entire company. The objective of this program is to promote environmental education and sanitation processes aligned with the corporate mission and focused on building social values, knowledge, abilities, attitudes, and skills related to environmental preservation, universal access to water and sewage services, and building sustainable societies. Among of the work prepared we highlight a corporate procedure that includes the methodology and the mechanisms for the management of a set of ongoing environmental education actions and projects. Since the publication of this procedure, we have provided specific training in 2010 to 59 representatives from different units to ensure the actual implementation of the program.

As a progress in our training process, we prepared a distance Environmental Education Course already attended by more than 1,000 employees with access to the Sabesp Corporate University portal.



In 2010, with the implementation of the Environmental Management System (SGA) ISO 14001, PEA Sabesp became part of the goals and targets of the Business Units, as a form of making the SGA goals feasible.



SABESP 3 RS PROGRAM

The Sabesp 3Rs Program was conceived from the need to organize and standardize a series of solid waste selective collection and shipment for recycling initiatives, carried out by different company units. For this purposes, we have prepared a corporate procedure based on the 3Rs concept: reduce, reuse, and recycle. The document provides the guidelines and methodology for the implementation, action management, segregation, selective collection, and appropriate socio-environmental disposal of solid waste generated by our administrative activities.

Launched in 2008, the Sabesp 3Rs Program was firstly implemented in the Costa Carvalho Administrative Complex, based on the 15 educational meetings that gathered roughly 500 employees and outsourced workers, who were previously trained in program implementation.

In 2010, we trained 330 people who are developing diagnosis, planning and other activities set out in the program procedure, thus initiating the program implementation process in more than 11 business units.

In 2011, the Sabesp 3Rs Program will be expanded with the support of trained employees and the training of new ones, and we expect to implement activities to improve the Costa Carvalho and Ponte Pequena administrative complexes, in addition to increasing the integration of the ISO 14001 Progressive Certification Program.



Eco-mobilization

“TOILET IS NOT A WASTEBASKET

In 2010, we created material to promote sanitation education among children so that they stop throwing waste in toilets and using the Clubinho Sabesp characters to pass on the messages.

A pioneering survey, conducted by us and presented during the XII International Environment Gathering, organized by the Meio Ambiente Industrial magazine in November 2009, identified the existence of a significant number of items used by children, such as small toys, yogurt cups, fermented milk bottles, etc..

Waste (dental floss, preservatives, pads, cleaning clothes and sponges, hair, cigarette stubs, shaving blades, pellets of cooking oil, etc.) clog the system, cause pump malfunctioning in lifting stations, and damage equipment used to withdraw waste retained in coarse and medium-fine inflow grids of the sewage treatment plants, and the sludge fine grids of the primary decanters.

In addition, part of the waste is recyclable (20% plastic) and could be sent for selective collection. Throwing waste in toilets causes unnecessary toilet flushing consumption.

CLIMATE CHANGES AND GREENHOUSE GAS EMISSIONS MANAGEMENT

In recent years, the climate change topic is part of the world's policy and economic, with far-reaching implications of the lives of the companies, demanding innovation and new scientific and technologic knowledge to overcome this huge challenge for mankind. Note that climate changes can impact our business in several ways, for example the changes in the rainfall regime, higher evaporation from dams, high consumption caused by increase in average temperature, and increase in level and change in tides, potentially affecting the operation of sea outfalls.

EN16 / EN18 EMISSION MANAGEMENT PROGRAM

We are taking proactive actions and we took our first corporate inventory of greenhouse gas (GHG) emissions taken in 2008 (reporting year 2007). Based on this inventory, we were able to start the design of a GHG emissions management program and thus participate in the global effort to stabilize and even reverse greenhouse gas concentrations in the atmosphere.

Approximately 92 percent of our direct and indirect emissions arise from the collection and treatment of wastewater and 3.6 percent arise from the consumption of electric power. As the growth of these emissions is estimated for the medium term, we scheduled for 2010 inventories for FY2008 and FY2009 and the completion of the corporate emissions management program, which aims at improving the methodology for this important management tool, and mainly the completion of the GHG Emission Management Program.

Concurrently, we are preparing feasibility studies capable of reducing the emissions of greenhouse gases and generating carbon credits. We have already identified emissions reduction opportunities from the efficiency of electricity consumption, since electricity consumption causes indirect emissions due to the use of thermal power plants in the Brazilian energy mix. There is a favorable potential in projects such as the Small Hydropower Plants (SHPs), Small Thermal-power Plants (STPs), and composting sludge in STPs, as well as reforestation projects that we have been pursuing with own funds or through partnerships.

CARBON DISCLOSURE PROJECT (CDP)

A special effort that is being made to identify and typify our climate risks, by joining the Carbon Disclosure Project (CDP).

The CDP is a global initiative focused on the financial risks related to climate changes and that gathers the largest institutional investors that collectively subscribe a single global requirement, requesting information on greenhouse gas emissions by the largest world corporations.

We annually receive disclosure requests and reply to the CDP since 2006. These quizzes are published in an international portal that can be accessed by the concerned audiences. The questions sent by the CDP involve mainly aspects that related climate to corporate governance, the physical, financial and regulatory risks, and the identification of opportunities that positively or adversely affect or might affect the business and the company's value chain

CARBON DISCLOSURE PROJECT SUPPLY CHAIN

Recently a new side of the CDP, called CDP Supply Chain, started to offer a standardized methodology to facilitate cooperation with suppliers on climate change and greenhouse gas emissions. The process helps measuring and understanding the climate risks of a significant portion of the business—the supply chain—and encourages awareness building and action taking.

In 2010, we were invited to participate of the 2011 CDP Supply Chain. The work will be initiated with the main suppliers, using a single methodology that uses information collected directly from those suppliers, which is a major step forward in GHG emission management. This strategy includes the following benefits:

- builds awareness on climate change risks and opportunities for the supply chain; and
- we are now part of a global effort to have standard reporting on greenhouse gas emissions by businesses.



sabesp

ENVIRONMENTAL POLICY

GRI 4.12 SABESP IN COP 16

For the second time, we attended the annual meetings of the Conference of Parties on Climate Change, organized by the UNFCCC.

During COP 16, held in December 2010 in Cancun, Mexico, we conducted a lecture on our global warming mitigation/adaptation activities during an event organized by the Sustainable Planet initiative of Editora Abril. COP 16 had 15,482 participants from 192 countries, 6,164 official delegates, 47 intergovernmental agencies, 647 NGOs, and many businesses and universities.

In 2009, at COP 15 in Copenhagen, Denmark, we presented a lecture on the importance of the public disclosure of this key issue so that there is a favorable evolution of people's attitude toward the climate. At the time, we subscribed the Seal the Deal, a campaign led by the largest world corporations in favor of the creation of targets that support the reduction of greenhouse gas emissions.

Share our initiatives and make exchanges in the fight against climatic changes is in itself part of the effort to build low carbon economy. Note that, as in the other industries, the progress in water and waste activities can represent an opportunity to contribute to the reduction of global emissions of greenhouse gases, since the option for treating sewage can reduce the formation of methane gas, a gas 21 times more potent than carbon dioxide in terms of potential rise in the planet's temperature. On the other hand, the digestion of sludge generated from the sewage treatment, generates biogas that can be eliminated in burners or used to produce electricity.

ENVIRONMENTAL RISKS MANAGEMENT

In 2010, we published an invitation to tender to engage consulting services to structure and implement our Environmental Risks Analysis, Management, and Communication Activities.

This work includes among its objectives the preparation of the environmental risks management diagnosis, preparing the corporate procedures that will steer the operating incites in the analysis, assessment, control and mitigation of such risks, as well as the training of the teams involved and the application of the procedures in four pilot projects. This way, we will be able to act as a corporation in the management of environmental risks, which will facilitate prioritizing preventive and mitigating actions, avoiding the generation of liabilities, increasing safety in operating processes, and agility in environmental licensing.

CYCLE OF ENVIRONMENTAL MANAGEMENT CONFERENCES

The cycle of Environmental Management Conferences is an initiative aimed at promoting the discussion, the exchange of experiences and the dissemination of knowledge the environmental issues that we are currently approaching. Os The events are part of an environmental management strategy that seeks a closer relationship with society, by interfacing and working around interests in favor of sustainability.

Initiated in 2008, 12 conferences have already been held, gathering more than 2,500 participants from Sabesp and guests.

The events permitted an important assessment process, the dialogue about and discussion of varied subjects, such as those discussed in 2010 that address the company's representation in watershed committees, the assessment of the partnerships with the São Paulo Forest Institute and the São Paulo City Green Belt Biosphere Reserve, and the environmental accounting, in which we present and assess the conceptual model of the Environmental Information Statements developed by us.

EN18 CARBON OFFSET OF THE SUSTAINABILITY REPORT

As in the 2009 edition, the direct and indirect emissions, estimated at 12.8 tonnes of CO2e, resulting from the preparation and printing of this report were offset by engaging the firm Iniciativa Verde to plant 81 seedlings of Atlantic Forest trees. Because we opted to use recycled paper, emissions were down by 3.3t tonnes of CO2e as compared to what would be issued had we used white paper.

Additionally, we reduced the number of copies also to reduce paper consumption. The 2009 Spanish version was made available only on the web, and the same will be done with this year's edition.

We should also mention that the reduction in the number of pages from 162 to 110 results from our effort to have a more objective text and a leaner layout

SOCIETY

Throughout 2010, we developed several partnerships with the community and NGOs to the benefit of the environment.

EN13 1 MILLION TREES IN CANTAREIRA



In 2010, we exceeded the target of the “1 Million Trees in Cantareira Program”, launched in 2008.

Conducted in association with the NGOs The Nature Conservancy (TNC) and Instituto de Pesquisas Ecológicas (IPE) and sponsors from municipalities in the Bragança Paulista region, the objective of the “1 Million Trees in Cantareira” program is the recovery of the river bank forest, with the involvement of society, thus contributing to the preservation of the quality and increasing the volume of water in these watersheds.

In 2009, the company Desenvolvimento Rodoviário S.A. - DERSA joined the program with a plan to plant 550 hectares on the banks of the Cantareira System dams.

The works involve planting native trees of the Atlantic Forest biomes, in approximately one thousand hectares, on the margins of the Jaguari-Jacaré, Cachoeira, Atibainha and Paiva Castro dams. In addition to the partnerships, we have the support of the State Environment Department and the local municipal governments.

In 2009, 522,000 native seedlings were planted in 313 hectares, of which 21 hectares (35,000 seedlings) were planted by TNC on the banks of the Cachoeira dams, in the municipality of Piracaia, sponsored by DOW Brasil. Instituto de Pesquisas Ecológicas (IPE) planted, with the support of the National Environment Fund, 24 hectares (40,000 seedlings) in the Atibainha dam preservation areas, Nazaré Paulista, and in February 2009 entered into a contract amendment for the plantation of another 18 hectares. Also in 2009, DERSA planted 447,000 seedlings in 268 hectares around the Cachoeira (Piracaia) and Atibainha (Nazaré Paulista) dams.

In 2010, 723,000 seedlings of native species were planted in 312 hectares around the Cachoeira, Atibainha, and Paiva Castro dams, all part of the Cantareira System. These were distributed as follows: 207 hectares around the Cachoeira dam (201 hectares by DERSA and 6 hectares by TNC); 63 hectares around the Atibainha dam (43 hectares by DERSA and 20 hectares by IPÊ), and 42 hectares around the Paiva Castro dam (the entire area planted by DERSA).

Thus, the target of the “One Million Trees in Cantareira Program” was met with the aggregate 2009 and 2010 plantation of 1.25 million seedlings in 625 hectares.

The areas chosen favor the formation of ecologic corridors, linking existing isolated forests and promoting natural regeneration of the areas. The program involves an environmental education component, where we discuss the topic with the neighboring communities, promoting the plantation of legal reserves and

permanent preservation areas (APPs), on the Cantareira System watershed. It also has a social side, as the labor used in the tree nursery and the plantations are local workers. In 2010, TNC organized, with the support of Sabesp and City of Piracaia the *Ambiência*, first cooperative of forest restorers in São Paulo, to the benefit of 22 local residents, trained by TNC and Sebrae (Small Business Support Service), in reforestation techniques using native trees.

We also organized in the region a fire brigade in the rural area.

The project expects to encourage, in the medium term, the forest management to produce and process hardwood, as an alternative to extensive cattle raising.



Eco-mobilization

SABESP NURSERIES

Since 1990, we operate two nurseries to produce native tree seedlings supplied to the river bank renovation and recovery projects around the watersheds sued to supply the Greater São Paulo Metropolitan Area. The largest nursery is located in the Jaguari dam, part of the Cantareira System, in the municipality of Vargem, and the other is in Alto Cotia Water Treatment Plant, in the municipality of Cotia.

The Jaguari nursery was created to produce seedlings for the forest recovery projects in damaged areas around the Cantareira System dams. The Cotia nursery was created to meet the demand of the reforestation projects of the Morro Grande Forest Reserve, where the Pedro Beicht dam is located, part of the Alto Cotia system.

The Jaguari Environmental Education Center (CEA), located next to the nursery, received 1,004 public school students and teachers, in particular from Bragança Paulista region and who live near the Piracicaba, Capivari and Jundiá rivers watersheds – CBH-PCJ. In addition to getting acquainted with the operation of the Cantareira System, visitors are accompanied by qualified staff of the nursery that demonstrate the seedling production process step-by-step, and visit the areas reforested with those seedlings. The Jaguari nursery has capacity to produce up to 500,000 seedlings/year and the Cotia nursery 50,000 seedlings/year of 60 species from the Atlantic Forest biome.



Jaguari nursery

COMMUNITY VEGETABLE GARDENS

Preserving the land over our watermain in the greater São Paulo is difficult and requires the cooperation of local residents. This is why we created the Community Vegetable Gardens program, which allocates this land for social purposes, avoiding that they are transformed in waste and rubble dumping sites and permitting their upkeep at any time. Through this initiative, we encourage the production and distribution of quality food to the neighboring population.

In average, in addition to own food, each farmer earns R\$200.00 per month. A great variety of pesticide free, low cost food is offered to the community.

The first vegetable garden created in Sabesp land was in São Mateus, over the Rio Claro watermain, which has 8,500 sq m, currently used by 22 farmers. However, it was in 2003, with the Vianas vegetable garden, with six farmers working in its almost 2,000 sq m, located on the land over the Rubino watermain, in São Bernardo do Campo, that the program was structured and became sufficiently strong to be expanded.

The third vegetable garden was created by the "Hands-on Garden" project on the area over the Guaraú-Mooça watermain, in the Pedra Branca district, next to the Guaraú WTP, and where four farmers cultivate 8,000 sq m.

The fourth and most recent, in Jardim Grimaldi, is in the area of the Zilda Arns Integration Park. In addition to the partnership with CAPS Adulto, it has one farmer cultivating more than 1,000 sq m.

SUSTAINABLE PROCUREMENT

We experimentally initiated in 2010 the use of suspended calcium hydroxide as an alkalizing agent in approximately WTPs and STPs, which allows us to eliminate the storage of bags (dry soda ash and lime) and the preparation of the lime suspension that generates residues (limestone) and dust spreading. The new product also allows automating the dosage and does not corrode cement or stones as dry soda ash and caustic soda do, and the deposits in tubes caused by suspensions in loco. Finally, handling bags generates an ergonomic risk, which is avoided with the bulk transportation in tank trucks. The discontinuation of the use of dry soda ash and caustic soda also avoids the risk of burns.

USE OF RUBBLE AGGREGATE TO MAKE WORKS MORE SUSTAINABLE

A pioneering experience may help us to fight the disposal of rubble in brooks and rivers and reduce the environmental impacts from the extraction of ores: the use of aggregates from construction waste recycling to close ditches made during our works. The recycled material was firstly used in a section of the Mutinga-Vila Iracema watermain, in the Vila dos Remédios district, to close a ditch and cover the main next to the Jaguara booster. The material (200 m³) came from the Osasco Rubble Recycling Plant (Ureosasco). This plant had previously received a shipment of rubble from our works for recycling. The test with the rubble aggregate was monitored by bench and field tests conducted by the Concremat lab and will be presented during a technical event in 2011.

The use of recycled material reduces costs on gravel and sand by 50 percent and is intended to promote its use by building companies, in particular as under-pavement

ECO-MOBILIZATIONS



Throughout 2010, we conducted several events to build the awareness of communities neighboring bodies of water, in association with Fundação SOS

Mata Atlântica and the support of municipal governments and local NGOs. The usual program includes garbage collection drives along river margins and riverbeds and dams, as well as nearby streets, plantation of seedlings and collection of recyclable material, unused furniture and appliances, warm-up exercises, and choir, dance, and marching band and other presentations.

With the success obtained, at each edition new activities are added, such as social actions (blood pressure measurements, hairdressing, child workshops), and release of fries. In addition, we increased their scope, originally oriented to decontaminated brooks part of the Clean Brook program in the state capital (see related Section) and we also conducted eco-mobilizations in dams, the Santos canals (Clean Canal project) and in inland areas.

Table 25: Relação de Ecomobilizações

#	Date	Site	Notes
1	6/10/2010	Rio das Pedras brook	Bodies of water uncontaminated under the Clean Brook program. Support of borough councils, involvement of local entities and ZPB.
2	7/1/2010	Garagem brook	
3	8/7/2010	Corveta Camacua brook	
4	8/19/2010	Billings dam – Mar Paulista beach	Involvement of the Sail São Paulo project.
5	9/9/2010	Cruzeiro do Sul brook	Body of water uncontaminated under the Clean Brook program.
6	9/22/2010	Tietê river between the Bandeiras and Cruzeiro do Sul bridges	2nd edition of the Tietê Beaches project, organized by the Fund. SOS Mata Atlântica Rede de Águas.
7	9/30/2010	Riacho Grande – margins of the Billings dam (São Bernardo do Campo)	Support of the Rio Grande borough council and involvement of the Sail São Paulo project, Surf Riders and ZPB.
8	10/22/2010	Canals of the Santos coastline – Gonzaga beach	Canals uncontaminated under the Clean Brook program. Wall cleaning and painting. Support of the City of Santos, Inst. Biosantos, Unimonte, Inst. Ecofaxina and distribution of seedling of juçara palm trees. Visit to the wastewater pretreatment plant.
9	10/26/2010	Heliópolis slum	Launching of the cooperation agreement between Sabesp, UNAS (Heliópolis Community Residents Association), Ins. Holcin, Nat. Landscape Assoc., and MMK Advogados. Support from Cargill and the NGO Trevo to collect cooking oil, and the Ipiranga borough council.
10	12/14/2010	Jacintina brook (Lins)	Involvement of the City of Lins, Óleo & Óleo, Bertin/JBS, Rotary, Caritas, 37º BIL, and the NGO SOS Rio Dourado. Presentation of the play: "Gota sobre Gota" by the Lins Culture and Citizenship Center, and repopulation of the brook with fish.

ABRAÇO VERDE (GREEN HUG)



The objective of this project is to plant seedlings on the sidewalks surrounding all our facilities to provide shade for pedestrians and vehicles, and for landscaping. It also contributes to improve the local climate, reduce noise, and capture and retain carbon dioxide. We planted more than 17,400 trees in the Greater São Paulo Metropolitan Area, and the coastal and inland regions in 2010.

The highlight was the indicative of the ABC SRP in São Paulo, where 7,100 seedlings were planted from May to June 2010, including on the external sidewalks. We should also highlight the fact that we donated to the City of São Paulo a land strip of 49,700 sq m, along the Heliópolis community, to build the Heliópolis Olympic Center, designed by the architect Ruy Ohtake. The project includes football fields and five-a-side football courts, three multisport pitches (one indoors), running, BMX and skateboard tracks, a playground, and dressing rooms, a police station, and a mini government service office, to the benefit of over 120,000 residents of the largest slum in the greater São Paulo.



Jales Sewage Treatment Plant

PARTNERSHIP WITH ABRAFATI IN THE "PINTOU LIMPEZA" (CLEAN PAINTING) PROJECT

In December 2010, we entered into a cooperation agreement with the Brazilian Association Pain Manufacturers (Abrafati) to disseminate and encourage the use of the sewage system to wash painting gear (paint rollers, brushes, trays) with water based paint. This would avoid the usual discharge of this waste in drains and culverts, which contaminates storm water and, subsequently, brooks and rivers.

Professional painters will be trained through organized courses and using manuals issued by Abrafati, and the general public will receive information through the future standardized labels of latex paint cans (Label Book issued by Abrafati since 2008).

We conducted lectures to present to the 45 employees involved in the Our Agent program (see related Section) on the environmental technical aspects of the project, so that they can be involved in the campaign "Clean Painting! Let's stop painting our rivers!". We intend to include in a clause in the master contracts entered into with building companies clauses requiring the environmentally correct discharge of this wastewater.

We measured acute water toxicity with microcrustaceans and respirometry tests to prove that latex paint components does not damage the biological treatment of wastewater. Note that no heavy metals are used in the composition of water-based paint used in construction since the 70's

PROL – FRYING OIL RECYCLING PROGRAM



The objective of the PROL program is to encourage the recycling of cooking oil and preserve the environment. If irregularly discharged, used oil can contaminate the soil, the air, pollute brooks, rivers and the sea by consuming the oxygen dissolved during its consumption by bacteria and by creating a floating film that prevents aeration.

PARTNERSHIPS OF SABESP'S COOKING OIL RECYCLING PROGRAM

In December 2010 we formed a partnership with Cargill and the NGO Trevo to develop the “Ação Renove o Meio Ambiente” (Environment Renewal Action) project. Cooking oil will be collected in recycled PET containers and will be used to produce biodiesel. The objective is to have containers in 69 of our sales offices and also in stores like in supermarkets. The Carrefour chain, for example, is already installing these containers in its stores. The project is in line with the Frying Oil Recycling Program (PROL), a 2007 Sabesp initiative that led to the organization of oil collection in 50 municipalities.

Each liter of cooking oil discharged in rivers of lakes pollutes more than 25,000 liters of water - it is estimated that in Brazil 1.2 billion liters of cooking oil are discharged per year, and only 2.5 percent are recycled.

Note that the first PROL project, in place since 2007, in association with the Samorcc (Cerqueira Cesar residents association) in the state capital and the NGO Trevo, was presented during the 14th Sibelusa (Luso-Brazilian Sanitation Engineering Symposium) in October 2010. This pilot program joined 1,600 buildings within an area of the district, resulting in the collection of 30 t/months of cooking oil and reducing the number of unclogging works in the watermain by 26 percent.

SUSTAINABILITY HEARINGS



The sustainability hearings are gatherings to encourage the discussion and disclose ecological, social, cultural, scientific, educational, sports, and artistic projects in favor of sustainability. The objective of these forums is to inspire the expansion/multiplication of these initiatives and make them feasible by articulating support/partnerships and media repercussion.

In 2010 we conducted five hearings on the following topics:

Table 26: 2010 sustainability hearings

#	Month	Topic
21 ^a	February	Consumer service
22 ^a	April	Launching of the 2009 Sustainability Report
23 ^a	May	Inclusion and Promotion of the Handicapped
24 ^a	July	Loss Reduction Partnerships
25 ^a	December	Progresses in the Inclusion of the Handicapped

We should emphasize that all hearing were carbon offset through a partnership with Iniciativa Verde, which planted 56 native fragrance young trees, offsetting the CO2e emissions related to the organization of the events.

SUSTAINABILITY-FOCUSED SUPPORTS AND SPONSORSHIPS

In 2010, we opened three enrollment windows in our website for eco-social, cultural, and sports projects that we could support and sponsor, and gathered 242 proposals, of which 225 were already assessed and 9 projects were selected.

The assessment system meets corporate governance principles consisting of web-based processing, judgment by an internal committee consisting of representatives from each department, and a second selection stage by an external committee of independent experts. Some projects with environmental innovation or significance were as follows:

Table 27: Sustainability-focused supports and sponsorships

Proponent	Description
ABES – SP – Assoc. Bras. de Eng ^a Sanitária & Fórum Lixo e Cidadania	Building 22 prototype carts for waste collectors, using ergonomics and safety criteria, to be designed by a mechanical engineering school and consulting cooperatives for inputs. The prototype will include a cooking oil container and the design will be available on the Internet to be copied.
Modclima	Development of the recovery of the native woods in degraded areas through the aerial spreading of seedlings in aerodynamic contained (“arrow tree”), which grow on the soil preparing germination.
Liga Solidária	Forest recovery with 6,000 native trees (2,000 fruit trees) in a 1,5000 sq m area of Educandário Dom Duarte in Cotia
Sagarana Comunicação	Organization of a competition between condominiums in the Moema district, in São Paulo, to reduce water consumption, which could be replicated in other districts.
Instituto Refloresta (Ecoar)	Build a educational nursery to conduct environmental education activities

PERCEPTION SURVEY OF SOCIO-ENVIRONMENTAL RESPONSIBILITY

In October 2008, we included for the first time the questions below in the annual survey conducted with our customers, to check if they agree that Sabesp is an environmentally and socially responsible company and its employees are committed with such purposes.

Sabesp is a socially responsible company.
Sabesp is an environmentally responsible company.
Sabesp's employees are committed to actions focused on the environment
Sabesp's employees are committed to actions focused on the social promotion

The results obtained in 2008, 2009 and 2010 show a clear positive evolution in our image, with increasing indices. We included questions to obtain opinions on the areas where social and environmental initiatives should be prioritized in the surveys conducted in 2009 and 2010 and obtained inputs for the project sponsor and sponsorship actions, and the Sabesp Volunteering Program.



Period, objective and scope GRI 3. / 3.2 / 3.10 / 3.11 / 4.14 / 4.15 / 4.16 / 4.17

The information included in this report expose in particular our achievements in 2010 and the 2011 economic and financial, social and environmental goals.

Throughout the report we provide detail on operating indicators, such as the water and sewage treatment, and sewage collection rates, number of new water connections, water losses, and the implementation of our structuring programs and the Sabesp Environmental Solutions program. It includes a performance projection for the 2011-2019 period, intended to provide “universal access to water and sewage services in the operating base...”. Historical series for the 2005-2010 period are presented in the Indicators Panel and in the rest of the report. The historical evolution of the water and sewage indicators for the population served comprises the 1994-2010 period.

REPORT PREPARATION PROCESS

GRI 3.13 This is our fourth sustainability, also prepared based on the guidelines of the Global Reporting Initiative (GRI). For the economic and financial statements available on the internet, we followed the standards issued by the Brazilian Securities and Exchange Commission (CVM), the Brazilian Association of Listed Companies (Abrasca), and the transparent communication principles of the Brazilian Association of Corporate Communication (Aberje). For the corporate governance and sustainability aspects we used the Global Reporting Initiative (GRI) model, and for the Social Balance Sheet the Social Balance Preparation Guide of the Brazilian Institute of Social and Economic Analyses (Ibase) and the prepared by Instituto Ethos.

Since 2006, we are signatories of the Global Pact, a United Nations Organization (UNO) initiative that gathers companies to promote sustainable growth. We annually send an English version of the report, as “progress reporting”, that meets all the requirements for Global Pact participants.

In the first two reports, we declared to be at the C level of the GRI. In 2009, we declare level B because of the enhancements made and the consequent higher number of benchmarks met. This year, we maintained level B. We continue to seek the continuous improvement of our sustainability report by involving stakeholders, and we intend to promote the verification of the environmental and social aspects by outside valuers. The economic and financial aspects are already audited by PricewaterhouseCoopers, who also assess the management report, published on the State Official Gazette and the Folha de São Paulo newspaper, which contains a summarized version of our social and environmental activities.

Table 28: GRI 2010 Declaration

		2002 <i>In Accordance</i>	C	C+	B	B+	A	A+
Mandatory	Self Declared							
	Third Party Checked			Report Externally Assured		Report Externally Assured		
Optional	GRI Checked			Report Externally Assured		Report Externally Assured		Report Externally Assured

MATERIALITY MATRIX

In order to assess the level of compliance between what we construe as material, to be highlighted in the report, and the environmental and social dimensions and what stakeholders point out as being important, for the second consecutive year we used for the materiality matrix tool, presented below, separately for each dimension. The materiality matrix is a graphic way to relate a company's and the society's visions. The ideal situation is when a cloud of dots representing each topic concentrate in the top right corner, indicating high consistency between internal and external standpoints. As we can see in the matrices generated, this occurred, with a slight advantage to the social dimension. By comparing this year with the 2009 edition, we note that.....

METHODOLOGY

We basically followed the procedure adopted in 2009; however, we requested stakeholders to issue a separate opinion on the importance of the issue for the entity itself and the materiality of the issue to be included in the report.

We opted not to include in the survey stakeholders mainly involved in the economic and financial dimension. On the other hand, this is a very technical audience, who has special opportunities to know our results throughout the year, through road-shows and conference calls. Note also that this dimension is subject matter of special guidelines issued by regulator/standard makers, such as CVM, SEC, CFC and CPC, and legislation and accounting standards that set reporting regulations. The methodology adopted to capture the positions of stakeholders involved sending a web-based questionnaire addresses to NGOs and associations, to be replied only by one leader. The questionnaire was also delivered in hardcopy to the sustainability audience that served as commitment panel, when the preparation status of the report's three dimensions was presented. We received 62 replies (in 2009 we received 54), some from very important for the sector, such as: AESBE, ABDIB, ABESI-SP and Instituto Trata Brasil, and NGOs such as Fund. SOS Mata Atlântica, IPÊ, TNC, FBDS, and Instituto Ethos.

A scoring range from 0 to 10 was defined for each topic. The topics were chosen from those considered applicable to the water and waste industry and our business environment. In addition to asking the NGO to give a score for what they consider important for society, we asked each NGO to score what they consider material for their activities, which generated two matrices for the environmental dimension and two matrices for the social dimension. Additionally, in order to measure the level of importance actually given to a given topic, in the face of the report, we counted the number of words in the texts that focus more on each topic. The option for the web-based questionnaire was based on our expecting obtaining benefits from a larger sample of stakeholders and the increase freedom to state one's position, using individualized replies. We decided to anticipate the process as compared to 2009, when the quizzes were sent only when a draft document was ready and available for consultation on the Internet. We also increased the environmental topics from 8 to 11 and the social topics from 11 to 13. Sabesp notes on the themes maintained in the survey were the same as in 2009. Thus, as in 2009, we did not conduct discussions in small sectoral groups, consisting of guests from each sector, as in 2008, and the debates were held only during the plenary session, with the presence of our CEO. We intend to assess the correction of such methodological adjustments at each issue of the report.

The customer satisfaction surveys conducted in 2009 and 2010 included, for the first time, questions to check which area consumers think are the priority areas to focus socio-environmental activities and actions (see end of section “Environment”). We note, in a free comparison, that the rational use of water, waste recycling, and environmental education received high scores. We made an alternative checking of the matrix's level of result consistency by determining existing straight-line correlation, and obtained the following straight-line correlation ratios:

Table 29: Sabesp to NGOs positions straight-line correlation ratios

	Year	Sabesp position to NGOs position correlation	Sabesp position to # of words correlation
Environmental	2009	0.87	-
	2010	0.81	0.85
Social	2009	0.60	-
	2010	0.53	0.67

As expected, we noted that the straight-line correlation is stronger between the materiality scores and the scores given by us.

We should comment the relatively low correlation between what we consider as topics in principle more material for the report and the length of the related texts. Even though length is not a definite criterion to measure the depth of a topic, the issue should be reviewed during the planning stage of future issues.

ENVIRONMENTAL TOPICS

Table 30: Materiality Matrix – Environmental Dimension

#	Issue	Sabesp scores	Average score of stakeholders	Average score of civil society
1	Environmental management	9.0	9.2	9.0
2	Selective collection & waste recycling	8.0	9.0	8.7
3	Environmental education	7.0	9.2	9.0
4	Electricity consumption efficiency	8.0	8.3	8.2
5	Water resources management / Preservation of watersheds	9.0	9.3	9.0
6	Transport management (own fleet)	4.0	7.2	6.9
7	Climate changes and alternative energies	7.0	8.6	8.5
8	Reforestation / Biodiversity protection	8.0	8.3	8.3
9	Sustainable procurement	5.0	8.1	7.4
10	Environmental projects with the community (PROL, Abraço Verde etc.)	7.0	8.5	8.3
11	Rational use of water and reclaimed water	8.0	9.4	9.5

Table 31: Environmental significance

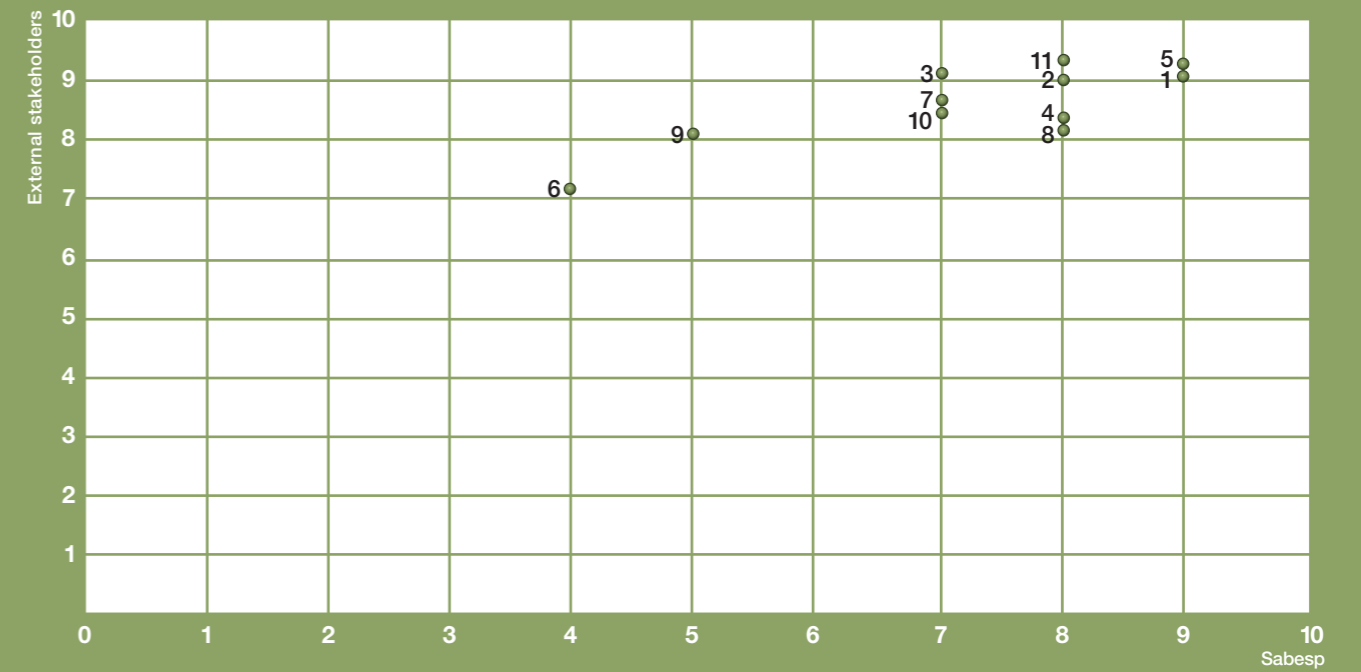
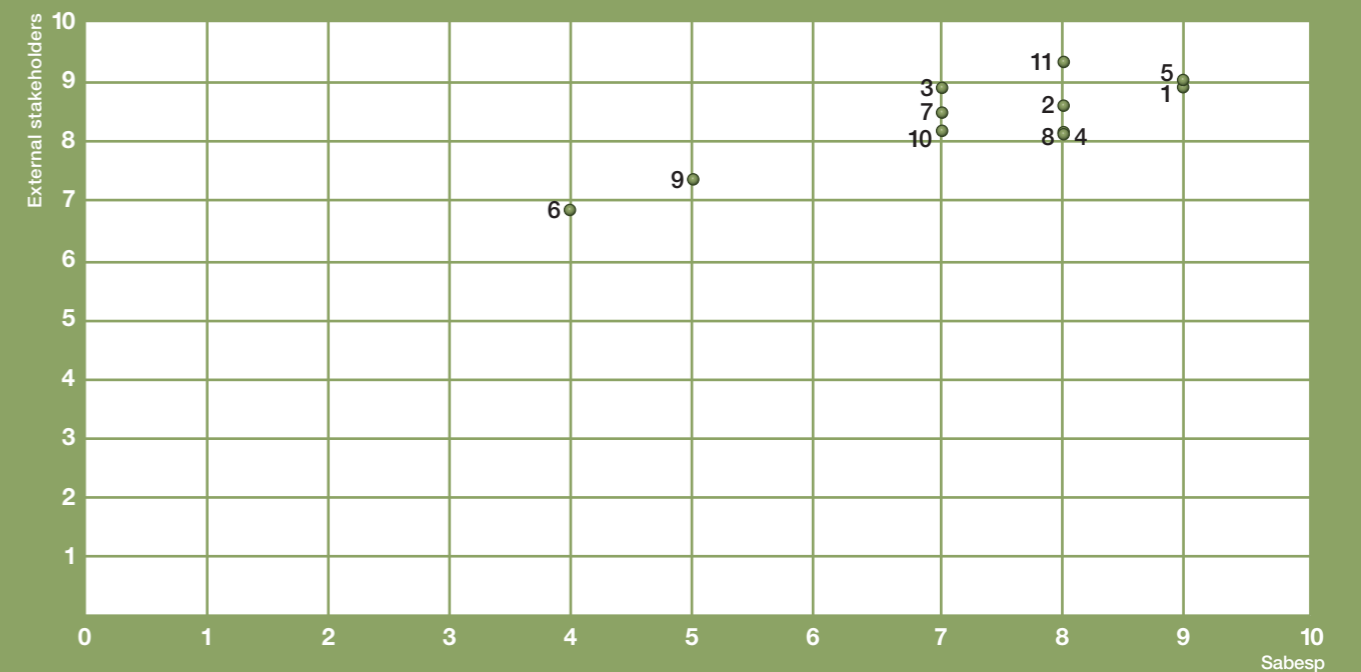


Table 32: Environmental materiality



SOCIAL TOPICS

Table 33: Materiality Matrix – Social DimensionI

#	Issue	Sabesp scores	Average score of stakeholders	Average score of civil society*
1	Communication actions	7.0	8.8	8.6
2	People management	9.0	8.3	8.2
3	Employee training actions	8.0	8.5	8.4
4	Pro-children and adolescents actions	7.0	8.6	7.9
5	Pro-culture actions	6.0	7.8	7.4
6	Pro-diversity and equal opportunities actions	7.0	8.1	7.7
7	Pro-sports actions	5.0	7.6	7.2
8	Pro-leisure actions	5.0	7.8	7.2
9	Supports & Sponsorships & Incentive to Culture	5.0	7.8	7.7
10	Community actions and poor population	8.0	8.8	8.5
11	Compliance with social and labor legislation	6.0	9.1	8.6
12	Income generation and volunteering projects	7.0	8.3	8.2
13	Occupational health & safety management	8.0	8.4	8.2

Table 34: Social Significance

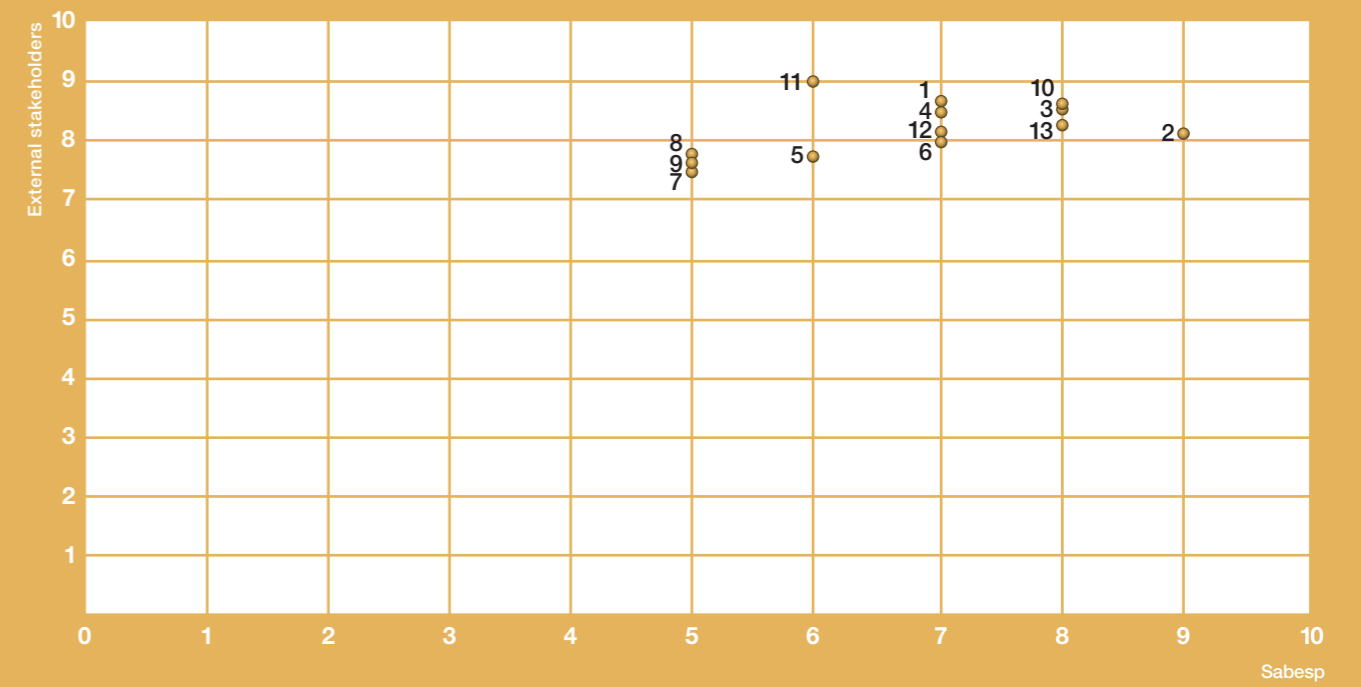
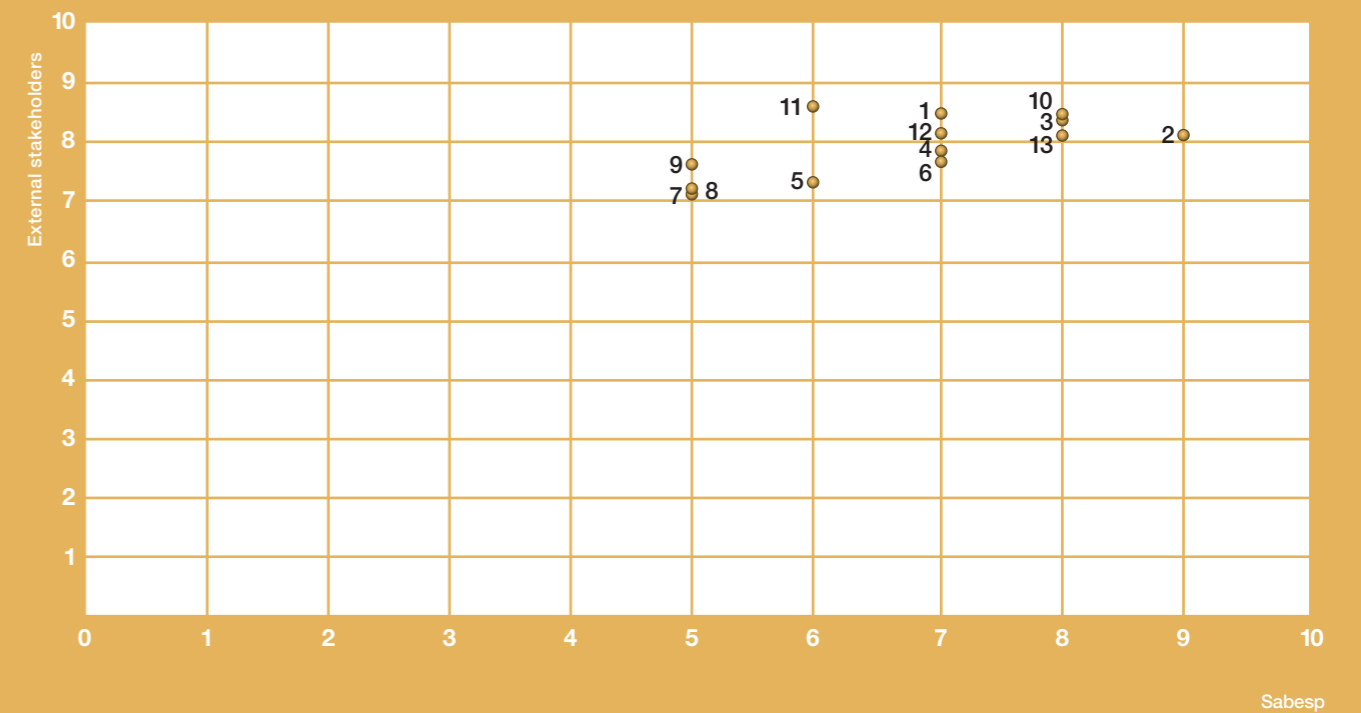


Table 35: Social Materiality.



GRI 3.6 This report gathers the main information on the results obtained by Sabesp and includes data from all operating and administration units for fiscal year 2010. Proceeding with the effort started in 2007, this report sought to extend the economic scope and depth of the sustainability Report to its three dimensions: social, environmental, and financial.

GRI 3.9 The operating data reported are calculated by our technical functions, based on international experience, the standardized reporting adopted by the National Sanitation Reporting System (SNIS) of the Ministry of Cities, and usual Company practices. There is a continuous effort to improve the verification of these indicators, highlighting the enhancements achieved in the water loss reduction and sewage treatment areas.

The report preparation process, for the third consecutive time, with a commitment of stakeholders panel, covering the environmental, social, and economic and financial dimensions.

GRI 3.1, 3.2, 3.10, 3.11 The previous report, published in 2010, related to fiscal year 2009, complied only with the legislation in force in Brazil.

GRI 3.3 The next sustainability report is scheduled for publishing in 2012, related to fiscal year 2011.

GRI 3.5 The criteria for selection of the information for the printed version (materiality analysis) prioritized the significance of the topics with respect to our Strategic Options in order to accurately reflect its performance, using benchmarking techniques in conjunction with Brazilian and international reporting reference models, both with respect to the adequacy of the report structure and the organization of its content in conformity, and seeking to follow the Sustainability Report guidelines.

The on-line version of this report is available at our website:

<http://www.sabesp.com.br/>

GRI 3.7 The adoption of this new Report model was driven by the search for improvement in the relationships with the different stakeholders, management processes, and income and expense reporting to analysts, investors, society, customers, and above all the citizen. This report shows our interest and efforts to integrate sustainability in its management. On the other hand, this report shows the limitations inherent to processes in preliminary stages, such as the need to integrate activities.

The report preparation process sought to emphasize internal participation. We formed workgroups for the three dimensions of the report. We conducted several interaction meetings with key people and successive review processes that assessed the balance, comparability, accuracy, and clarity of the information.

This year we did not engage a consulting firm specialized in sustainability reports, considering the maturity reached of our in-house team.

GRI 3.4 Any requests for additional information or suggestions related to this report can be sent by email to: sustentabilidade@sabesp.com.br

Photos by: **Odair Faria, Carlos Eduardo Carrel, Douglas Leite, Fernandes Pereira de Paula, Gabriel Góes, João Musa, Luciane Teixeira, Marcelo Morgado, Comtal Aero Fotos.**

For a convenient identification of the location of the indicators, their numbers are shown next to the topic to which they refer. See below the table for identification of the location of GRI information in the report.

Table 32 – GRI 3.12 Localização dos indicadores GRI

GRI G3 Indicator	Page
1.1 Statement from the most senior decision-maker of the organization.	Pages 4 and 6.
1.2 Description of key impacts, risks, and opportunities.	Throughout the entire report.
2.1 Name of the Organization.	Page 8.
2.2 Primary brands, products, and/or services.	Page 8.
2.3 Operational structure of the organization.	Page 8.
2.4 Location of organization's headquarters.	Page 8.
2.5 Number of countries where the organization operates.	Page 8.
2.6 Nature of ownership and legal form.	Page 8.
2.7 Market served.	Page 8.
2.8 Scale of the reporting organization.	Page 8.
2.9 Significant changes during the reporting period regarding size, structure, or ownership including.	There were changes in terms of size, structure, or equity interest in 2010.
2.10 Received awards.	Page 9.
3.1 Reporting period.	Page 98.
3.2 Date of most recent previous report.	Page 98.
3.3 Reporting cycle (annual, biennial).	Page 104.
3.4 Contact point for questions regarding the report	Page 104.
3.5 Process for defining report content.	Page 104.
3.6 Boundary of the report (units/facilities).	Page 104.
3.7 State any specific limitations on the scope or boundary of the report.	Page 104.
3.8 Basis for reporting on subsidiaries or other entities.	Sabesp does not have subsidiaries.

GRI G3 Indicator	Page
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	Page 104.
3.10 Revisions in relation to prior report.	Page 98.
3.11 Change in scope, limit and measurement	Page 98.
3.12 Table of location of the GRI indicators.	Page 105.
3.13 Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	Page 98.
4.1 Governance structure.	Page 70.
4.2 Indicate whether the Chair of the highest governance body is also an executive officer.	Page 73.
4.3 State the number of members of the highest governance body that are independent and/or non-executive members.	Page 46.
4.4 Mechanisms for shareholders and employees to provide recommendations to the highest governance body.	Page 46.
4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization's performance.	Page 47.
4.8 Statements of mission or values, codes of conduct, and relevant principles.	Page 48.

GRI G3 Indicator	Page
4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Page 87.
4.13 Memberships in associations and/or national/international advocacy organizations.	Sabesp is a member of industry organizations, such as Associação das Empresas de Saneamento Básico Estaduais (AESBE), Asociación Interamericana de Ingeniería Sanitaria y Ambiental(AIDIS) and Associação Brasileira da Infraestrutura e Indústrias de Base (ABDIB).
4.14 Stakeholders' engaged by the organization.	Page 98.
4.15 Basis for stakeholders' engagement.	Page 98.
4.16 Approaches for stakeholders' engagement.	Page 98.
4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Page 98.
EC1 Economic value generated and distributed.	Page 33.
EC3 Coverage of the organization's defined benefit plan obligations.	Page 63.
EC4 Significant financial assistance received from government.	Sabesp does not receive financial assistance from the government.
EC5 Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	Page 61.
EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Page 61.
EC7 Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	As a state-controlled company, Sabesp is required to hire through public competitive recruitment process, which impedes this procedure.
EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement.	Pages 29 and 73.

GRI G3 Indicator	Page
EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts.	Page 26.
EN3 Direct energy consumption by primary energy source.	Page 16.
EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Page 16.
EN13 Habitats protected or restored.	Page 90.
EN16 Total direct and indirect greenhouse gas emissions by weight.	Pages 16 and 86.
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved.	????
EN21 Total water discharge by quality and destination.	Page 16.
EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	????
LA1 Total workforce by employment type, employment contract, and region.	Page 60
LA2 Total number and rate of employee turnover by age group, gender, and region.	Page 61 – Principle 6.
LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Page 62 – Principle 6.
LA4 Percentage of employees covered by collective agreements.	Page 62 – Principles 1 and 3.
LA5 Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	Principle 3. The collective agreements do not stipulate the minimum notice period regarding operational changes. Possible changes are communicated in advance, and the period varied according to the circumstances.
LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Page 64 and 66 – Principle 1.

GRI G3 Indicator	Page
LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Page 65 – Principle 1.
LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Principle 1. The employees attend courses and lectures related to disease prevention, and risk-control. Treatments (physiotherapy, GPR, acupuncture) are covered by our healthcare plan – SABESPREV.
LA9 Health and safety topics covered in formal agreements with trade unions.	The collective agreements entered into between Sabesp and trade unions do not specifically cover health and safety topics.
LA10 Average hours of training per year per employee by employee category.	Page 64 – Principle 1.
LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Page 63 – Principle 1.
LA12 Percentage of employees receiving regular performance and career development reviews.	Page 63.
LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Pages 5, 9 and 60 – Principles 1 and 6.
LA14 Ratio of basic salary of men to women by employee category.	Page 61 – Principles 1 and 6.
HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Principles 1, 2, 4, 5 and 6. Our significant investment agreements include human rights clauses.
HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Principles 1, 2, 4, 5 and 6. We do not carry out screenings on human rights of significant suppliers and/or contractors. We created an action plan to address this indicator in 2009: Questionnaire sent to the largest suppliers contracted in the previous year.
HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Page 64 – Principles 1, 4 and 5.

GRI G3 Indicator	Page
HR4 Total number of incidents of discrimination and actions taken.	Page 48 – Principles 1 and 6.
HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Page 62 – Principles 1 and 3.
HR6 Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	Page 57 – Principles 1 and 5.
HR7 Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	Page 57 – Principles 1, 2 and 4.
HR8 Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Page 64 – Principles 1 and 2.
HR9 Total number of incidents of violations involving rights of indigenous people and actions taken.	Principles 1 and 2. In 2009 no incidents of this type were recorded.
SO1 Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Pages 68 and 70 – Principles 1, 7, 8 and 9.
SO5 Public policy positions and participation in public policy development and lobbying.	Principles 7, 8 and 9. We operate pursuant to the environmental sustainability policies and objectives and the public policies on this topic. We are actively involved in the National and State Water Resources Management Systems at all levels, and we have representatives in the São Paulo State Hydrographic Basin Technical Chambers, Committees and Subcommittees.
SO6 Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Sabesp does not adopt this practice.
SO7 Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	In 2010, we filed an action claiming compensation for damages caused by the gas cartel condemned by CADE.

GRI G3 Indicator	Page
SO8 Monetary value of significant fines and total number of nonmonetary sanctions for noncompliance with laws and regulations.	In 2010, we paid 356 labor lawsuits totaling approximately R\$13 million, which were duly accrued. As regards moral harassment, there was the trial and, as a result, the payment of one (1) action totaling R\$71,000 in December 2010.
PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Page 64 – Principle 8.
PR2 Total number of incidents of noncompliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Page 65 – Principle 8.
PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Page 54 – Principle 8.
PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Page 54 – Principle 8.
PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Page 54.
PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Sabesp complies with relevant legislation and the standards enacted by the National Advertising Self-regulation Council (CONAR).

GRI G3 Indicator	Page
PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	In 2010, in addition to complying with marketing, advertising, promotion, and sponsorship codes and legislation, in line with the higher transparency guidelines, we prepared a Guidance and implemented a new system to select projects applying for institutional and financial support, which are available on our website and are open three times a year, which are also submitted to the analysis of an internal committee formed by Sabesp employee and an external committee formed by State Government representatives, NGOs and scholars, including representatives of SOS Mata Atlântica and the State Public Prosecution Office.
PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Principle 2. In 2010 there were no complaints related to breaches of customer privacy and losses of customer data. We do not use customer data for sales and operational actions purposes, but property data.
PR9 Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	Principle 8. We do not have this data in systems.



REFERENCE LIST

Abraço Verde (Green Hug)	7, 95 & 100	Sustainable Planet	71 & 87
Supports & sponsorships	97 and 102	Seedlings plantation (nurseries)	70, 92, 94 & 95
Sustainability hearings	7, 67 & 96	Awards	9
Canal Limpo (Clean Canal)	94	Metropolitan Water Program	6 & 28
ISO 14001 Certification	7, 10, 19, 82 & 88	Project Tietê	6, 27, 36 & 59
Risk rating	30	PROL	96 & 100
Selective waste collection (Sabesp 3Rs)	69, 85 & 100	PURA	42 & 69
Sustainable procurement	93 & 100	Water quality	5, 27, 28, 45 & 54
Córrego Limpo (Clean Brook)	6, 29 & 94	Water loss reduction	5, 6, 18, 29, 36, 64 & 96
Environmental education	55, 68, 69, 71, 84.88.91.92.97.99 & 100	Environmental Solutions	7, 8, 9, 40, 41.42.58.79, 82 & 98
Carbon emissions and credits	41, 86, 87, 89, 96 & 106	Telemetry	43
Engagement of stakeholders	104	Sabesp Corporate University	10, 63 & 84
Espaço Estação Sabesp	73	Vida Nova (New Life)	6, 28 & 36
Value Added Management (GVA)	44 & 45	Our Agent	68, 69 & 95
Exempt.	7, 8, 31, 37, 46, 50 & 88	Innovation hearings	45
Regulatory framework	39 & 57	Climate change/COP16	40, 86, 87 & 100
Individual water metering	43	Eco-mobilizations (PEA)	7, 69, 84 & 94
Management modernization	21 & 44	Community vegetable gardens	69, 73 & 92
New businesses	40	UN Millennium Goals	64 & 70
Onda Limpa (Clean Wave)	6, 26 & 36	Report carbon offset	89
Ombudsman Office	48, 55 & 77	OHSAS 18001	65 & 67
Partnerships with NGOs	90	Concessions of water resources	88
SCPs	41 & 86	Clean Painting partnership with Abrafati	95
Customer perception survey	54	Toilet is not a wastebasket"	69 & 85
Research, Development & Innovation	21 & 44	Supplier relations	57
Strategic planning	63	Occupational safety and health	63, 64 & 65

Nota: em negrito as páginas mais relevantes sobre cada tema.



CORPORATE INFORMATION



WEBPAGE:

<http://www.sabesp.com.br>

INVESTOR RELATIONS WEBPAGE:

<http://www.sabesp.com.br/investidores>

SABESP ENVIRONMENTAL SOLUTIONS:

<http://www2.sabesp.com.br/solucoesambientais/>

2010 SUSTAINABILITY REPORT:

<http://www.sabesp.com.br/sustentabilidade2010>

Suggestions/comments to the report:

sustentabilidade@sabesp.com.br

SOCIAL NETWORKS:

<http://www.youtube.com/user/SaneamentoSabesp>

<http://www.flickr.com/photos/sabesp>

[http://www.facebook.com/pages/](http://www.facebook.com/pages/Sabesp/399621800073)

[Sabesp/399621800073](http://www.facebook.com/pages/Sabesp/399621800073)

<http://twitter.com/#!/CiaSabesp>

CUSTOMER SERVICE

<http://www.sabesp.com.br>, opção “agência virtual”

Request of bill copies, consumption history, leak repairs, clogged sewage, etc.

www.sabesp.com.br (online customer service)

Call center for all operational and sales services in the São Paulo Metropolitan Area.

Working hours:

Monday to Friday: 8:00 am to 9:00 pm

Saturdays: 8:00 am to 5:00 pm.

195

Telephone number to receive complaints and information on leaks and water interruption, clogged sewage on the street and the property, and request other operational services.

Available 24/7.

0800 055 01 95

(Inland and coastal regions)

To request emergency or commercial services.

Available 24/7.

0800 011 99 11

(Greater São Paulo Metropolitan Area only)

For information on bills, request a bill copy (in case of its lost or not received), etc.

Working hours:

Monday to Friday: 8:00 am to 9:00 pm

Saturdays: 9:00 am to 5:00 pm

Sundays: 10:00 am to 4:00 pm.

0800 777 37 00

(telephone service for the hearing impaired)

Call center for all operational and sales services in the São Paulo Metropolitan Area.

Working hours:

Monday to Friday: 8:00 am to 9:00 pm

Saturdays: 8:00 am to 5:00 pm.

0800 0771 2482

(Sabesp Environmental Solutions for the São Paulo Metropolitan Area)

Provides exclusive service for large customers on Individualized water metering, Rational Use of Water (PURA), Non-Domestic Wastewater (END), Reclaimed Water, and the other services part of the program.

Working hours:

Monday to Friday: 8:00 am to 6:00 pm

0800 055 05 65

(Ombudsman Office)

With the filing number in hands, users can register complaints regarding services already requested. In addition, they can send criticism, report irregularities, or make compliments.

Working hours:

Monday to Friday: 8:00 am to 6:00 pm