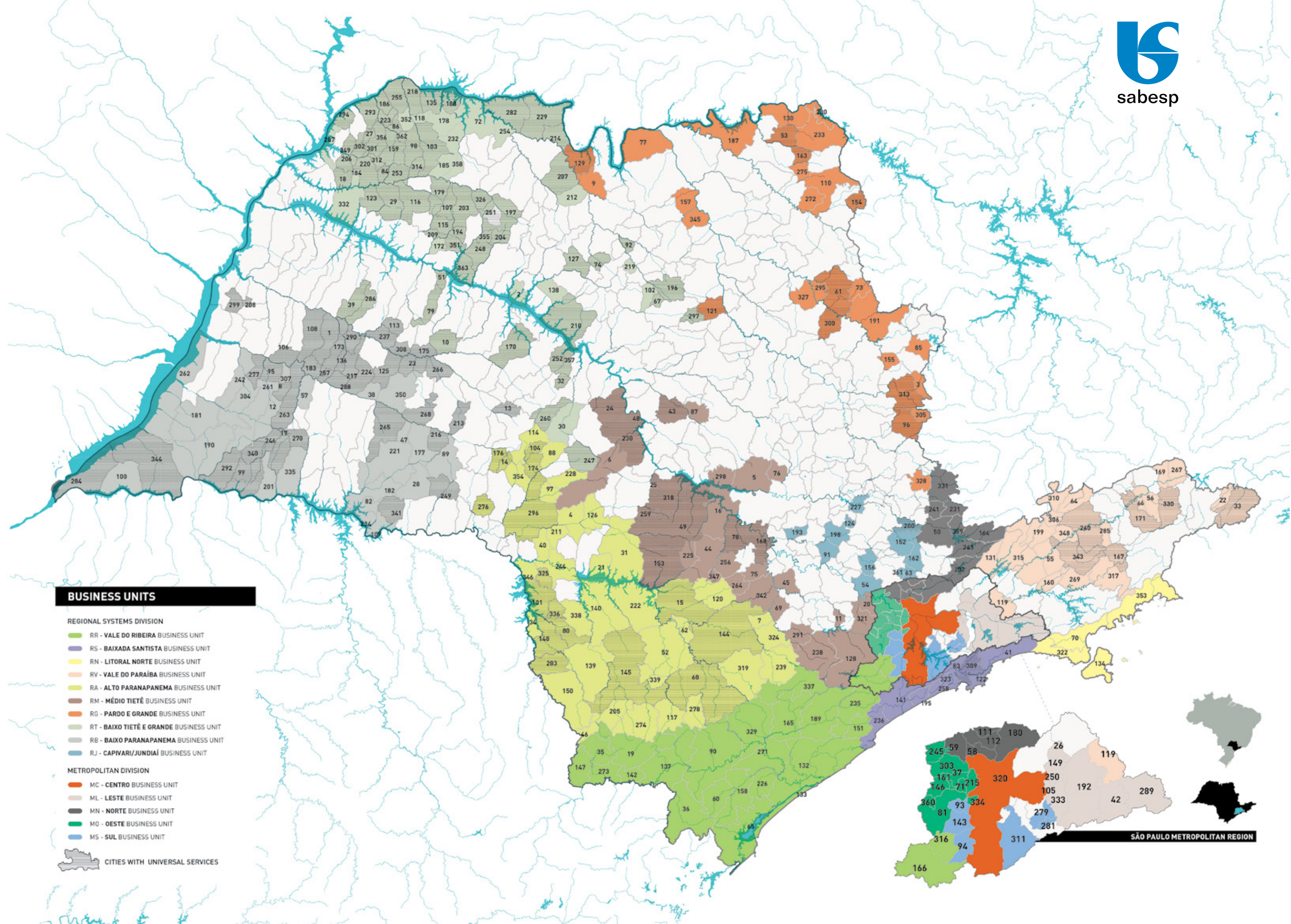


SUSTAINABILITY REPORT





BUSINESS UNITS

REGIONAL SYSTEMS DIVISION

- RR - VALE DO RIBEIRA BUSINESS UNIT
- RS - BAIXADA SANTISTA BUSINESS UNIT
- RN - LITORAL NORTE BUSINESS UNIT
- RV - VALE DO PARAÍBA BUSINESS UNIT
- RA - ALTO PARANAPANEMA BUSINESS UNIT
- RM - MÉDIO TIETÊ BUSINESS UNIT
- RG - PARDO E GRANDE BUSINESS UNIT
- RT - BAIXO TIETÊ E GRANDE BUSINESS UNIT
- RB - BAIXO PARANAPANEMA BUSINESS UNIT
- RJ - CAPIVARI/JUNDIAÍ BUSINESS UNIT

METROPOLITAN DIVISION

- MC - CENTRO BUSINESS UNIT
- ML - LESTE BUSINESS UNIT
- MN - NORTE BUSINESS UNIT
- MO - OESTE BUSINESS UNIT
- MS - SUL BUSINESS UNIT

 CITIES WITH UNIVERSAL SERVICES

SÃO PAULO METROPOLITAN REGION

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

* partial and bulk water supply

Sabesp is concerned with the transparency and agility of its communication to society.

You have in your hands our main corporate publication, consisting of the 2011 Sustainability Report and the 2011 Financial Statements, which also includes Portuguese and Spanish versions.

This year, for the first time, they were concurrently disclosed, as part of our effort to bring more and better information, as soon as possible, to all stakeholders.

Carbon neutral report

In publishing this report, the preparation and printing activities generated 3.8t of CO₂e, which have been offset through a partnership with the entity Iniciativa Verde, by planting 25 seedlings of native Atlantic Forest trees.



The report is printed in High Brightness FSC certified.
Grammage: Inside pages - 120g/m²; cover - 240g/m².

SUSTAINABILITY REPORT



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Sidney Estanislau Beraldo, Walter Tesch*

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João Baptista Comparini, Technology, Projects and Environment Officer
Luiz Paulo de Almeida Neto, Regional Systems Officer
Manuelito Pereira Magalhães Junior, Corporate Management Officer
Paulo Massato Yoshimoto, Metropolitan Officer
Rui de Britto Álvares Affonso, Economic and Financial and Investor Relations Officer*

2011 SUSTAINABILITY REPORT

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Throughout the report you will find codes such as this one that give access to the digital version of our publication. In it you will find additional information and updates on our sustainability practices.



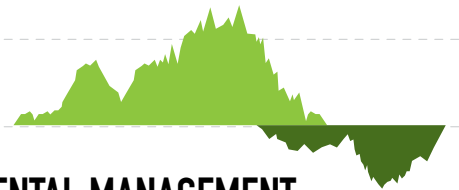
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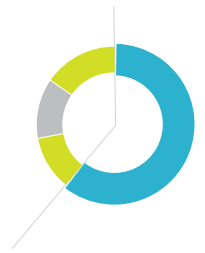
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UNIVERSAL SERVICES

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

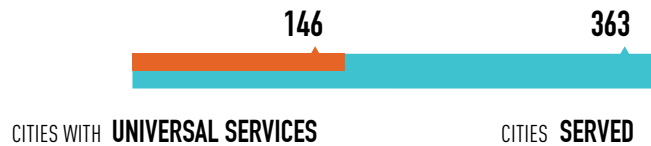


The results obtained by Sabesp

in 2011 allow us to say that we are heading in the right direction. We maintained our investment pace; we were strict in controlling costs to ensure being socially, environmentally and financially sustainable; and we aimed at meeting our commitments to social inclusion. **GRI 1.1**

We have persevered in providing universal water and sewage services in the area where we operate by 2018. Five new municipalities now have water supply, collected and treated sewage in all their urban areas, increasing to 146 total cities in the State of São Paulo under these privileged conditions.

COOPERATE SO THAT SABESP
**CONTINUES TO BRING
QUALITY OF LIFE**
TO THE MILLION OF PEOPLE IT SERVES



At the same time, Sabesp continued to work and invest vigorously in its structuring programs, which are key to attain this goal.

In 2011, our main sewage collection program – Tietê Project – gain decisive momentum. During the year, we initiated construction works in 13 of the 20 municipalities of the São Paulo metropolitan area (RMSP) that will benefit from the expansion of sewage collection systems and treatment facilities.

We have completed important works to reduce water shortage in the São Paulo by expanding the Alto Tietê Production System, increasing water supply by 5.000 liters, and in another 14 projects.

A major breakthrough was obtained in the fight against water losses. In 2011, we managed to reduce the water loss index to 25.6%, tapping water enough to supply 26,700 people without the need to source new watersheds. This initiative has also been supported by the Japan International Cooperation Agency (Jica), which granted a new loan to Sabesp to continue to fund the program.

On the coastal area, we practically completed the Onda Limpa (Clean Wave) interventions in the Baixada Santista, which had a positive effect on the increase of sewage collection and treatment, improving the beaches' swimming conditions and the population's health. Important projects, such as the construction of the Jurubatuba water treatment plant, in Guarujá, and the Mambú-Branco Production System, in Itanhaém, are heading toward their completion.

We should mention the creation by the São Paulo State Government of two new programs for the low-income population that will allow expanding the State water and sewage systems and increase the efficiency of river and brook recovery actions, and water supply security.

Our greatest challenge, however, is not only expanding our systems, staying innovative, competitive, and maintaining our sustainable growth. It is to provide services that have increasingly more quality and regularity. To do so, we redefined our strategic guidelines for 2011-2020, emphasizing excellence in customer service.

We understand that our role in the Board of Directors is to cooperate so that Sabesp continues to bring quality of life to the 27.6 million people it serves. This is evidenced by the growing approval of our work by the population of São Paulo.

EDSON DE OLIVEIRA GIRIBONI
CHAIRMAN OF THE BOARD OF DIRECTORS OF SABESP

COMMITMENT TO SUSTAINABLE DEVELOPMENT

MESSAGE FROM THE CEO



It is not possible to speak of civilization

without water and sewage. It is a fundamental right of the human beings and the necessary condition to avoid the depletion of the environment and our natural resources. This is why supplying water and collecting and treating sewage is an activity intrinsically linked to sustainability. One does not exist without the other. **GRI 1.1**

A company like Sabesp deals with sustainability on a daily basis, in all its dimensions. We are socially responsible for providing a service that has a direct and immediate impact on quality of life and health conditions of the customer. We are involved in the preservation of watersheds, the recovery of water resources, and the decontamination of rivers, brooks and the sea. We are committed to the financial soundness of a business with an inherently long maturing period and necessarily low costs.

BASIC SANITATION IS THE NECESSARY CONDITION FOR THE
PRESERVATION OF THE ENVIRONMENT
AND PROMOTING THE COMMON GOOD

“We have the privilege of helping, through each of our actions, to improve the lives of the population, a healthier environment and an economically more developed and socially more equitable society”

R\$ 2 BILLION
IN ANNUAL INVESTMENTS



27.6 MILLION
PEOPLE SERVED

Our dedication to the sustainability principles is already recognized by society. It is the fruit of a culture that day after day becomes part of our employees, the daily work of our service providers and our suppliers, from whom we demand increasing quality. More sustainability is not the destination. It is a path that is built as we trail it. It is the crossing toward a future necessarily better than the present.

Therefore, we worry, also while we prepare this report, about expanding the limits of what is possible. We have increased the wealth of information disclosed, we try to improve the quality of the information already being published, we have recognized our weaknesses, and when and where such weaknesses are more noticeable. We have a firm commitment toward transparency, the common good, and the respect for our stakeholders.

I understand that a mission like ours, to take water and sewage to more than 27.6 million people, can only be successful if supported by basic key principles: transparency, good management and technology. Sabesp have proved to be in a position to apply these principles in an efficient, sound, dynamic, innovative, and sustainable way, financially, environmentally and socially.

Nothing translates better what sustainable development can be than a sewage treatment plant capable of operating efficiently during its 50-year useful life, at the lowest cost, with the largest service spectrum, maximum use of natural resources, and minimum impact on the environment. This is sustainability.

We maintain our firm commitment to the provision of universal water and sewage services in the area where we regularly operate by the end of this decade. To do so, we plan to maintain the average investments made in recent years, i.e., roughly R\$ 2 billion.

It was founded on these principles that we obtained major results in water and sewage services expansion in 2011: in the first case, the number of new connections made was the second highest in the past 12 years; in the second case, it was the highest in the period. But we need more: by the end of this decade we plan to make another 1.6 million new water connections and 2.3 million sewage connections to ensure that we will provide universal services in the area where we operate.

All the six performance goals set for our organization in 2011 were met. We consider it a satisfactory performance, without forgetting that even though the strategy for our business stayed on track, 2011 was a year of changes in our management, with the replacement of four of the six member of our executive committee. We have reached the conclusion that our new business area still falls short of what we have planned and aim; it is possible to make progress.

The commitment to provide universal water supply and sewage collection services by the end of this decade is the one of noblest and most challenging commitments a company could have. We have the privilege of helping through each of our actions, from the smallest one to the largest, to improve the lives of the population, a healthier environment and an economically more developed and socially more equitable society.



4TH

LARGEST COMPANY

IN THE WORLD
IN POPULATION SERVED

IMPROVE QUALITY OF LIFE AND THE ENVIRONMENT

PROFILE

GRI 2.1/2.2/2.4/2.5/2.6/2.7/2.8/4.8

Sabesp is a state-owned public company,

engaged in the provision of water and sewage services, whose controlling shareholder is the São Paulo State Government. Our shares are traded in the Novo Mercado segment of the São Paulo Mercantile, Futures and Stock Exchange (BM&FBOVESPA) under tick symbol SBSP3, and as American Depositary Receipts (Level III ADRs) on the Nova York Stock Exchange (NYSE), under tick symbol SBS. Established in 1973, we are the largest water and sewage company in the Americas and fourth largest in the world in number of customers, according to the 13th issue of the *Pinsent Masons Water Yearbook*. Sabesp is headquartered in São Paulo, capital of the State of São Paulo, in Brazil.



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 urban drainage, urban cleansing, solid waste handling and power markets.

We operate directly water and sewage services in 363 municipalities in São Paulo (in 2011 the city of Macatuba left our operating basis) and supply bulk water to other seven municipalities, five of which also use our sewage treatment services. Total population supplied with our water is 27.6 million people (23.9 million directly by Sabesp and 3.7 million served in bulk), which represents approximately 70% of the urban population of the State of São Paulo. With sewage collection, we serve 20.5 million people.

Additionally, we also provide water and sewage services in other municipalities in the state, through special purpose entities (SPEs) established with private companies. Namely: Águas de Castilho S.A. and Águas de Andradina S.A., a partnership with CAB Ambiental; and Saneaqua Mairinque S.A., a partnership with Foz do Brasil. In Mogi Mirim, we, OHL Meio Ambiente and Etep are in charge of modernizing, implementing and managing a sewage treatment system, also through an SPE.

We also provide consulting services on rational use of water, commercial and operational management in Panama and Honduras, as part of a consortium with Latin Consult. We also have partnerships with state water and sewage concessionaires in Alagoas (Casal) and Espírito Santo (Cesan), both Brazilian states.

Our mission is to “render sanitation service, contributing for a better life and environmental quality.” Our future vision prescribes “to be recognized by 2018 as the company that has universalized water and sewage services, within its area of operation, in a sustainable and competitive way, with excellence in costumer services.”

Despite the size of this challenge, we are well positioned to reach this objective, sustainability and profitability. We understand most of the demanded investments is already secured to comply with our investment plant. However, we have worked, constantly, in fund raising, especially at low costs, compatible with our water and sewage services, to cover the investments necessary to its expansion.

In order to meet the universal services objective, throughout 2011, we revised our strategic guidelines. Namely: sustainable economic and financial growth; socio-environmental sustainability; universal services and quality; proactivity in relationships; integration and innovation; and human capital as a strength. The new strategic planning time horizon is 2011-2020.

Our commitment to sustainable and responsible water and sewage universal services in our operation area, by the end of this decade, is reflected in our financial strategy and social and environmental actions described throughout this Annual Sustainability Report.

MISSION

Render sanitation services, contributing for a better life and environmental quality

VISION

To be recognized by 2018 as the company that has universalized water and sewage services, within its area of operation, in a sustainable and competitive way, with excellence in costumer services

PANEL OF INDICATORS

CUSTOMER SERVICE
OPERATIONAL
FINANCIAL
ENVIRONMENTAL
SOCIAL

2006 / 2011



CUSTOMER SERVICE

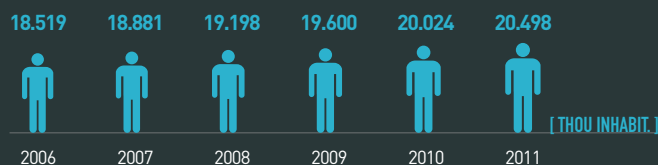
WATER SERVICE RATE
TRENDS TO UNIVERSAL SERVICE ⁽¹⁾



SEWAGE COLLECTION SERVICE RATE



RESIDENT POPULATION SERVED BY SEWAGE COLLECTION



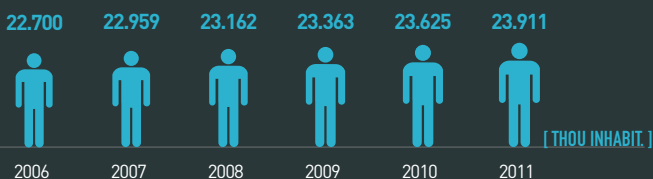
COLLECTED SEWAGE TREATMENT RATE



NUMBER OF CITIES WITH UNIVERSAL SERVICE ⁽²⁾



RESIDENT POPULATION SERVED BY WATER SUPPLY



POSITIVE CUSTOMER SATISFACTION PERCEPTION ⁽³⁾



OPERATIONAL

WATER CONNECTIONS



SEWAGE CONNECTIONS



WATER SYSTEM EXTENSION ⁽⁴⁾



SEWAGE SYSTEM EXTENSION ⁽⁴⁾



WTP - WATER TREATMENT PLANTS



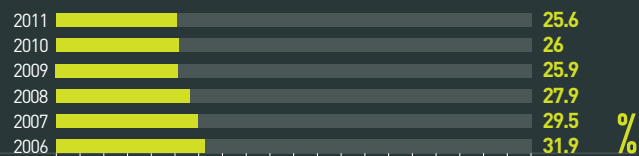
WELLS ⁽⁵⁾



STP - SEWAGE TREATMENT PLANTS



WATER LOSSES



WATER LOSSES PER CONNECTION



WATER METERING RATIO ⁽⁶⁾



PRODUCED WATER VOLUME



RETAIL WATER MICRO METERED VOLUME



BULK WATER VOLUME BILLED



RETAIL WATER VOLUME BILLED



SEWAGE VOLUME BILLED



NUMBER OF EMPLOYEES ⁽⁷⁾



OPERATING PRODUCTIVITY



FINANCIAL ⁽⁸⁾

INDICATORS	UNIT	2011	2010	2009	2008	2007	2006
Gross revenue	R\$ million	-	-	7,236.2	6,838.8	6,448.2	5,984.0
Gross revenue (IFRS)	R\$ million	10,544.9	9,786.6	9,085.2	8,296.4	-	-
Net revenue	R\$ million	-	-	6,730.5	6,351.7	5,970.8	5,527.3
Net revenue (IFRS)	R\$ million	9,941.6	9,231.0	8,579.5	7,809.3	-	-
EBITDA ⁽⁹⁾	R\$ million	-	-	2,741.4	2,840.1	2,698.9	2,446.1
EBITDA (IFRS)	R\$ million	3,213.4	3,222.5	2,727.0	2,865.0	-	-
EBITDA Margin	% of net revenue	-	-	40.7	44.7	45.2	44.3
EBITDA Margin (IFRS)	% of net revenue	32.4	34.9	31.8	36.7	-	-
Operating income ⁽¹⁰⁾	R\$ million	-	-	2,180.8	2,222.3	2,083.0	1,804.0
Operating income (IFRS) ⁽¹¹⁾	R\$ million	2,354.4	2,672.2	2,120.3	2,121.3	-	-
Operating margin	% of net revenue	-	-	32.4	35.0	34.9	32.6
Operating margin (IFRS)	% of net revenue	23.7	28.9	24.7	27.2	-	-
Profit/loss	R\$ million	-	-	1,373.9	63.6	1,055.3	789.4
Profit/loss (IFRS)	R\$ million	1,223.4	1,630.4	1,507.7	862.9	-	-
Net margin ⁽¹²⁾	% of net revenue	-	-	20.4	1.0	17.7	14.1
Net margin (IFRS) ⁽¹³⁾	% of net revenue	12.3	17.7	17.6	11.0	-	-
Net debt to EBITDA	multiple	-	-	2.11	2.20	1.93	2.45
Net debt to EBITDA (IFRS)	multiple	2.00	1.95	2.12	2.18	-	-
Net debt to equity	%	-	-	55.0	65.3	53.4	66.5
Net debt to equity (IFRS)	%	61.1	64.8	68.6	85.1	-	-
Investment	R\$ million	-	-	1,934.0	1,708.0	921.0	905.0
Investment (IFRS) ⁽¹⁴⁾	R\$ million	2,440.2	2,194.0	2,059.0	1,734.0	-	-

ENVIRONMENTAL

INDICATORS	UNIT	2011	2010	2009	2008	2007	2006
EN1 Materials used by weight or volume	Kg / m ³ / Un	153,495,473	203,291,835	193,607,523	-	-	-
EN2 Percentage of recycle materials	%	5.18	5.14	5.18	-	-	-
EN10 Percentage of water consumed in treatment in WTPs ⁽¹⁵⁾	%	0.20	0.17	-	-	-	-
EN10 Percentage of water recovered to wash filters water filters/decanter in WTPs ⁽¹⁵⁾	%	91.4	91.9	-	-	-	-
EN21 Volume of reclaimed water supplied ⁽¹⁶⁾	'000 m ³	1,572,20	1,636,80	1,358,50	1,315,60	1,116,80	-
EN21 Percentage of reclaimed water sold per sewage treated reclaimed in STPs ⁽¹⁶⁾	%	0.35	0.35	0.26	0.27	0.26	-
EN21 Percentage of internally used reclaimed water sold per sewage treated volume reclaimed in STPs ⁽¹⁶⁾	%	0.66	0.64	0.58	0.51	0.57	-
EN21 Percentage of reclaimed water supplied on installed capacity ⁽¹⁶⁾	%	34.74	36.17	30.02	29.07	24.68	-
EN3 Total electricity consumption	Terajoules (TJ)	8,196	7,773	7,632	7,732	7,718	7,575
Electricity consumption/m ³ of produced water ⁽¹⁷⁾	kWh/m ³	0.638	0.613	0.634	0.649	0.648	0.637
Electricity consumption/m ³ of treated sewage ⁽¹⁷⁾	kWh/m ³	0.430	0.411	0.430	0.393	0.417	0.428
EN16 Direct and indirect greenhouse gas emissions ⁽¹⁸⁾	t CO ₂ e	-	-	-	1,611,902	1,719,159	-
EN30 Total environmental protection expenditures and investments	R\$ million	30,426	-	-	-	-	-
Recycled A4 paper by A4 paper used	%	25.70	19.64	17.53	15.53	14.41	2.90
Volume of A4 paper used per employee	sheets per employee per year	3,711	3,352	3,311	2,846	2,829	2,893
Positive public perception of Sabesp's environmental responsibility ⁽¹⁹⁾	%	78	81	71	66	-	-
Positive public perception of employee engagement in environmental issues ⁽¹⁹⁾	%	-	51	51	44	-	-
Voluntarily planted seedlings ⁽²⁰⁾	units	126,633	726,255	547,750	125,573	127,118	50,253
Number of recyclables collected by Sabesp 3Rs	t	286	101	130.9	77.4	-	-
EN6 Average consumption of fuel alcohol	liters/vehicle	2,529	2,232	2,174	1,724	2,500	2,552
EN6 Alcohol consumption to total fuels ⁽²¹⁾	%	32	48	46	34	28	28
No. of STPs and WTPs with implemented Environmental Management System (SGA)	units	65	65	26	4	4	4
No. of ISO 14001 certified STPs and WTPs	units	50	50	4	4	4	4

SOCIAL

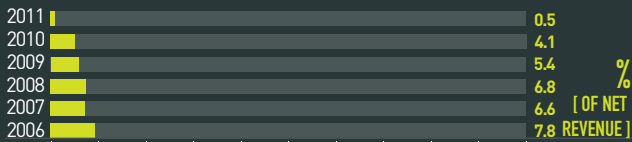
FREQUENCY RATIO OF ACCIDENTS W/ LEAVE OF ABSENCE ⁽²²⁾



AMOUNT INVESTED IN INTERNAL SOCIAL PROGRAMS ⁽²³⁾



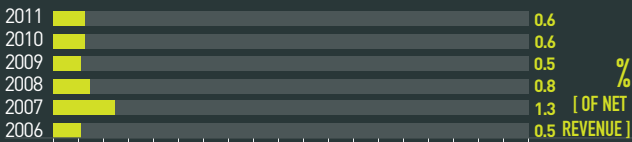
AMOUNT INVESTED IN INTERNAL SOCIAL PROGRAMS ⁽²³⁾



AMOUNT INVESTED IN EXTERNAL SOCIAL PROGRAMS



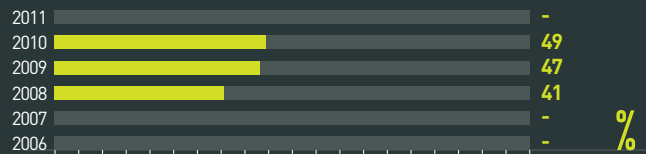
AMOUNT INVESTED IN EXTERNAL SOCIAL PROGRAMS



POSITIVE PUBLIC PERCEPTION OF SABESP'S SOCIAL RESPONSIBILITY ⁽³⁾



POSITIVE PUBLIC PERCEPTION OF EMPLOYEE ENGAGEMENT IN SOCIAL ISSUES ⁽²⁴⁾



COMPLAINTS REGISTERED IN PROCON



POSITION IN PROCON RANKING ⁽²⁵⁾



NOTES

- (1)** 99% OR THEREAFTER. **(2)** WATER SERVICE > 95 PERCENT, SEWAGE COLLECTION > 90 PERCENT AND COLLECTED SEWAGE TREATMENT > 97% CONSIDERED. BASED ON IBGE (BRAZILIAN INSTITUTE OF GEOGRAPHY AND STATISTICS) DATA, TO BE REVISED WITH THE 2010 CENSUS. **(3)** SURVEY CONDUCTED IN 2011 BY PESKIZE INFORMAÇÕES INTELIGENTE (5,860 INTERVIEWS IN THE ENTIRE OPERATING BASE WITH A 1.3 PERCENT MARGIN OF ERROR AND 95 PERCENT CONFIDENCE INTERVAL). **(4)** INCLUDES WATERMANS, SEWAGE MAINS, INTERCEPTORS AND OUTFALLS. **(5)** THE VOLUME PRODUCED IN DEEP WELLS IS EQUIVALENT TO ROUGHLY 6 PERCENT OF TOTAL WATER SUPPLIED. **(6)** CONNECTIONS WITH WATER METER/TOTAL CONNECTIONS. **(7)** NUMBER OF OWN EMPLOYEES. DOES NOT INCLUDE EMPLOYEES ASSIGNED BY OTHER BODIES. **(8)** CALCULATED SINCE 2008 ACCORDING TO CPCS/IFRSS (CONSOLIDATED DATA). **(9)** EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION. **(10)** DOES NOT INCLUDE FINANCE INCOME AND COSTS AND OTHER OPERATING INCOME AND EXPENSES. **(11)** DOES NOT INCLUDE FINANCE INCOME AND COSTS. **(12)** ADJUSTMENTS TO 2006, 2007 AND 2008 OPERATING INCOME/EXPENSES AND PROFIT RESULTING FROM THE ADOPTION OF LAW 11638/07 (REVERSAL OF DEFERRED CHARGES) AND 2008, RESULTING FROM REISSUE OF FINANCIAL STATEMENTS, WHICH AFFECTED OPERATING MARGIN AND NET MARGIN. **(13)** ADJUSTMENT IN 2008 RESULTING FROM REISSUE OF FINANCIAL STATEMENTS, WHICH AFFECTED OPERATING MARGIN AND NET MARGIN. **(14)** CALCULATED SINCE 2008 ACCORDING TO CPCS/IFRSS DOES NOT INCLUDE FINANCIAL OBLIGATIONS ASSUMED UNDER PROGRAM CONTRACTS (R\$253 MILLION, R\$18 MILLION, R\$63 MILLION AND R\$139 MILLION IN 2008, 2009, 2010 AND 2011, RESPECTIVELY). **(15)** CONSIDERS ONLY STP_s IN THE RMSP INTEGRATED SYSTEM. PART OF THE WATER FROM PLANT IS USED TO WASH FILTERS/DECANTERS, AND CONSTITUTES AN OWN "WATER FOOTPRINT" OF DRINKING WATER. FOUR OF THE SYSTEM'S EIGHT STP_s RECOVER WASHING WATER: GUARAÚ, RODOLFO JOSÉ DA COSTA AND SILVA, TAIÁÇUPEBA E RIO GRANDE. **(16)** REFER TO THE ABC, BARUERI, JESUS NETTO, PARQUE NOVO MUNDO AND SÃO MIGUEL WTP_s, WHICH HAVE FACILITIES TO RECLAIM WATER. WATER SUPPLIED CORRESPONDS TO THE WATER AND INTERNALLY CONSUMED IN THE WTP_s (FOR EXAMPLE, TO SEAL OFF PUMPS). CAPACITY IS THE FACILITIES' NOMINAL CAPACITY. **(17)** INCLUDES COLLECTION AND TREATMENT CONSUMPTION; 45% OF ELECTRICITY USED BY US IS SUPPLIED BY CESP, WHICH IS 100% HYDROPOWER. **(18)** WE ARE DEVELOPING OUR CORPORATE INVENTORIES OF GHG EMISSIONS IN 2009 AND 2010; THE 2011 INVENTORY SHOULD BE COMPLETED BY EARLY 2013. **(19)** IN THE 2011 CUSTOMER SATISFACTION SURVEY THE QUESTION WAS REPLACED BY A NEW EXPANDED/EXPLAINED ASSESSMENT OF OUR PERFORMANCE IN THIS REGARD. **(20)** EXCLUDES SEEDLINGS PLANTED UNDER ENVIRONMENTAL OFFSET AGREEMENTS, POLICY ADJUSTMENT COMMITMENTS, ENVIRONMENTAL RECOVERY COMMITMENTS IN 2009 AND 2010, THE AMOUNTS STATED EXCEED THE AVERAGE BECAUSE THE PLANTINGS UNDER OUR 1 MILHÃO DE ÁRVORES NA CANTAREIRA PROGRAM. **(21)** OWN AND LEASED FLEET LIGHT VEHICLES CONSIDERED; ALCOHOL AND GASOLINE. **(22)** EXCLUDES COMMUTING ACCIDENTS AND OCCUPATIONAL DISEASES. **(23)** INCLUDES PROFIT SHARING. **(24)** IN 2011, THIS QUESTION IS NO LONGER INCLUDED IN THE CUSTOMER SATISFACTION SURVEY BECAUSE WE UNDERSTAND THAT IT IS ALREADY IN OTHER QUESTIONS IN THE SURVEY. **(25)** WHEN NOT REPORTED IT MEANS THAT WE ARE NO LONGER AMONG THE 50 MOST COMPLAINED AGAINST COMPANIES IN PROCON'S (CUSTOMER PROTECTION AGENCY) RANKING.

GOAL BALANCE

ALL SIX OBJECTIVES SET FOR FISCAL YEAR 2011 HAVE BEEN MET WITH RECORD BREAKING SERVICE COVERAGE INCREASES

We met all six performance goals set for 2011 and that benchmarked the profit sharing bonuses granted to our employees.

Water supply remains in a level we might consider as universal in our area of operation. New connections of this service follow the organic growth in the areas served by us and our business, reaching the second largest growth of the past 12 years in 2011.

Sewage collection and treatment of collected sewage are still on track. Note that in 2011 we obtained the best performance of the past 12 years in number of new sewage connections made.

As for the water loss rate, in 2011 it follows the trend set by us for the coming eight years. The goal, which should be adjusted during 2012, is set at 13% by 2019. The water saved in 2011, with the reduction of total losses to 25.6%, from 26%, is sufficient to supply 26,700 people without new sourcing watersheds or making additional investments in water storage and production. Note that this indicator has systematically dropped since 2004, when it was 34%.

We also maintained a high rate of customer satisfaction, as evidenced by both the 92% satisfaction measured in opinion surveys with 5,860 users and the fact that since March 2010 we remained out of the ranking of companies with the largest number of complaints filed with Procon (customer protection agency).

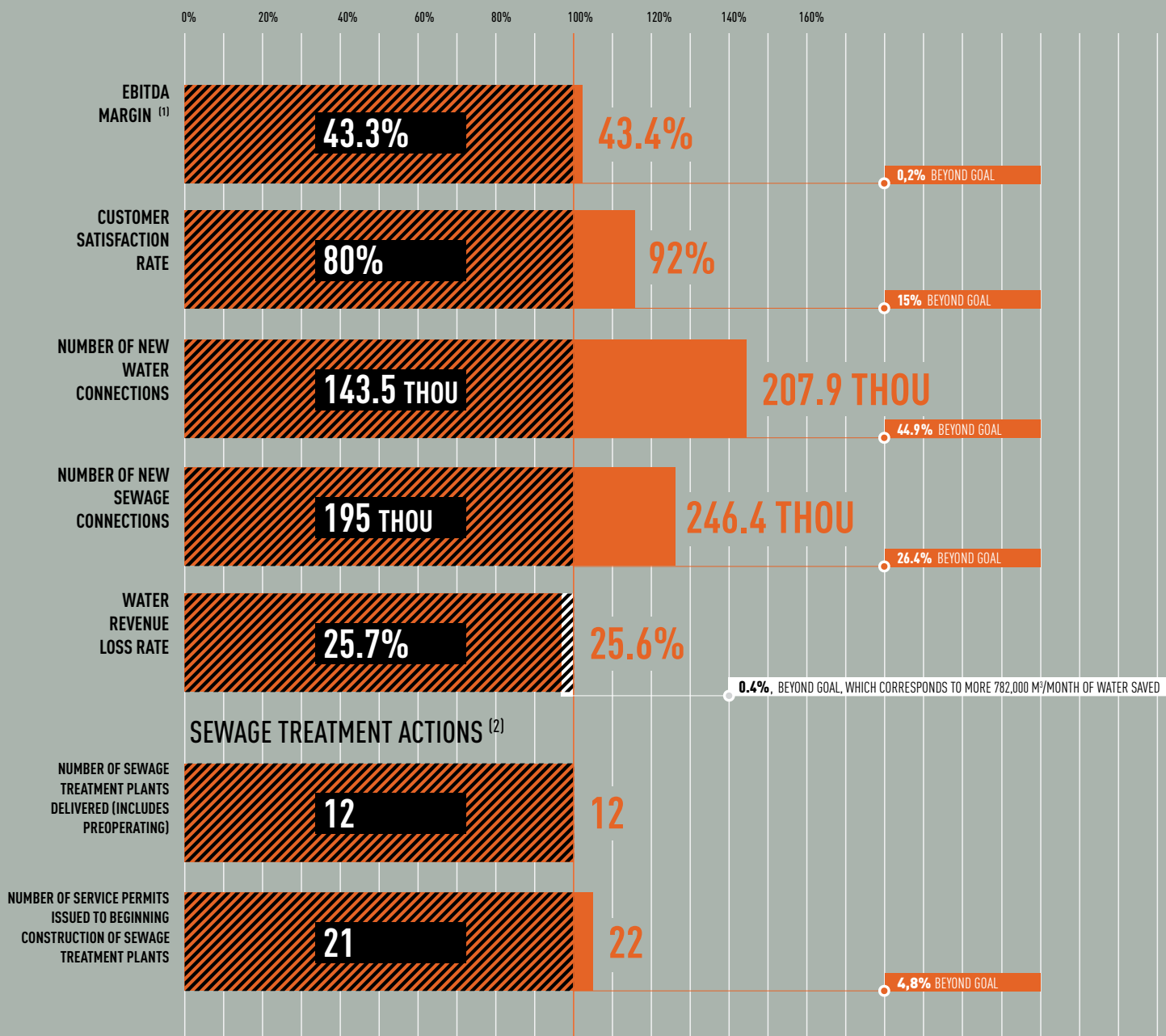


Works in Aquapolo Ambiental

Fifth largest project in the world dedicated to production of reclaimed water from treated sewage for industrial purposes. It will supply the Capuava Petrochemical Complex, with 650,000 liters per second, from the ABC STP, generating savings of water resources and preserving the environment

BEST PERFORMANCE OF THE PAST TWELVE YEARS IN NUMBER OF NEW SEWAGE CONNECTIONS MADE

GOALS **ATTAINED**



⁽¹⁾ Calculated by the method effective prior to CPCs/IFRS.

⁽²⁾ Goal consisting of two actions, to reflect more reliably our effort in expanding sewage treatment systems.



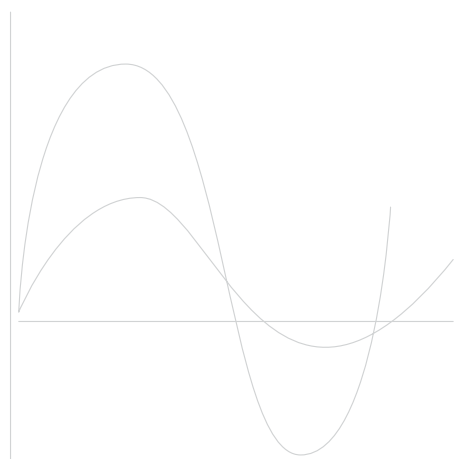
Guará Water Treatment Plant

It is part of the Cantareira System, the largest operated by us and responsible for supplying 9 million people in the São Paulo metropolitan area. The plant treats 33,000 liters of water per second. The WTP is one of the largest in the world and takes up an area of 1,5 million square meters



CORPORATE MANAGEMENT

Sabesp has maintained the level of investments focus on the provision of universal services: totaling R\$ 2.4 billion, with improvements in the quality of life of the population. In 2011, we conducted the second largest number of water connections and the largest expansion in sewage connections of the last 12 years. More five municipalities started to have universal water, sewage collection and treatment services. These actions are part of our structuring programs, aimed at ensuring water supply and promote the expansion of the sewage system and the recovery of rivers and brooks. We also generated good economic and financial results, with profit of R\$ 1.22 billion for the year.



UNIVERSAL WATER AND SEWAGE
**SERVICES IS A
COMMITMENT**
FROM WHICH WE WILL NOT TURN AWAY

“Bring treated water, sewage collection and treatment services to all urban households served by us by 2018”



(1)



(2)



(3)

(1) First public-private partnership entered into by us, it has allowed us to increase production by 5,000 liters per second in **Taiáçupeba WTP**, in Suzano. **(2)** The **Barueri STP**, which is being expanded during the third stage of the Tietê Project. **(3)** Expansion of the **Santos sea outfalls**, carried out as part of the Onda Limpa program.

In 2011, we maintained

the investment pace necessary to reach our goal: supply treated water and sewage collection and treatment services to all urban households served by Sabesp by the end of this decade. This goal is as ambitious as vital: making water and sewage services universal is a demand of society and a commitment that we intend to keep.

Our activity has direct benefits to the improvement of the population’s quality of life and environmental preservation. The slogan is old but it still applies: water is life. Collecting and treating sewage also.

In 2011, we maintained the pace of the investments necessary to attain an even bigger goal: we invested R\$ 2.4 billion, including the so-called conventional and project

finance investments, as public-private partnerships, totaling R\$ 121.4 million, such as the expansion of the Alto Tietê Water Producing System, and lease of assets such as the Campo Limpo Paulista and Várzea Paulista Sewage System. The use of these financing models allows us to speed up and optimize the works and services bidding processes, and access public funds outside earmarked government budgets, thus expediting the implementation of our investment plan.



246,400

NEW SEWAGE CONNECTIONS IN 2011

Water supply remains universal in the urban areas served by Sabesp. Note that in 2011 we conducted the second largest expansion of the past 12 years: 207,900 new connections to the benefit of 570,000 people. This performance is important for our objective of ensuring water supply safety in the served areas, assisted by watershed recovery and preservation, incentive to consumption reduction, and decrease of water losses control actions. We closed 2011 with 23.9 million people supplied with water directly by us. If we include the population of municipalities that buy bulk water from us and the municipalities where we operate through partnerships with the private sector, the number reaches 27.6 million people.

As for the **sewage collection service**, we made 246,400 new connections in the year, to the benefit of over 880,000 people. It was our best performance in 12 years. The collection rate increase to 82% and treatment reached 76% of the collected volume. Our concern is to expand services, so that we can eliminate the disposal of untreated sewage and thus help to decontaminate rivers, brooks and water bodies. Around 20.5 million people are currently served by sewage collection systems and we treat the sewage generated by 14.9 million people.

In 2011, five new municipalities started to have universal water supply and sewage collection and treatment services: Conchas, Laranjal Paulista, Pratânia, Tarumã and Teodoro Sampaio. Therefore, currently 146 municipalities have access to universal services. We intend that by 2014 all the sewage collected in the São Paulo State inland municipalities where we operate, i.e., except for sewage collected in the São Paulo metropolitan area and on the coast, is fully treated. We consider that the water supply rate is already at universal services level.

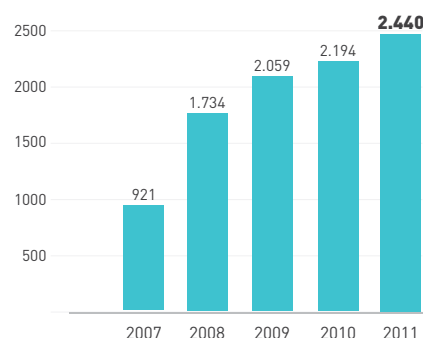
As part of our strategy to expand water supply and sewage collection and treatment services, we obtained in 2011 other results that we consider significant, such as the completion of 14 water supply projects and the beginning of 43% of the sewage system construction works for the third stage of Tietê Project, both in the São Paulo metropolitan area (RMSP). In addition to the state capital, in 2011 we initiated expansion works in 58 municipalities, such as Águas de Santa Bárbara, Campos do Jordão and Franco da Rocha, to name a few.

BY 2014, SUPPLY WATER AND TREAT
ALL SEWAGE COLLECTED
 IN STATE INLAND CITIES



INVESTMENT HISTORY ⁽¹⁾

Current R\$ million



(1) Calculated since 2008 according to CPCs/IFRS. Does not include financial obligations assumed under program contracts (R\$ 253 million, R\$ 18 million, R\$ 63 million and R\$ 139 million in 2008, 2009, 2010 and 2011, respectively).

INVESTMENTS BY REGION

In 2011, in current R\$ million

	RMSP	REGIONAL SYSTEMS (INLAND AND COAST)	Total
Water	633.2	502.2	1,135.4
Sewage	697.8	607	1,304.8
Total	1,331.0	1,109.2	2,440.2

Note: Does not include financial obligations assumed under program contracts (R\$ 139 million).

NEW CONNECTIONS AND BENEFITED POPULATION

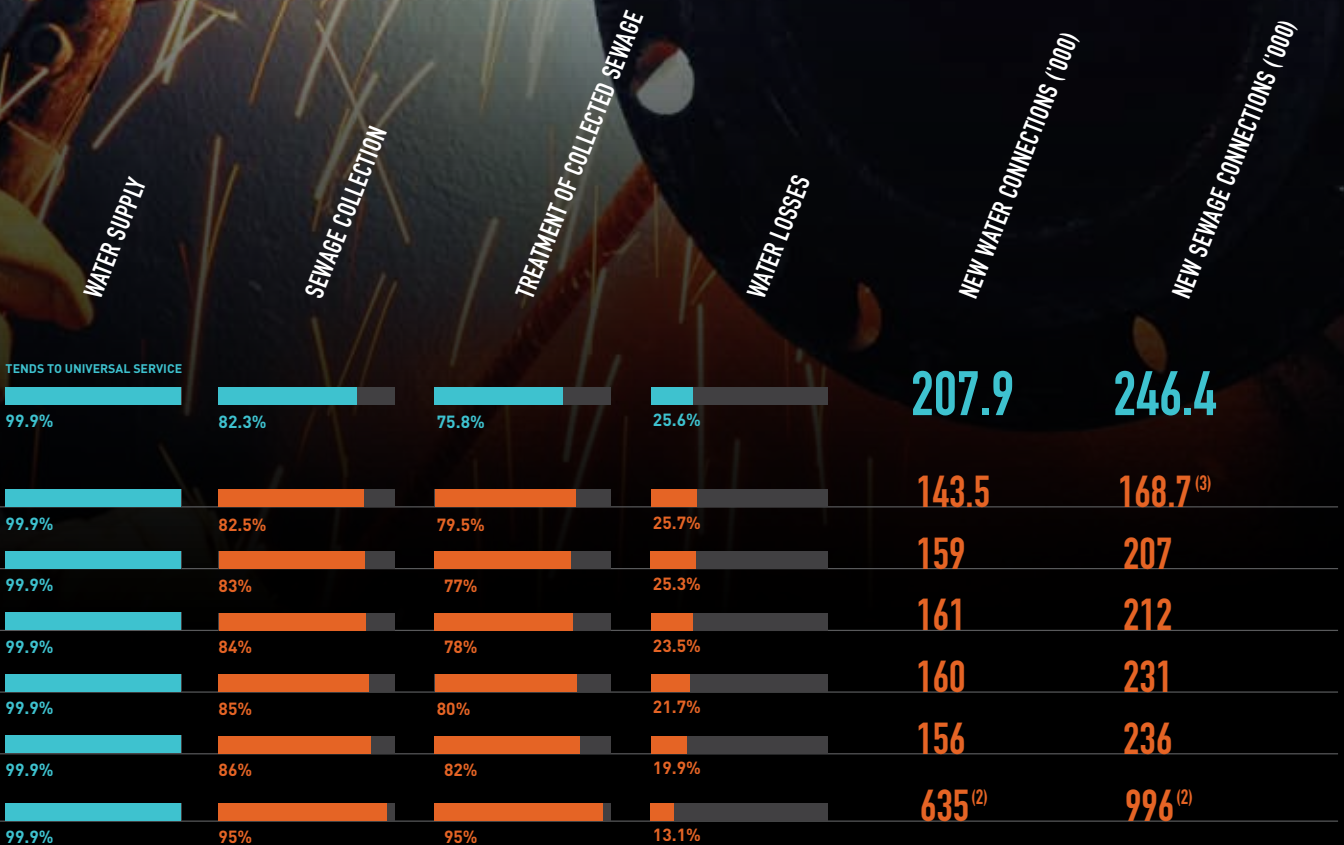
In 2011

NEW CONNECTIONS, IN THOUSANDS OF UNITS
 BENEFITED POPULATION, IN THOUSANDS OF INHAB.

	RMSP	REGIONAL SYSTEMS (INLAND AND COAST)	Total
WATER			
	123.5	84.4	207.9
	360	210	570
SEWAGE			
	126.0	120.4	246.4
	510	370	880

GOALS PLAN 2010 / 2019

■ ATTAINED IN 2011
■ GOALS / 2011 - 2019 ⁽¹⁾



[1] The goals should be adjusted with the completion of the 2011/2020 planning cycle and the IBGE 2010 Census. [2] 2016/2019 Cumulative Goal. [3] For 2011, the PPR sewage connections goal was higher than the Goals Plan to induce a higher accomplishment, necessary for universal collection services.

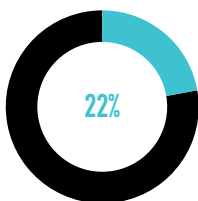
▶ SÃO PAULO IN BRAZIL

IN PERCENTAGES



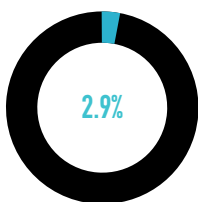
▶ POPULATION

Number of inhabitants to total Brazil



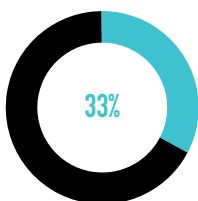
▶ EXTENSION

Territorial area to total Brazil



▶ GROSS DOMESTIC PRODUCT

GDP generated in the State to total Brazil



STRUCTURING PROGRAMS

Our investment plan is sustained by a portfolio of structuring programs, organized around two axes: ensure water supply security and collaborate to the decontamination of our rivers, brooks and other water bodies.

This approach is particularly important considering the geographic, demographic and hydrographic conditions in which we operate. The State of São Paulo – our current base operation area – concentrates 22% of Brazil's inhabitants. Its territory is 2.9% of Brazil's and it generates 33% of national Gross Domestic Product (GDP). The 363 municipalities served by Sabesp concentrate 60% of the state's urban population, many of who live in conurbations consisting of rapid and unorganized land occupation over the past decades.

We face, in particular in the Alto Tietê basin, in the RMSP, a situation of extreme water shortage. The region alone is unable to meet its population's water needs. Currently, demand is equivalent to approximately the double of minimum availability, which is 39 m³/s. These constraints force us source water in watersheds increasingly more distant, such as the basin of the Piracicaba, Capivari and Jundiá rivers. They also impose the need to encourage the decrease of water losses in our operations and encourage the population to reduce consumption.

An example of a successful initiative in our strategy to recover major watersheds through structuring actions was the recovery of the Paraíba do Sul river, in the Vale do Paraíba region. With the expansion of sewage collection and treatment works in densely populated cities such as São José dos Campos and Taubaté, totaling an investment of R\$ 170 million through 2010, the river water quality improved significantly.

After the completion of the Taubaté/Tremembé STP, one of the most modern in Brazil, and the start of the Vidoca sewage pumping station operation, in São José, Cetesb (São Paulo Environmental Agency) tests showed a major increase in the water oxygenation of the Paraíba do Sul, in 2011. Oxygen concentration increased to 5.2 milligrams per liter from 0.5 mg/l in 2009. As a result, previously rarely seen fish such as banded astyanax, mandi, neon tetra, catfish, wolf fish, curimbata and tilapia, returned to the region's rivers.

ENSURE SECURITY IN
**WATER SUPPLY AND
PROMOTE DECONTAMINATION
AND RECOVERY OF OUR RIVERS AND BROOKS**

SUPPLY SECURITY

● METROPOLITAN WATER PROGRAM

EXPANSION OF THE ALTO TIETÊ WATER PRODUCTION SYSTEM



PEOPLE BENEFITED



6.6 MILLION

Our **Metropolitan Water Program** is intended to increase current production capacity by 20% – equivalent to 13.2 m³/s – by 2014. In 2011 we completed production and transmission works, improving the water supply rate in the RMSP. The highlight was the completion of the actions that resulted in the expansion of the Alto Tietê Production System treatment capacity by 50% to 15 m³/s, from 10 m³/s, through PPP with CAB Ambiental. We also delivered over 14 large projects that jointly directly and indirectly benefit 6.6 million people – in particular in the east and west regions of the state capital – with more treated water, by following the link below. The program's aggregate investment since 2006 is **R\$ 1.7 billion**, using own funds and funds granted by Caixa Econômica Federal (federal savings bank) and Banco Nacional de Desenvolvimento Econômico e Social (BNDES, the Brazilian development bank).

● ÁGUA NO LITORAL

MAIN ACTIONS

JURUBATUBA



2,000 L/S
IN GUARUJÁ

MAMBÚ-BRANCO



1,600 L/S
IN ITANHAÉM

PEOPLE BENEFITED



3 MILLION

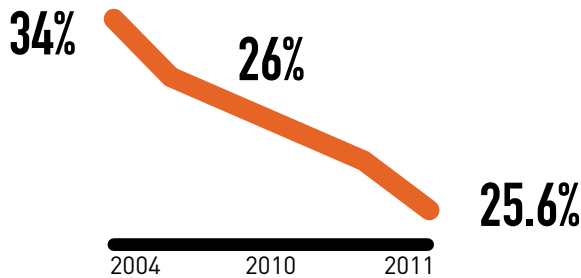
To the supply improvement actions in the RMSP we have added the **Água no Litoral** (Water in Coastal Region) program. This consists of works to expand production, improve quality, increase transmission, and the water storage capacity in the Baixada Santista metropolitan area, where 1.7 million people live, divided into nine municipalities – a population that reaches nearly 3 million people during the summer vacations.

In 2011, we invested R\$ 158 million in works such as the construction of the Mambú-Branco Production System, scheduled to be completed in the second half of 2012, in Itanhaém, and the construction of the Jurubatuba Water Treatment Plant, to be completed this year, in Guarujá. By the end of 2011, the amount invested in the program, initiated in 2008, totaled **R\$ 472.7 million**.

Works carried out in 2011
www.sabesp.com.br/rs2011/pma

◉ **CORPORATE WATER LOSSES REDUCTION PROGRAM**

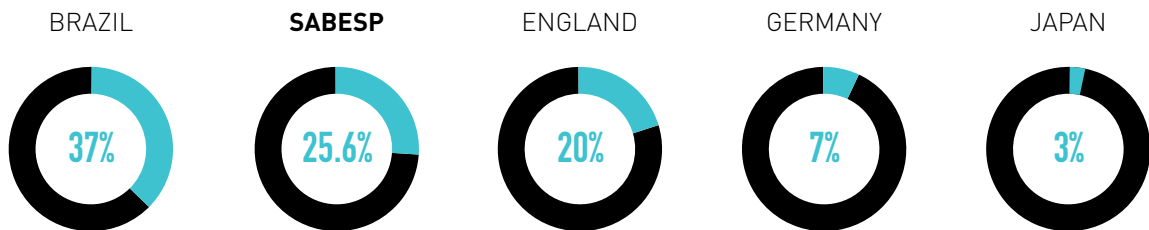
REVENUE LOSS REDUCTION



SAVINGS IN 2011 FOSTER INCREASED SUPPLY



AVERAGE LOSSES WORLDWIDE



EN26 Concurrently with the projects to expand water production and treatment, we developed, as part of our structuring actions, the **Corporate Water Losses Reduction Program**. We estimate that by 2019 we will have invested R\$ 4.3 billion in actions such as replacing systems, pipes, compartmentalization (reducing water pressure) and replacement of water meters. Currently, our objective is to reduce the loss rate to 13% by 2019; however, this goal is being revised based on the result obtained so far.

We have already invested **R\$ 1.03 billion** in the program, of which roughly R\$ 326.7 million was invested in 2011. Part of funds are own funds and remaining come from funds granted by Jica, Caixa and BNDES. Note that in February 2012 we entered into a financing agreement with Jica for the second stage of the program, of approximately R\$ 710 million, which are added to the R\$ 390 million as Sabesp's counterpart funds.

In 2011, we were able to reduce the revenue loss rate to 25.6% from 26%. Note that the Brazilian average is around

37%. For comparative purposes, the rate in Japan is 3%; in Germany is 7%, and in England is 20%. We should also emphasize that the indicator comprises actual losses (leaks) and apparent losses, consisting of illegal connections and undermeasurement.

But just reducing losses is not enough. Because of the low volume of water resources available, in particular in São Paulo city, our planning also pints to the need to have a new production system to supply the growing demand in the RMSP: the **São Lourenço** (Alto Juquiá) system, distant approximately 80 km from the Great São Paulo. This system will have production capacity of 4.7 m³/s and will benefit a population of nearly 1.5 million inhabitants, in particular in the municipalities of Barueri, Carapicuíba, Cotia, Itapevi, Jandira, Santana de Parnaíba and Vargem Grande. We have already completed the concept and the basic design of the new production system. Concurrently, we are modeling the construction of new system through a public-private partnership submitted to the analysis and approval of the São Paulo State Government PPP Steering Board.

EXPANSION OF SEWAGE SYSTEM AND RIVER DECONTAMINATION

◉ TIETÊ PROJECT

SEWAGE COLLECTION AND TREATMENT



+ 8.5 MILLION PEOPLE

BENEFITED BY SEWAGE SERVICES IN THE RMSP OVER 20 YEARS

The recovery and decontamination of water bodies represent a challenge as great or greater than ensuring water supply. Particularly in the Great São Paulo, where around 20 million people live. When it crosses the RMSP, river Tietê is very close – approximately 60 km – to its spring, in Salesópolis. In this section, its tributaries have also small volume. The low flow makes it even more difficult to disperse the organic load, whose volume receives the unwanted contribution from the immense diffuse pollution generated every day both by plants and the population living in the entire RMSP.

We understand, therefore, that the recovery of the main river in the State of São Paulo and its tributaries is a crucial task for which we must contribute. Therefore, we maintain our effort toward sewage service expansion in the RMSP, where the infrastructure built by us in the past 20 years, as part of Tietê Project, represented the connection of 8.5 million people in the collection and treatment system, by following the link below.

Tietê Project is our main sewage investment program. It is currently in its third stage, initiated in 2009. Its objective is to increase the sewage collection rate in the RMSP by 2016 from the current 84 to 87% and the treatment of total sewage collected from 70 to 84%, which requires investments estimated at about US\$ 1.1 billion, using own funds and remaining coming from facilities granted by the Inter-American Development Bank (IADB), Caixa

and BNDES. In 2011, we invested R\$ 228.4 million of the **R\$ 423.3 million** already invested in this stage of the project.

Approximately 43% of this stage works are already underway, scattered across 20 municipalities in the Great São Paulo. In 2011 we initiated the works in 13 of these municipalities: Arujá, Barueri, Caieiras, Carapicuíba, Francisco Morato, Franco da Rocha, Itapeverica da Serra, Osasco, Pirapora do Bom Jesus, Ribeirão Pires, São Bernardo do Campo, Suzano and Taboão da Serra. The other 25% are in bidding process.

At the end of the works, 1.5 million more people will be connected to the sewage system and 3 million to sewage treatment. The fourth and last stage of Tietê Project, scheduled for 2013-2018, is currently in planning stage. We expect that this last stage will eliminate the discharge of untreated sewage in river Tietê in the RMSP, in areas regularly operated by Sabesp.

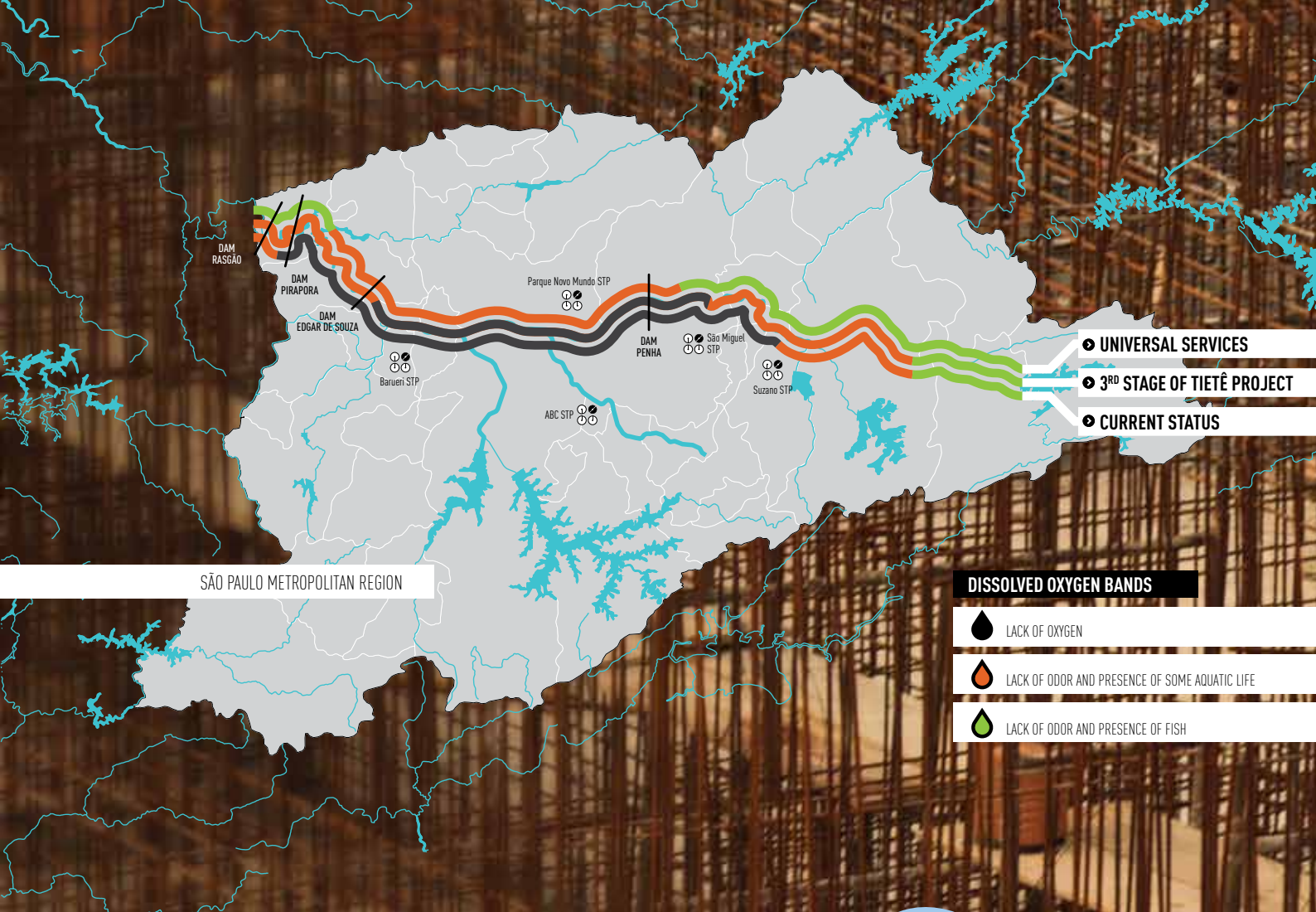
We consider essential, therefore, the involvement of society in facing the problem. In 2011 we have sponsored, to this end, the campaign **Tietê Vivo – Compromisso de Todos Nós** (Living Tietê – Everyone's Commitment), initiated by the SOS Mata Atlântica Foundation. We are gathering, via Facebook, support to Tietê decontamination actions by inviting people to ratify the ten commandments for river recovery. The initiative was initiated in September and in December 2011 it already had the support of over 7,500 people.

Tietê Project

www.sabesp.com.br/rs2011/tiete_01

Tietê Vivo

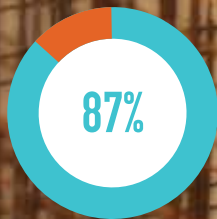
facebook.com/TieteVivo



GOALS FOR 2016

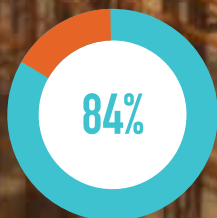
SEWAGE COLLECTION

INCREASE RATE TO



SEWAGE TREATMENT

INCREASE RATE TO



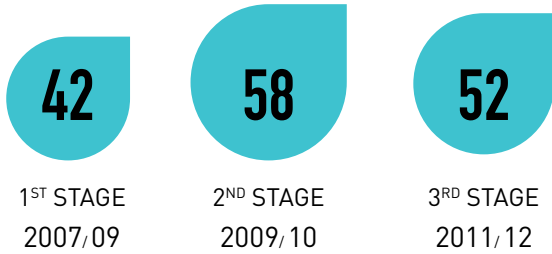
PROJETO TIETÊ

MAIN INVESTMENT PROGRAM IN SEWAGE

EXPANSION OF SEWAGE SYSTEM AND RIVER DECONTAMINATION

● CÓRREGO LIMPO

DECONTAMINATED BROOKS



PEOPLE BENEFITED



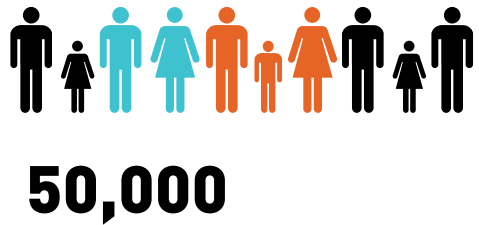
501 Specially in the city of São Paulo decontamination actions of Tietê river are complemented by the **Córrego Limpo** (Clean Brook) program, developed in association with the local city government. As the name suggest, the program's objective is to clean water bodies by improving the sewage system and eliminating the discharge of untreated sewage in brooks, clean their banks and beds, and remove and relocate dwellings by the stream.

In 2011, we designed the third stage of the program (52 brooks) and completed the cleaning of another seven brooks: City Jaraguá IV, Cajazeiras, Julião, Israel, Yacht Clube Santo Amaro, Parque Municipal Jacques Cousteau and Gastão de Almeida street. A total of 48,000 people were benefited from this.

Thus, since 2007 we have decontaminated 103 brooks in the state capital, to the benefit of around 1.7 million people, with a total investment of **R\$ 129.5 million**. This represented 1,100 l/s of sewage that stopped to be discharged into these brooks. We estimate cleaning 45 brooks in 2012, to the benefit of 700,000 people, with an investment of R\$ 36 million from Sabesp.

● VIDA NOVA

FAMILIES BENEFITED



INVESTMENTS UP TO 2015



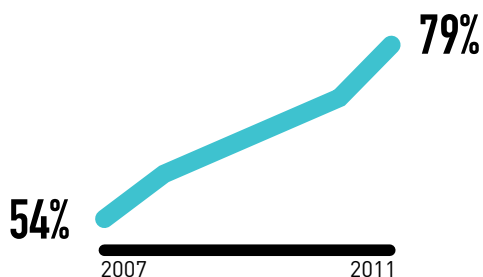
Finally, also in the RMSP, we have been involved in the **Vida Nova** (New Life) program, aimed at recovering and protecting the dams used to supply water to the big city. The program consists of interventions in 43 slums located in Guarapiranga and Billings sub-basins, benefiting 50,000 households.

Our responsibility is to build and improve the water and sewage systems, an investment of R\$ 355 million. In 2011, we invested R\$ 29.4 million of a total **R\$ 45.5 million** invested so far in the program. The completion of the Vida Nova program is scheduled for 2015 and represents a total investment of R\$ 1.3 billion, in funds from the federal government, the State Government, the cities, Companhia de Desenvolvimento Habitacional e Urbano (CDHU) (state housing authority) and the World Bank.

EXPANSION OF SEWAGE SYSTEM AND RIVER DECONTAMINATION

ONDA LIMPA

EXPANSION OF SEWAGE COLLECTION



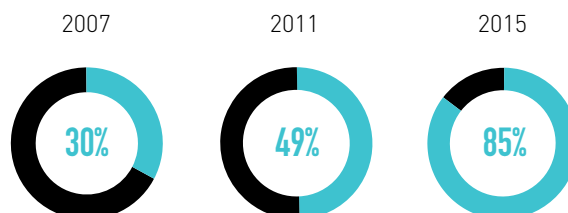
PEOPLE BENEFITED



3 MILLION

NORTHERN COAST ONDA LIMPA

PROGRESS IN SEWAGE COLLECTION AND TREATMENT



PEOPLE BENEFITED



600,000

On the coast, our sewage structuring actions are organized around the **Onda Limpa** (Clean Wave) program. The works in the Baixada Santista started in 2007 and are on track to end in 2013. They are intended to expand the sewage collection and treatment rates in nine municipalities: Bertioga, Cubatão, Guarujá, Itanhaém, Mongaguá, Peruíbe, Praia Grande, Santos and São Vicente. In addition to our own funds, the program is financed by Jica and funds from FGTS.

So far, **R\$ 1.6 billion** were invested – of which R\$ 159.8 million in 2011. With the completion of the sewage treatment plants, we have prioritized the connection of buildings to the sewage collection system, which by the end of 2011 totaled 63,000 connections of the estimated 123,000.

The significant improvement in the bathing conditions on the 82 beaches in the Baixada Santista to promote tourism and job creation depends on the effective connection of households. We should bear in mind that there are other equally important factors for water quality, such as the decrease in the so-called diffuse pollution, i.e., people littering the streets, pet feces, soot from cars, etc.

Sabesp is already preparing the second stage of Onda Limpa, to ensure that by 2018 all cities in the Baixada Santista have all their sewage collected and treated.

Onda Limpa also unfolds to take specific actions in the São Paulo **Northern Coast**. Our goal is to increase the sewage collection and treatment rate in the municipalities Caraguatatuba, Ilhabela, São Sebastião and Ubatuba from the current 49% to 85% by 2015, with an estimated investment of R\$ 500 million. Note that in 2007, before the program, this rate was 30%. 600,000 people will benefit, both local residents and tourists that visit the region. In 2011, we invested R\$ 24.6 million in the program – from a total of **R\$ 114.6 million** already invested so far – including own funds and funds from BNDES, FGTS and Caixa. We also plan to form a public-private partnership to complete the program.

PRÓ-CONEXÃO

800,000 people from households with income of up to three minimum wages benefited over an eight-year period



192,000 NEW CONNECTIONS



76,800 IN THE RMSP



30,000 IN THE BAIXADA SANTISTA



5,600 IN CAMPINAS REGION



79,300 IN OTHER CITIES

ÁGUA É VIDA



41 COMMUNITIES SERVED



13,000 PEOPLE BENEFITED



6 MILLION IN INVESTMENTS

NOSSA GUARAPIRANGA

Improvement of the water quality of the main watershed supplying the RMSP



11 BARRIERS INSTALLED
20 M³/DAY OF RUBBLE COLLECTED

NEW POLICIES AND PROGRAMS

Currently, one of the challenges for the process of rendering universal water and sewage services is the fact that investments per unit increase as they are aimed at classes with lower purchasing power, which are precisely those with the lowest capacity to generate revenue for companies. It is, therefore, important to design new public policies and actions that help attaining our expansion goals, converge for the success of the structuring programs already in place, and meet the social inclusion principle.

As part of this strategy, in 2011, our effort toward universal water and sewage services in our State counted on institutional assistance, in the form of two new governmental programs to which budget resources from the São Paulo State Government will be allocated.

In December, the State Legislature approved a bill from the Executive branch that creates the **Pró-Conexão** (Pro-connection) program. The program is aimed at subsidizing works inside the homes of lower-income households, so that they may be connected to the public sewage system. We estimate that this will increase the efficiency of the water and sewage programs performed by Sabesp: the resulting collection expansion will hold social inclusion, the improvement of the population's living conditions, the recovery of rivers and brooks and the preservation of watersheds.

We estimate that 192,000 new connections will be made over eight years, to the benefit of around 800,000 people from lower-income households that earn up to three minimum wages. The State Government will cover 80% of the program's costs and we will cover the remaining 20%. Over the period, R\$ 349.5 million will be invested.

In November, we also created the program **Água é Vida** (Water is Life), aimed at implementing water and sewage services in low-income communities located in areas far from city centers in the São Paulo inland. During the first stage we will serve 41 communities in 20 municipalities in the Alto Paranapanema and Vale do Ribeira regions. After the works are completed, we will operate and maintain the systems. We will invest R\$ 6 million during this stage, to the benefit of around 13,000 people. We expect to extend the program to other State regions by 2014.

In another joint initiative with the government, we initiated in December the **Nossa Guarapiranga** (Our Guarapiranga) program. This program aims at improving the water quality of one of the many watersheds supplying the RMSP: the Guarapiranga dam. We have built 11 barriers to contain garbage in the points where the main brooks flow into the dam. Our goal is to collect 20 cubic meters of waste per day, equivalent to four garbage dumpsters.

We emphasize that the actions that are already being taken by us in the two main watersheds of the São Paulo metropolitan area, in association with the State Government and the neighboring cities, have helped avoiding the discharge of 106 liters of sewage per second directly into the Guarapiranga and Billings dams.



78%

THINK OF US AS A COMPANY CONCERNED WITH THE PRESERVATION OF RIVERS, WATERSHEDS AND VEGETATION



80%

THINK OF US AS A SOCIALLY RESPONSIBLE COMPANY

Satisfaction survey conducted with 5,860 users in 2011

LOOKING AFTER THE ENVIRONMENT

The construction of water supply and sewage systems has several benefits to the environment and the quality of life of the population served. The most significant of these benefits are preservation and improvement of water resources and, on the coast, the recovery of the beaches' bathing conditions, not to talk about the immediate positive effect on the population's health.

Our activity, however, can have adverse environmental impacts during construction and operation, as the sewage mains and sewage interceptors go along deep valleys and the treatment plants are generally built in the lowlands, there are some cases where we have to use permanent preservation areas, occasionally requiring recovering riverbank forest areas.

Negative socio-environmental impacts are also associated to the expropriation of areas, vegetation removal, generation of sludge from water and sewage treatment, methane emissions from anaerobic treatment, and indirect generation of carbon gas (CO₂) from energy consumption. Note that we are one of the largest individual power consumers in the State of São Paulo, single-handedly accounting for 1.8% of total consumption: in 2011, we consumed 2,276 gigawatt-hours.

We have been trying to include the environmental variable since the design up to the operation of our systems, incorporating sustainability practices and projects in association with society. The 2011 customer satisfaction survey indicates that this effort is being recognized: 79% of our customers think of us as a "socio-environmentally responsible". When we inquired the interviewees if they think that Sabesp "worries about the preservation of the environmental, the rivers, the watersheds and the vegetation", 78% said yes.

SOCIAL COMMITMENT

We are proud of the links we establish with the population of the State of São Paulo. We are convinced that by providing better services, ensuring the regular supply of quality water and correctly handling our water resources, we are contributing to the creation of value in our society.

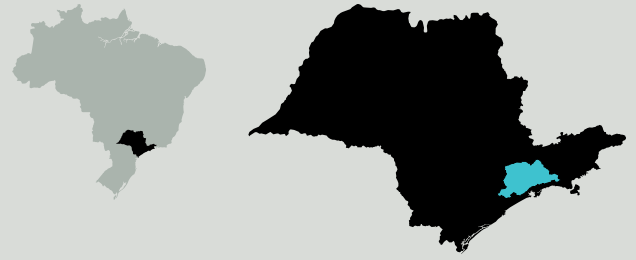
The recognition of this effort is evidenced in the high rate of positive answers obtained in our customer satisfaction survey, which rated Sabesp as a company concerned with the population's quality of life and social well being. 80% of the respondents answered positively to the question: "In your opinion, is Sabesp a socially responsible company?"

GRI 4.8 Our commitment to the satisfaction of our customers is even clearer in our new Strategic Planning for 2011-2020. We have revised our future vision to highlight our concern for and our focus on "excellence in customer service." The Strategic Map was revised to cover 14 goals that we consider strategic for the period. Our mission has not been revised. The output of all this work – which unfolded during 2011 – is summarized in the exhibit of the page 34.

Also as a result of strategic planning, we also included in our strategic guidelines valuing our human capital as a competitive force. In this context, we are committed to creating in Sabesp a better working environment. In 2011, we focused on two issues that we consider key to increase employee satisfaction: adopting a new Career and Salary Plan and reaching the breakeven point of our pension plan, Sabesprev. The actions taken have allowed us to predict our corporate performance during 2012. (See section *Social Responsibility for further details.*)

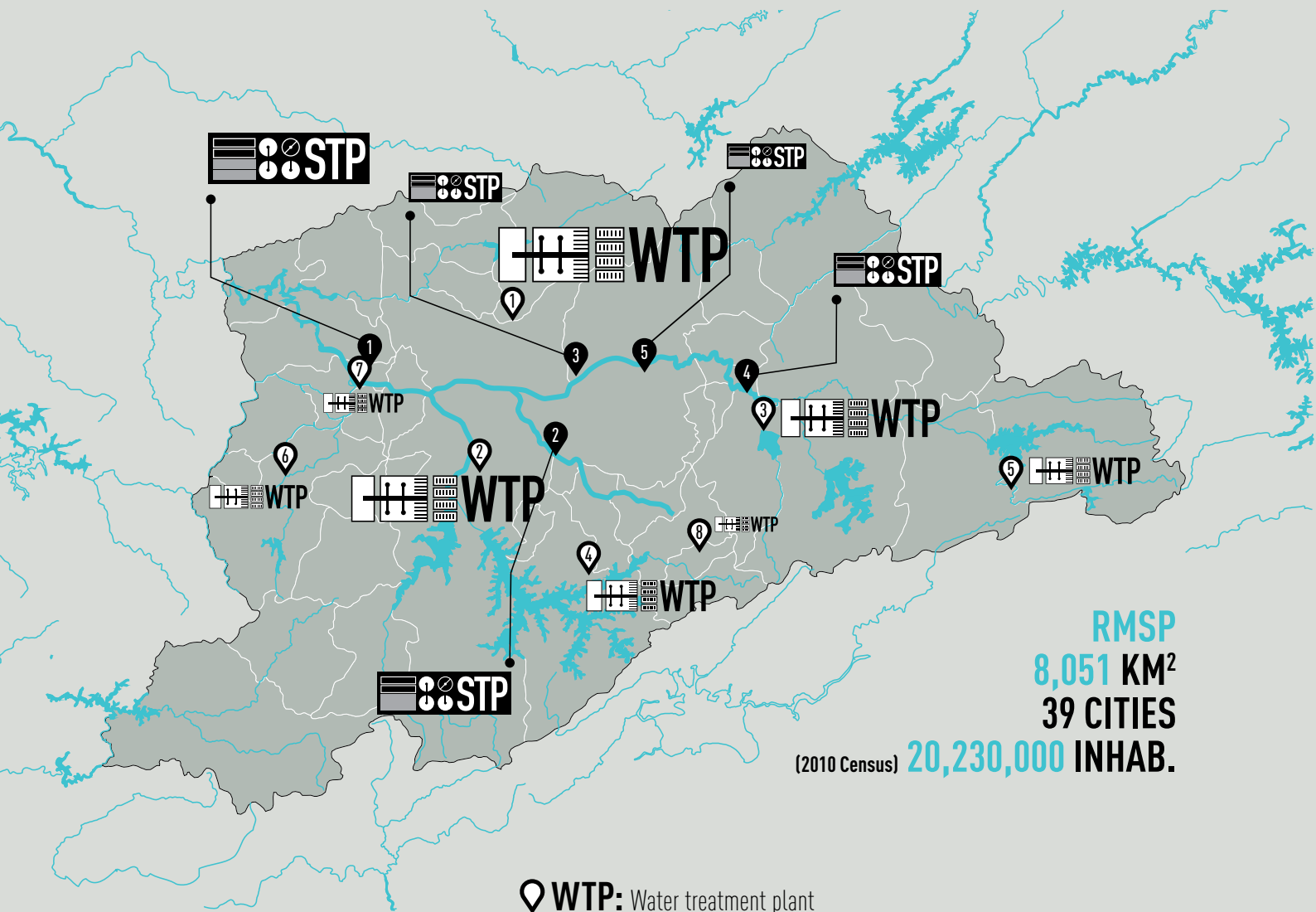
PATH OF SANITATION

SÃO PAULO METROPOLITAN AREA



SABESP IN THE RMSP:

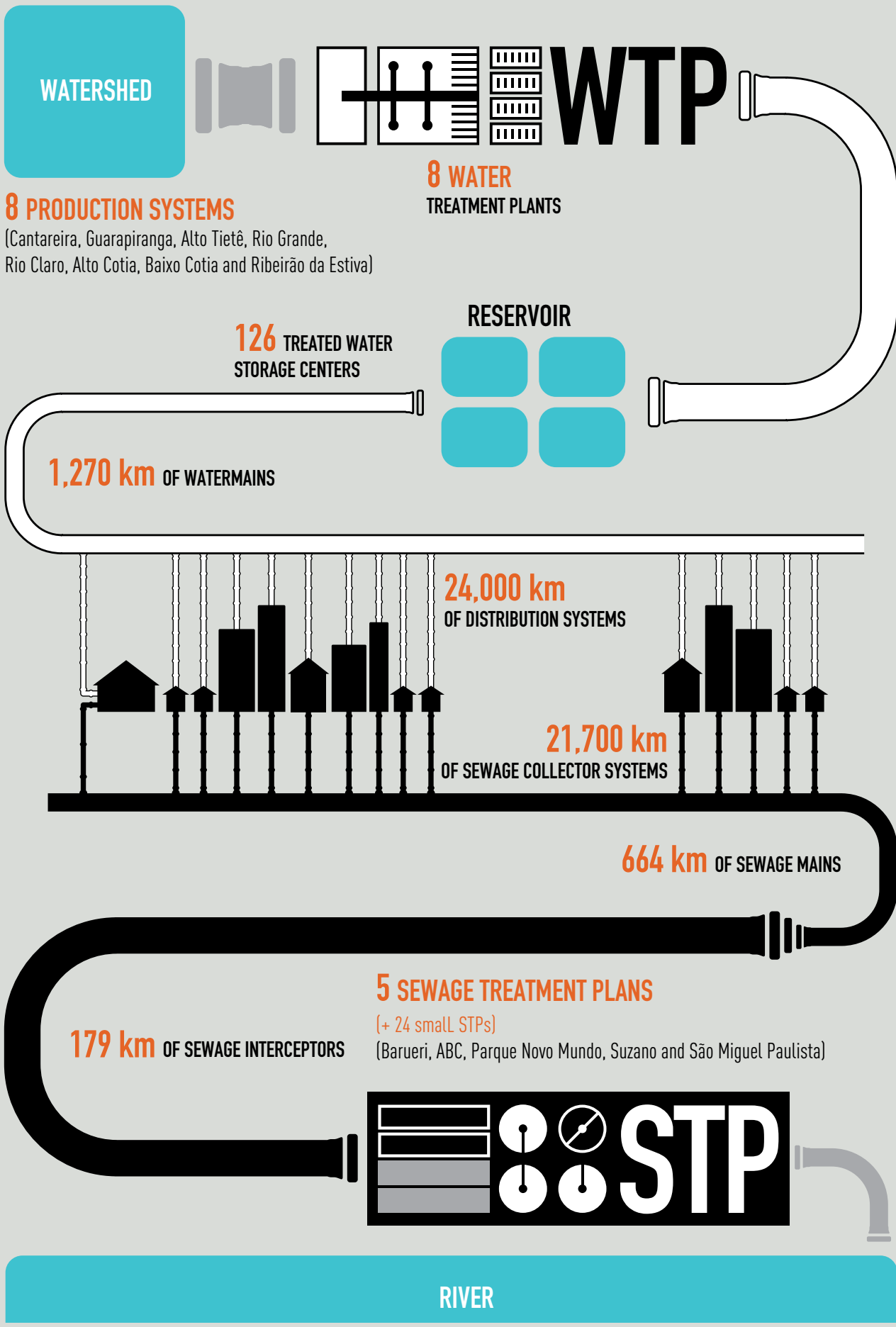
- 32 CITIES WITH WATER AND SEWAGE
- 6 CITIES WITH BULK TREATED WATER PRODUCTION AND SEWAGE TREATMENT
- **16,760,000** INHABITANTS SERVED



📍 STP: Sewage treatment plant

- 1 - Barueri STP: 1988 - 9.5 m³/s Nominal Capacity
- 2 - ABC STP: 1998 - 3 m³/s Nominal Capacity
- 3 - Parque Novo Mundo STP: 1998 - 2.5 m³/s Nominal Capacity
- 4 - Suzano STP: 1982 - 1.5 m³/s Nominal Capacity
- 5 - São Miguel Paulista STP: 1998 - 1.5 m³/s Nominal Capacity

- 1 - Guarau WTP: 1972 - Production System: Cantareira, 33 m³/s Nominal Capacity
- 2 - Engenheiro Rodolfo José da Costa e Silva WTP: 1953 - Production System: Guarapiranga, 14 m³/s Nominal Capacity
- 3 - Taiacupeba WTP: 1992 - Production System: Alto Tietê, 10 m³/s Nominal Capacity
- 4 - Rio Grande WTP: 1954 - Production System: Rio Grande, 5 m³/s Nominal Capacity
- 5 - Casa Grande WTP: 1937 - Production System: Rio Claro, 4 m³/s Nominal Capacity
- 6 - Alto Cotia WTP: 1915 - Production System: Alto Cotia, 1.2 m³/s Nominal Capacity
- 7 - Baixo Cotia WTP: 1963 - Production System: Baixo Cotia, 0.9 m³/s Nominal Capacity
- 8 - Ribeirão da Estiva WTP: 1967 - Production System: Ribeirão da Estiva, Nominal Capacity 0.1 m³/s



WATERSHED

8 PRODUCTION SYSTEMS

(Cantareira, Guarapiranga, Alto Tietê, Rio Grande, Rio Claro, Alto Cotia, Baixo Cotia and Ribeirão da Estiva)

8 WATER TREATMENT PLANTS

WTP

126 TREATED WATER STORAGE CENTERS

RESERVOIR

1,270 km OF WATERMAINS

24,000 km OF DISTRIBUTION SYSTEMS

21,700 km OF SEWAGE COLLECTOR SYSTEMS

664 km OF SEWAGE MAINS

5 SEWAGE TREATMENT PLANTS

(+ 24 small STPs)

(Barueri, ABC, Parque Novo Mundo, Suzano and São Miguel Paulista)

179 km OF SEWAGE INTERCEPTORS

STP

RIVER

STRATEGIC DIRECTION

2011/2020

MISSION

Render sanitation services, contributing for a better life and environmental quality.

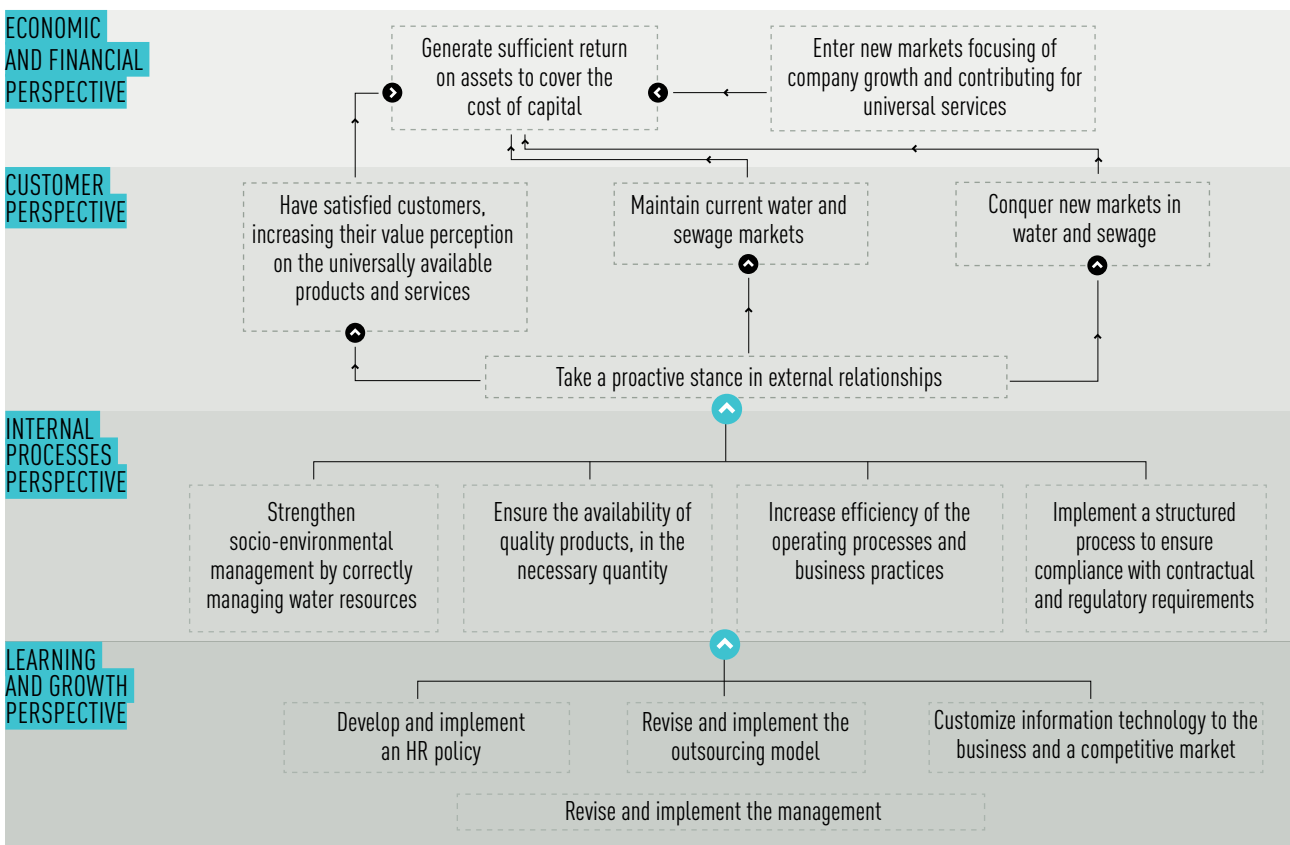
FUTURE VISION

In 2018 to be recognized as the company that has universalized water and sewage services, within its area of operation, in a sustainable and competitive way, with excellence in customer service.

STRATEGIC GUIDELINES

- UNIVERSAL SERVICES AND QUALITY
- GROWTH WITH ECONOMIC AND FINANCIAL SUSTAINABILITY
- SOCIO-ENVIRONMENTAL SUSTAINABILITY
- PROACTIVITY IN RELATIONSHIPS
- INTEGRATION AND INNOVATION
- HUMAN CAPITAL AS A COMPETITIVE STRENGTH

STRATEGIC MAP



ETHICAL VALUES

- RESPECT FOR SOCIETY AND CUSTOMERS
- RESPECT FOR THE ENVIRONMENT
- RESPECT FOR PEOPLE
- INTEGRITY
- COMPETENCE
- CITIZENSHIP

225
SINCE 2007

25
IN 2011

CONTRACTS RENEWED

MARKET CONSOLIDATION

We are concerned with keeping and expanding the number of municipalities where we operate, under program contracts fully compliant with the industry's new regulatory framework. This strategy is particularly important at this time, which coincides with the end of the first effectiveness cycle of tenths program contracts, entered into under a framework effective at the time Sabesp was founded, in the first half of the 70s.

We have, therefore, made a great effort to renew contracts with concession grantors. In 2011, we signed 25 program contracts. In aggregate, so far we have renewed 225 program contracts in accordance with the Sanitation Act and another 39 contracts which comply with the previously effective legal framework – and which will expire between 2012 and 2033. Together, these municipalities account for 74% of our revenue.

Under the program contracts, the cities set their own coverage and service level quality goals. The program contracts provide for intense social control, and the oversight and regulation, including of tariff regulation, by the São Paulo State Sanitation and Power Regulatory Agency (Artesp).

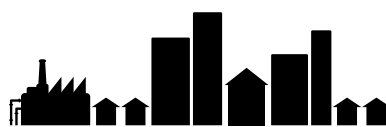
In addition, to face completion in the large clients segment, where several industrial and commercial consumers prefer to use artesian wells or tank truck for water supply, we adopted a flexible tariff to compete in the market, including firm demand contracts.



Atibainha Dam

▶ RATIONAL WATER USE PROGRAM

Properties served by Pura



2008	2009	2010	2011	TOTAL
85	734	907	444	2.170

▶ SUPPLY SAVINGS

Number of people that could be supplied with the savings obtained



23,000 PEOPLE / MONTH

▶ RECLAIMED WATER



319,000 M³/MONTH

The capacity of reclaimed water from the treatment of sewage for industrial use, equipment cooling, and non-potable purposes

▶ AQUAPOLO AMBIENTAL

The largest reclaimed water production plant in the Southern Hemisphere



300,000 PEOPLE SUPPLIED WITH THE WATER SAVINGS

NEW ENVIRONMENTAL SOLUTION BUSINESSES AND PARTNERSHIPS

We also seek to enter new markets and consolidate operations in each new industry. We have focused our actions to this regard in two major fronts. The first is the new business partnerships that include initiatives to operate in other states and other countries. The second is the Sabesp Environmental Solution platform, aimed at expanding operations with large customers. In 2011, the highlights were the expansion of the Rational Water Use Program “Pura” and the initiatives in favor of reclaimed water production.

RATIONAL WATER USE (PURA)

We have adopted a policy that stimulates rational water use, which entails the use of technology actions and cultural changes to build consumer awareness. Our main tool, Pura, is aimed at reducing the water consumption of large customers, in particular in the public sector.

Under rules set out in contracts, participants can count on a 25% tariff decrease, provided they comply with certain conditions – including reducing consumption by at least 10% as compared to the past twelve-month average consumption and having paid all their water bills.

Currently, Pura is implemented in approximately 2,200 buildings of the São Paulo State Government and the city of São Paulo, as shown in the table on the top left. In these buildings, we are responsible for contracting the works and engineering services necessary to reduce water consumption.

These actions allowed us to save a monthly water volume sufficient to supply around 23,000 people without the need to source new watersheds. The program also helps to postpone investments in water and sewage systems.

Also aimed at reducing water losses, we should highlight the innovative solutions implemented outside the Pura, such as contracts with performance clauses that we have adopted in Chácara Flora and Vila do Encontro, in the south of São Paulo city. This has allowed us to develop more creative solutions, such as incentives for exceeded goals. The result was 3.3 million m³/year of water saved.

RECLAIMED WATER

We have also steadily invested in expanding the generation of reclaimed water from the treatment of sewage for industrial use, equipment cooling and non-potable purposes. Currently we have the capacity to produce 319,000 m³/month of **reclaimed water** in the ABC, Barueri, Parque Novo Mundo and São Miguel STPs.

However, currently we only supply 160,000 m³/month, mainly because of distribution logistic problems, still developing new customer prospecting and the need to improve the production process, since the reclaimed water from our sewage treatment plants is appropriate only for certain uses and consumption. We have, however, sought to improve production and supply conditions and expand its market potential.

Our largest project in this area has not started up – which should take place in 2012. We are building, together with Foz do Brasil, the largest reclaimed water production plant in the Southern Hemisphere: the **Aquapolo Ambiental**. The estimated final outflow is 1 m³/s, from the ABC STP to the Capuava Petrochemical Complex, in the São Paulo metropolitan area. An equivalent volume of treated water would be sufficient to supply 300,000 people.

Even before going into service, Aquapolo has already been internationally recognized. In 2011, the project came second in the *Global Water Awards*, an award granted by Global Water Intelligence to highlight innovative water supply and sewage treatment initiatives worldwide.

Other initiatives focused on environmental solutions include the loyalty contracts with large consumers, that guarantee us annual revenue of approximately R\$ 233 million; and the treatment of industrial sewage from the manufacturing activities of our customers, corresponding to 26 million m³ collected and treated in 2011, generating revenue of R\$ 181.8 million.

Projects already implemented, related to individual water consumption metering in residential condominiums and telemetering (that allows us to monitor consumption in real time, via the internet), are being assessed and redesigned to allow them to evolve.

We also operate in new markets through partnerships with private sector companies and special purpose entities to: (i) provide water supply and/or sewage collection and treatment services in four municipalities in the State of São Paulo: Andradina, Castilho, Mairinque and Mogi Mirim; (ii) build and operate an industrial sewage treatment and sludge conditioning plant located next to the Barueri STP, the construction of which should start in 2012, through a partnership with Estre Ambiental; (iii) provide consulting services on rational use of water and commercial and operational management in Panama and Honduras; and (iv) enter into partnerships with water and sewage concessionaires in Alagoas (Casal) and Espírito Santo (Cesan), both Brazilian states. You can get more information on these environmental solutions projects by following the link of the right.

Aquapolo Ambiental

www.sabesp.com.br/rs2011/aquapolo

Sabesp Environmental Solutions

www.sabesp.com.br/rs2011/produtos

INVESTMENTS IN RD&I

R\$ 3.2 MILLION IN 2011

R\$ 50 MILLION IN INCENTIVES

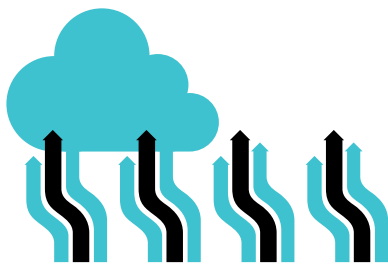
PARTNERSHIP WITH FAPESP

BIOMETHANE IN FRANCA



49 CARS FUELED

In 2012 with methane captured in the STP sludge biodigesters, a partnership with the German institute Fraunhofer



1,600 TONNES

per year of greenhouse gases will no longer be released into the atmosphere when all the biomethane output of the STP is used as fuel

RESEARCH AND INNOVATION

A company like ours needs to constantly invest in research, development and innovation (RD&I). We have, therefore, created a special department in 2010, which has already obtained positive results, like the pioneering experience in Brazil of using the gas generated by sewage treatment as a car fuel, currently being implemented.

We have formed a partnership with the Fraunhofer Institute, in Germany, to capture methane gas from the sludge biodigesters in the Franca STP to help reducing emissions of pollutants into the atmosphere. In 2012, the system will start to fuel 49 company cars used in this region. We will conduct tests during three years, including on fuel distribution logistics and performance analysis.

When all the biomethane output of the Franca STP is used as fuel, replacing gasoline, 1,600 tonnes per year of greenhouse gases will no longer be released into the atmosphere. We are investing R\$ 900,000 in system and our German partner is investing another R\$ 5.1 million.

In 2011, our investment in RD&I was R\$ 3.2 million – note that the annual amount invested for this purposes in 2009 and 2010 was R\$ 3.8 million.

Also in this front, we have a five-year cooperation agreement with the São Paulo State Research Support Foundation (Fapesp), effective until 2014. We estimate that R\$ 50 million in incentives will be disbursed by both entities. In 2011, 11 projects were approved, involving institutions such as the University of São Paulo (USP), the Federal University of São Paulo (Unifesp), Fundação Getulio Vargas (FGV), Technical Aerospace Center and Júlio de Mesquita Filho State University (Unesp). The subjects to be developed cover treatment alternatives; the disposal and use of sludge from water and sewage treatment plants; water quality monitoring and energy efficiency, among other.

As for the protection of our intellectual property, in 2011 we obtained the patent “Constructive disposal in a building hydraulic simulator for teaching purposes”, and applied to three other patents, still confidential, and registered the software “SGH - Water Metering Management System”.

On the other hand, our Regional Systems Division launched in 2011 the Excellence and Innovation program, aimed at identifying, recognizing, promoting and disseminating innovative practices and projects that add value to our business. Some of its focuses are cutting power costs, the number of occupational accidents and customer complaints.



(1)



(2)



(3)

(1) The **Franca STP** will produce fuel from biogas generated by the sewage sludge in the treatment process.

(2) The **Charles de Gaulle**, in São Paulo, was one of the 103 decontaminated brooks since 2007 as part of the **Córrego Limpo** program.

(3) In 2011, we conducted the second largest expansion of **water connections** of the last 12 years.

ECONOMIC AND FINANCIAL SUSTAINABILITY

“Despite the size of the challenge to provide universal services, we believe that we are well positioned to reach our objective, with financial, environmental and social sustainability, and adding value to our shareholder.”

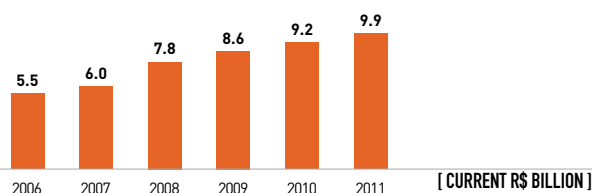


In 2011, we maintained our actions for an appropriate financial management as part of our efforts to add value to our business and reach universal water and sewage services in the region where we operate. The Value Added Management model, implemented in 2009, was added to our corporate system, allowing our managers to get a detailed vision of each one's area of operation, thus helping to optimize our asset base and a continued improvement of results.

In 2011, gross operating revenue from water supply and sewage collection services increased by 8.5% to R\$ 8.3 billion, from R\$ 7.7 billion. If we include revenue from construction, total revenue increased 7.6% to R\$ 10.5 billion in 2011, from R\$ 9.8 billion in 2010.

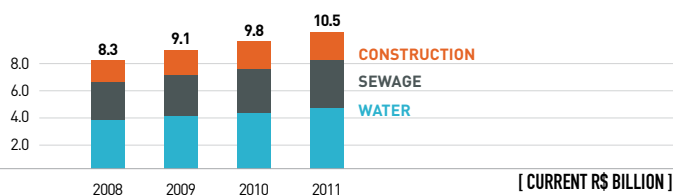
The determining drivers for the growth of gross operating revenue from water and sewage were the 2.6% growth of the billed water volume and the 3.6% growth in sewage services, in addition to the 4.05% tariff increase in September 2010 and 6.83% in September 2011.

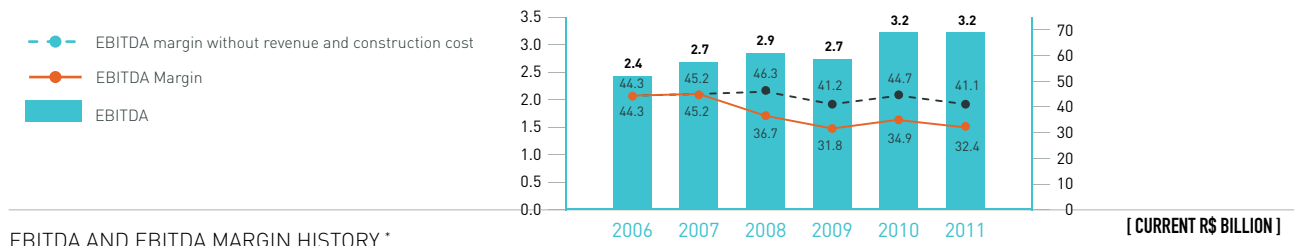
NET OPERATING REVENUE HISTORY*



* Calculated since 2008 according to CPCs/IFRS.

GROSS OPERATING REVENUE HISTORY





EBITDA AND EBITDA MARGIN HISTORY *

*Calculated since 2008 according to CPCs/IFRS.

In 2011, revenue from construction increased 4.4%. This increase is mainly due to a higher construction cost in 2011. The difference between 4.4% revenue growth and the 4.6% increase in construction cost is due to the change in the index used to calculate the construction margin, which decreased to 2.3% in 2011 from 2.6% in 2010.

Costs and expenses added to construction costs, amounting to R\$ 7.5 billion, increased 14% over 2010. EBITDA remained stable at R\$ 3.2 billion for both fiscal years. The EBITDA margin reached 32.4% in 2011 against 34.9% in prior year. If we disregard the effects of construction revenue and cost, the EBITDA margin is 41.1% in 2011 (44.7% in 2010).

If we also disregard the effects of the increase in actuarial liabilities of R\$ 157.5 million for the G0 Plan, which is nonrecurring, and the effects of construction revenue and cost, the EBITDA margin for 2011 is 43.1%.

In 2011, our profit was R\$ 1.2 billion, a 25% decrease as compared to 2010, mainly due to foreign exchange differences arising on foreign borrowings and financing, totaling R\$ 448.5 million, due to the 12.6% appreciation of the US dollar in 2011, against a 4.3% depreciation in 2010.

EC1 Despite the size of the challenge to provide universal services, we believe that we are well positioned to reach our objective, with financial, environmental and social sustainability, and adding value to our shareholder. Our aggregate economic value in 2011 is presented in page 43.

Approximately 75%, equivalent to R\$ 6.5 billion, of the investment planned for 2009-2013 has already been made. We are continuously prioritizing low-cost funding, compatible with the water and sewage activity – including by extending capital market debt maturities, thus spreading out maturities and, as a result, minimizing pressures on cash.

In 2011, our Economic and Financial and Investor Relations Division created the Tariff and Cost Division aimed at developing proposals and analyses to be used as inputs for our discussion with our different stakeholders and service cost definition, restructuring and tariff revision processes. The new tariff methodology proposed by Arsesp will increase tariff forecasting, which is key to meet the service coverage goals set in the investment plan and to ensure the provision of quality services.

Also regarding tariff revision, the service agreement entered into with the City of São Paulo in June 2010 establishes that we will contribute 7.5% of gross revenue generated by services provided in municipality, less the Cofins and Pasep (federal taxes on revenue), to the Municipal Environmental Sanitation and Infrastructure Fund. We have been transferring this amount since the execution of the agreement, even without its offset in tariffs charged – since the 7.5% were not taken into account when the tariff increase calculation formula in effect was established. Arsesp is revising the second cycle tariff methodology, which schedule for August 2012 and which we expect will include these transfers and, as a result, generate revenue more adequate for us.

R\$ 1.2 BILLION
in profits in 2011

+2.6%

in water volume billed

+3.6%

in sewage volume billed

+7.6%

of gross operating revenue

WATER AND SEWAGE VOLUME BILLED

BY USER CATEGORY ⁽¹⁾

[MILLION OF M³]



WATER	2010	2011	%
Residential	1,449.0	1,488.0	2.7
Trade	162.3	167.6	3.3
Manufacturing	37.2	38.7	4.0
Public sector	50.2	53.1	5.8
Total retail	1,698.7	1,747.4	2.9
Bulk	293.3	297.3	1.4
Reclaimed water	0.3	0.3	-
Total	1,992.3	2,045.0	2.6



SEWAGE	2010	2011	%
Residential	1,177.2	1,220.7	3.7
Trade	150.8	156.4	3.7
Manufacturing	37.8	40.5	7.1
Public sector	40.1	41.5	3.5
Total retail	1,405.9	1,459.1	3.8
Bulk	28.4	27.2	(4.2)
Reclaimed water	-	-	-
Total	1,434.3	1,486.3	3.6

WATER + SEWAGE	2010	2011	%
Residential	2,626.2	2,708.7	3.1
Trade	313.1	324.0	3.5
Manufacturing	75.0	79.2	5.6
Public sector	90.3	94.6	4.8
Total retail	3,104.6	3,206.5	3.3
Bulk	321.7	324.5	0.9
Reclaimed water	0.3	0.3	-
Total	3,426.6	3,531.3	3.1

BY REGION ⁽¹⁾

[MILLION OF M³]



WATER	2010	2011	%
Metropolitan area	1,119.2	1,150.6	2.8
Regional systems ⁽²⁾	579.5	596.8	3.0
Total retail	1,698.7	1,747.4	2.9
Bulk	293.3	297.3	1.4
Reclaimed water	0.3	0.3	-
Total	1,992.3	2,045.0	2.6



SEWAGE	2010	2011	%
Metropolitan area	947.2	976.8	3.1
Regional systems ⁽²⁾	458.7	482.3	5.1
Total retail	1,405.9	1,459.1	3.8
Bulk	28.4	27.2	(4.2)
Reclaimed water	-	-	-
Total	1,434.3	1,486.3	3.6

WATER + SEWAGE	2010	2011	%
Metropolitan area	2,066.4	2,127.4	3.0
Regional systems ⁽²⁾	1,038.2	1,079.1	3.9
Total retail	3,104.6	3,206.5	3.3
Bulk	321.7	324.5	0.9
Reclaimed water	0.3	0.3	-
Total	3,426.6	3,531.3	3.1

(1) Unaudited.

(2) Includes coastal and inland regions.

▶ AGGREGATE ECONOMIC VALUE

[R\$ '000]

CONSOLIDATED

COMPONENT	2011	2010	2009
A – Direct Economic Value Added	11,077,360	10,174,994	9,354,424
Revenues ^(a)	11,077,360	10,174,994	9,354,424
B– Economic value distributed	9,325,026	8,157,364	7,992,496
Operating costs ^(b)	4,716,260	4,289,738	4,056,328
Employees' salaries and benefits ^(c)	1,810,686	1,405,063	1,607,007
Payments to shareholders and lenders ^(d)	1,460,845	1,089,695	964,250
Payment to government ^(e)	1,300,799	1,341,635	1,334,058
Investment in community ^(f)	36,436	31,233	30,853
Aggregate Economic Value (A–B)	1,752,334	2,017,630	1,361,928

Notes:

(a) Consists of all operating revenues, financial and other operating income, interest and inflation and exchange rate change gains, and income earned in connection with the construction of own asset.

(b) Consist of operating costs and expenses, such as: materials in general, treatment materials, services, power and electricity, general expenses and employees' training courses. Excludes depreciation and amortization expenses and write-off of receivables.

(c) Consist of salaries and related charges. Includes amounts paid to the government (employees' charges and taxation).

(d) Consists of Interest on Capital, financial expenses (interest, fines, and other financial expenses), and inflation and exchange rate losses. Excludes retained earnings.

(e) Consist of Cofins/Pasep on operating revenue and nonoperating income, tax expenses, income tax and social contribution, and income tax on remittances abroad.

(f) Consist of institutional support, sponsorships, receiving, exhibits and tax incentives distributed in the education, culture, health, sport, hunger eradication and food security areas.

Remarks:

(1) Other operating expenses were not included in any of the items above and totaled R\$ 89.9 million in 2009, R\$ 37.6 million in 2010, and R\$ 162.6 million in 2011.

(2) The methodology for preparation of this table is similar to that used in the preparation of the Statement of Added Value disclosed in the 2009 Financial Statements, except for financial expenses, inflation adjustments and changes in foreign exchange rates, and income tax, which consider the amounts actually paid rather than the amounts accrued.

RATING UPGRADING

GLOBAL: BB+ / BRAZIL: BRAA+

STANDARD & POOR'S

We have also progressed toward a solution for our pension plan, the Sabesprev. Late December, we entered into an agreement with the entities representing our employees to make changes in the pension plans. It provides for the increase of the incentives to those that decide to migrate from the defined benefit to a defined contribution plan, and changes in the risk benefits.

The proposal, negotiated during six months, will also allow us to address the basic pension plan's technical deficit issue, estimated at R\$ 538.6 million. In addition, it will ensure that from now on the deficit will not be repeated, which will improve the organizational climate and allow our employees to make more reliable future plans. The proposals forwarded still need to be approved by the State Government oversight bodies and will also be submitted to the approval of courts, due to the lawsuit that in November 2010 suspended migrations to the Sabesprev Mais plan.

Note also that the effectiveness of the strategy that we have been adopting throughout the years has once again been recognized by the markets several times throughout 2011, for example:

- the upgrading of Sabesp's rating by Standard & Poors, to "BB+" in the Global Scale, from "BB", and to "brAA+" in the Brazil National Scale, from "brAA-";
- the homage made by Anefac during the award ceremony of the 2011 Transparency Trophy, for its presence among the 11 frontrunners in the 15 issues of the award that recognizes companies noteworthy for the transparency and quality of their financial reporting. Sabesp won this award in 2000, 2006 and 2010;
- the Valor 1000 award, granted by *Valor Econômico*, a newspaper, in the category "Water and Sanitation": for the fifth time, we were recognized for "the good management and strict administration of operating expenses", according to the yearbook;
- highlight of the "Sanitation and Water and Gas Services" granted by the 2011 Abrasca Value Creation Award, for

having reached the highest value creation percentages, as compared to our market value, in the last three years; and

- the inclusion, for the fifth year in a row, in the BM&FBovespa Sustainability Index (ISE) portfolio.

DEBT REVIEW

At the end of 2011, our total debt was R\$ 8.4 billion, and the debt-to-EBITDA ratio was 2 times.

Aligned with the investment maturation typical of our industry, most of this debt (68%) was raised with multi-lateral organizations and local development agencies, at low costs and for long terms. The foreign-currency denominated debt accounts for 36% of total.

During the year, we raised R\$ 1.7 billion and amortized R\$ 1.9 billion.

LOANS AND FINANCING

To ensure that the investments necessary to have universal water and sewage services in the State of São Paulo, we continued to seek sources of funds more appropriate to our business profile, the results of which are described below:

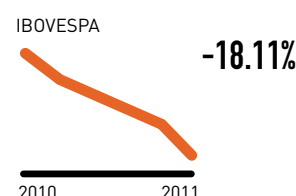
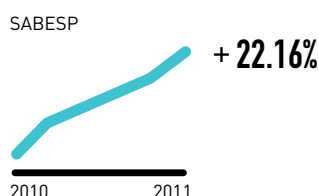
Japan International Cooperation Agency (Jica)

- Additional funds for Onda Limpa Program – First Stage, in the approximate amount of ¥ 19.2 billion, equivalent to R\$ 371.5 million, fully disbursed in March and April 2011. These funds are being used to perform the works and services in the Baixada Santista Metropolitan Area. This loan matures within 18 years and bears interest ranging from 1.8 to 2.5% per year;
- in February 2012, we entered into a loan agreement for the second stage of the Losses Reduction Corporate Program, totaling ¥ 33.6 billion (equivalent, on execution date, to approximately R\$ 710 million). The estimated investments for this stage totaled R\$ 1.1 billion (¥ 52.207

R\$ 52.03

QUOTATION OF SBSP3 ON DEC 31, 2011

In 2011, our stock had one of the best performances among the stock forming the **Bovespa** index



billion), of which R\$ 390 million (¥ 18.623 billion) will be our counterpart funds. The financing term is 25 years, with a seven-year grace period, and bears interest of 1.7% per year.

Caixa Econômica Federal

- 36 agreements for studies and project finance, and water supply and sewage collection construction works in several municipalities where we operate. The approximate aggregate amount is R\$ 215 million, subject to interest indexed to the TR, a managed prime rate, plus 6% per year, and an administration fee of 1.4% per year and risk rate of 0.3% per years. These facilities have a total term of nine years, for studies and project finance, and up to 24 years, for water supply and sewage collection works.

National Bank for Economic and Social Development (BNDES)

- Facilities for sewage collection works and services in municipalities in the São Paulo metropolitan area the executive project of the São Lourenço Production System, in the approximate amount of R\$ 183.4 million, subject to interest indexed to the TJLP plus 1.72% per year. The total term of this facilities is 15 years for works and eight years for the executive project.

In March 2011, we completed the settlement of FIDC Sabesp I (receivables investment funds), with the repayment of the last installment of the senior units, amounting to R\$ 8.3 million.

Additionally, in June 2011, we carried out the final amortization of the 8th issue debentures, amounting to R\$ 481.4 million, corresponding to the remaining balance of the second series.

In October 2011, we also made an early redemption, using cash, of the outstanding 9th issue debentures, amounting to R\$ 240.7 million, thus settling our more costly debentures.

Additionally, in February 2012, we completed the 15th issue of debentures, totaling R\$ 771.1 million, in two series, the first amounting to R\$ 287.3 million, which pays interest equivalent to the CDI plus 0.99% per year, and the second amounting to R\$ 483.8 million, which pays interest equivalent to the IPCA (extended consumer price index) plus 6.20% per year. These funds were raised to settle financial commitments maturing in 2012, especially for the settlement of the 13th issue debentures.

Thus, in February, we settled in advance 13th issue debentures, amounting to R\$ 600 million, which matured in August 2012. The funds raised also support the amortization, in March 2012, of 50% of the second series of the 11th issue of debentures, totaling R\$ 202.5 million.

DEBT SECURITIES

In January 2011, we conducted the 13th issue of single series debentures, totaling R\$ 600 million, which pay semiannual interest equivalent to the interbank deposit rate (CDI) plus average spread of 0.95% per year, which will be used to redeem our 5th issue promissory notes in the same amount.

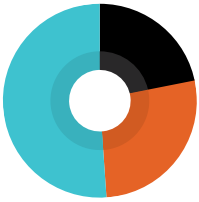
In February 2011, we launched the 14th issue of nonconvertible debentures, amounting to R\$ 275.3 million. This is the second from a total of three issues provided for the subscription commitment agreement entered into with the BNDES. The funds are used in several water supply, and sewage collection and treatment investment projects.

STOCK MARKET

2011 was a very positive year for Sabesp papers. Despite the 18.11% drop of the Ibovespa in the year, our stock traded on the BM&FBovespa closed the year at R\$ 52.03, a 22.16% appreciation as compared to the end of 2010. Our stock had one of the best performance among the stock forming the Bovespa index.

Our stock was traded in all the BM&FBovespa trading sessions and totaled a financial volume of R\$ 2.9 billion in 2011.

Our ADRs appreciated 5.2%, closing 2011 at US\$ 55.65, with 30 million outstanding ADRs. The financial volume traded in the NYSE in 2011 was US\$ 3.7 billion, almost 31% higher than in 2010.



50.3%

SÃO PAULO STATE GOVERNMENT

27%

NYSE

22.7%

BM&FBOVESPA

OWNERSHIP STRUCTURE AT DECEMBER 31, 2011

In 2011, the number of financial institutions monitoring Sabesp papers remained stable: 19.

Our stock is traded on the BM&FBovespa under ticker symbol SBSP3 and on the NYSE under ticker symbol SBS, and it is still part of the main indexes of the Brazilian stock market. For the fifth year in a row, our stock is part of the theoretical portfolio ISE.

DIVIDENDS

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

As regards 2010, in 2011 we paid R\$ 456 million in dividends as interest on capital, corresponding to approximately R\$ 2.00 per common share and a dividend yield of 4.7%.

As regards 2011, the Board of Directors approved the payment of interest on capital totaling R\$ 578.7 million, or R\$ 2.54 per common share and a dividend yield of 4.88%, to be paid within up to 60 days after the Annual Shareholders' Meeting, to which the 2011 accounts will be submitted for approval.

DEBT OF MUNICIPALITIES TO WHICH WE SUPPLY BULK WATER

In 2011, the main breakthrough in this area was the approval for the establishment of a semi-public enterprise to engage in water and sewage services in Diadema, the eighth largest city in the RMSP, with 390,000 inhabitants.

On July 29, 2010, the city issued Municipal Law 3.123/11 that addresses the creation of the new Diadema water and sewage company (Caed) and authorizes the executive branch to enter into the

necessary contracts, agreements, or other types of arrangements with Sabesp. However, it was necessary to change some of the articles of the law, which are being reviewed by the city. The new company will be established by the city and we have proposed, according to the developed model, that we subsequently buy 49.9% of its shares.

We engaged a firm specialized in economic advisory and valuation to conduct an economic and financial valuation of Saned and PricewaterhouseCoopers to conduct a due diligence in the company. These studies should be completed by the end of March 2012. It is not yet possible to forecast when the new company will go into service.

In addition to the conclusion of the negotiation with the city of Diadema, throughout the year we maintained the negotiations with the cities that buy our bulk water to recover the amounts due for the supply of treated water and sewage treatment. The progresses in 2011 were as follows:

Guarulhos: payments related to the monthly consumption in 2011 are still partial and the court-ordered payments are not being made in light of Constitutional Amendment 62/09. However, we filed for injunctions against court decisions that annulled the revenue seizure and were recently granted one of the requested injunctions. As a result, some of the seizure of city revenue to settle past-due and unpaid installments is now being resumed. Concurrently, we have taken the necessary actions to resume all the existing revenue seizure actions;

Santo André: In 2011, payments continued to be made partially, even after a court decision, issued in 2009, that requires the city to include in its budget the full amount of expenses on water supply by Sabesp;

Mauá: the payments of the 2011 monthly consumption continued to be made partially. The city, however, made deposits related to invoices past due since 2008, which reduced the city's debt. In addition, as in Guarulhos, we also filed for injunctions against court decisions

that annulled the revenue seizure requested filed by us to ensure the payment of court-ordered debt payments. One of these requests was judged by the São Paulo Court of Justice, which granted the requested injunction. As a result, the requests to seize city revenue to settle past-due and unpaid installments are now being resumed;

Mogi das Cruzes: the restructured old debt, totaling approximately R\$ 8.5 million, was fully paid to Sabesp and a new agreement was signed for the payment of past-due, unpaid invoices for the period January-June 2011, amount approximately to R\$ 13 million. Payments started in December.



(1)



(2)

(1) Pipeline gallery of the **Taiáçupeba WTP**, which is part of the Alto Tietê production system, the expansion of which was completed in 2011 with the construction of another 17 km of watermains and four reservoirs with total capacity of 70,000 cubic meters.

(2) **Guaraú WTP** decanter, which withdraws impurities before water undergoes the filtering process.



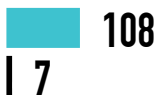
ARSESP INSPECTIONS



INSPECTIONS



PENALTY NOTICES



NON-COMPLIANCES



FINE NOTIFICATIONS



CLOSED PROCEEDING



FINES



SABESP IN THE NEW REGULATED ENVIRONMENT

In light of the new national basic sanitation guidelines – Federal Law 11.445/07 – and State Supplementary Law 1.025/07, the provision of water supply and sewage collection services by Sabesp is subject to the oversight and regulation, including as regards tariffs, the São Paulo State Sanitation and Power Regulatory Agency (Arsesp).

In light of this new scenario, we created, in the first quarter of 2011, the Regulatory Affairs Committee, as a permanent, consulting and decision-making body, consisting of our CEO, the Economic and Financial and Investor Relations Officer, the Metropolitan Officer, and the Regional Systems Officer, to provide guidance, set guidelines and strategies, and coordinate the work of the Regulatory Affairs Department.

This specific department is our exclusive communication channel with Arsesp and its role is to ensure the strict compliance with regulatory demands, coordinating and integrating the internal areas to identify, adapt, create and implement the necessary processes, always following best practices.

In 2011, Arsesp issued important standards on payments on investment capital, the tariff revision, and confidentiality in handling regulatory information.

A extremely important matter for our economic and financial balance, economic regulation started to take concrete shape in 2011, from two essential benchmarks: our asset payment basis and the weighted average cost of capital (WACC).

Setting the WACC at 8.06% for the second tariff revision cycle was one of the most important economic and financial events in 2011 for the future tariff setting rule of the services provided by us and, therefore, for our future revenue and cash.

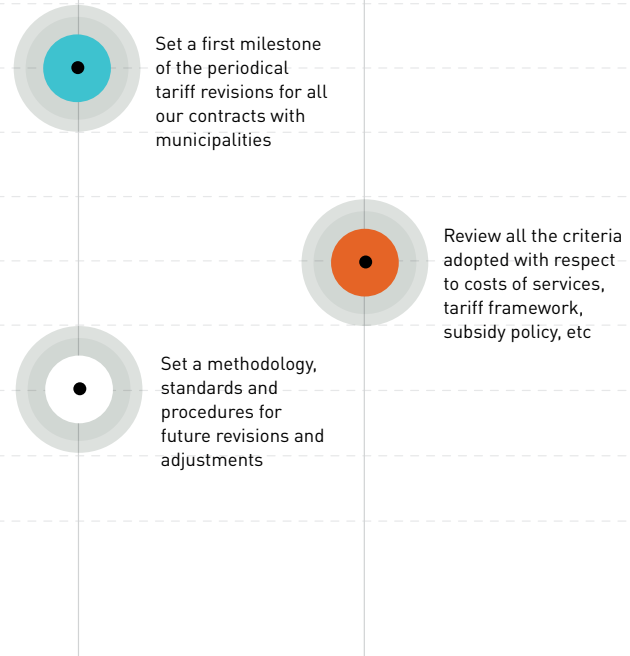
According to the regulator, the tariff revision will be steered to:

- Set a first milestone of the periodical tariff revisions for all our contracts with municipalities;
- 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.

Still in 2011, Arsesp defined the process stages and a calendar of events to conduct the first tariff revision, and initiated the work to assess Sabesp and the calculation of the regulatory payment basis. This calendar should extend to the publication of the results, scheduled for August 30, 2012, with the approval of the framework and price to be charged.

TARIFF REVISION

GUIDELINES, ACCORDING TO THE REGULATOR



In October, we sent our business plan to Arsesp, containing key information on revenue, expenses and investments, and we are waiting the release of the Initial Average Tariff Proposal and the Efficiency Gain Factor, which the regulator scheduled for May 2012.

Additionally, we have filed a request with Arsesp for the advance of the tariff revision to expedite the recovery of costs already incurred and thus alleviate pressures on our cash. This request is being analyzed by the regulator.

Also in 2011, Arsesp regulated the classification and the procedures for the internal processing of documentation, data and materials, granting increased legal security to handling information considered secret or confidential. Currently, the regulator is conducting two public inquiries (Arsesp 03/11 and Arsesp 01/12), to define the concept of supply shortage and the related administrative penalties, and a detailed methodology to process the revision of our tariffs – Cycle Two. These processes are underway and we have been involved by making both request and contributions.

The implementation processes of the standards issued by Arsesp were gradually and progressively initiated in 2009, and have been intensified in 2011. The outcomes and impacts are significant, in particular for the sales and operating areas, and should be taken into consideration in tariff restructuring and revision.

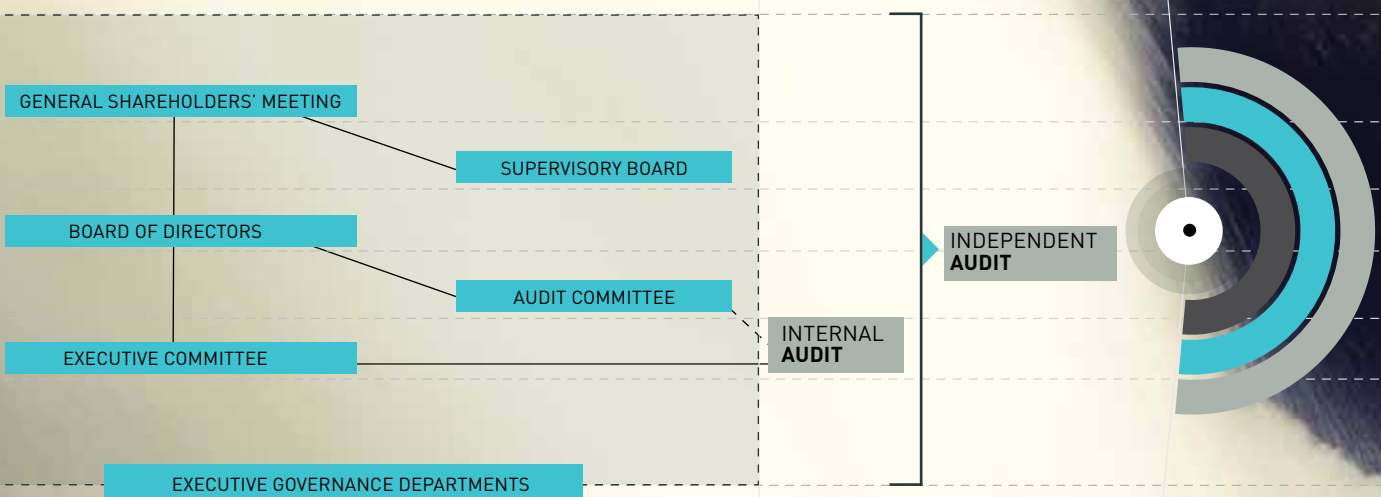
We should highlight that we sent the adhesion agreement to Arsesp standard to all our customers. This has changed the tariff collection rule: previously a bill was sent to the owner of the property connected to the public water and sewage systems, and now bills are sent to the user/consumer. Although relevant, the change might impact currently ongoing lawsuits and commercial procedures.

We are frequently inspected by Arsesp and we seek to comply with all the requirements and recommendations of the regulator set out in its notifications, and present our technical, legal and factual justifications. This conduct has resulted in few penalties against Sabesp and the few fines imposed are in immaterial amounts.

The inspection and notification rules for service provisions have been incorporated into our processes. Part of the inspection procedure is web based, using the Incident Reporting System created by Arsesp, that increases the transparency and control of the procedures.

The regulatory culture has been progressively disseminated inside and incorporated by Sabesp, through in-class and remote training, the dissemination of information in the corporate portal and the encouragement of employee involvement in public inquiries and hearings conducted by Arsesp. Our relationship with the regulator shows transparency and an steep, continuous progress.

GOVERNANCE STRUCTURE



OUR STOCK

High level of corporate governance

BM&FBovespa

NOVO
MERCADO

IGC
CORPORATE
GOVERNANCE INDEX

ITAG
DIFFERENTIATED
TAG ALONG
SHARE INDEX

ISE
CORPORATE
SUSTAINABILITY
INDEX

NEW YORK STOCK EXCHANGE

ADR
LEVEL III

CORPORATE GOVERNANCE

GRI 4.1/4.2/4.3 This was a year of change in the leadership of our controlling shareholder, the São Paulo State Government, which has significantly altered the membership of our top management, without, however, impacting our performance.

Among other changes in the Board of Directors, Dilma Pena, previously the chairwoman of the board, was appointed CEO, and remained a member of our main governance body only as director, in line with best corporate governance practices. On the other hand, Manuelito Pereira Magalhães Junior, a former director, became our Corporate Management Officer. Except for our CEO, none of our other officers is a member of the Board of Directors.

Currently, the Board of Directors has ten members. Five of them were already our directors and were reelected at the Shareholders' Meeting held on April 2011. Three are independent directors, as required by the Novo Mercado regulations. Four members of the executive committee, including our CEO, were replaced during the year.

GRI 4.5 According to the Brazilian corporate law, the compensation paid to the members of the board of directors, the members of the supervisory board and the audit committee and the executive officers is set, as a whole, by the General Shareholders' Meeting. Our director and officer compensation policy is established according to the guidelines of the of the São Paulo State Government, mainly based on market performance and competitiveness, always subject to the approval by shareholders at the Annual Shareholders' Meeting.

Even though we do not use specific indicators, management compensation is set based on its accountability, its professional competence and reputation, the time dedicated to the job, and the value of each member's services in the market. The conditions for a different compensation paid to officers are profit for the year and the payment of mandatory dividends to shareholders. As we do not use specific indicators, compensation is structured in order to encourage efficient public management, aimed at both the implementation of government policies and profit-taking.

The compensation of directors and officers in 2011, including benefits, totaled approximately R\$ 2.6 million. In addition, we paid around R\$ 1.1 million in variable compensation.

Our stock is listed in BM&FBovespa's Novo Mercado and New York Stock Exchange as Level III ADRs – in both cases the highest corporate governance levels of these stock exchanges. In the Brazilian stock exchange, we are included in the Corporate Governance Index (IGC) and the Differentiated Tag Along Share Index (ITAG), and have been part of Corporate Sustainability Index (ISE) since 2007.

The exhibit beside shows our governance framework. For additional information on the functioning of the different levels that form this framework, please see the Corporate Governance section of our Investor Relations page in our website (link above).

COMPLAINTS

REGISTERED IN 2011



Refer to alleged **irregularities in processes** involving connections and water and sewage services



Refer to alleged **inappropriate behavior**, such moral harassment, discrimination, sexual harassment and unfair treatment **HR4**



Refer to situations involving **several administrative proceedings**, such as the inappropriate use of vehicles, product inventories and information technology



Refer to alleged **irregularities in the bids and procurement**, the management of construction contracts and services provided by building contractors

CODE OF ETHICS AND CONDUCT

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. The Code defines our relationship with our different stakeholders: officers, directors, employees, customers, suppliers, shareholders, governments, community and society in general.

The Ethics and Conduct Committee is responsible for ensuring the employee's commitment to the Code and the ensuring the Code's disclosure, dissemination, and continuous relevance, updating, and appropriateness, as well as guiding and suggesting the actions necessary for company wide compliance. It is also essential for consolidating our reputation as a socially responsible company committed to transparency.

WHISTLE-BLOWING CHANNEL

This channel is prepared to receive internal and external anonymous whistle blowing, via telephone, email, mail, the Ombudsman office or the Customer Service. In 2011, 152 whistle-blowing cases were registered, of which 62% is concluded and 38% is under analysis.

S04 The number of registered alleged offenses remained stable in 2011. During this period, we applied penalties to 31 own employees or outsourced workers (14 warnings, 3 suspensions and 14 dismissals).

S03/S04 In order to mitigate the risks involved alleged irregularities in operating water and sewage services, in 2011 we initiated a program against fraud in the business units of the São Paulo metropolitan area, which account for approximately 70% of our gross revenue. We trained 33 employee to conduct the program.

MORE TRANSPARENCY FOR INVESTORS AND THE PUBLIC IN GENERAL FROM RISK MANAGEMENT AND MITIGATION

S02 Also in 2011, eight business units, which account for approximately 80% of our gross revenue, underwent corruption-related risk assessments. These risks are catalogued in a computer system and are used as basis for the audit work.

INTERNAL CONTROL

Internal control assessment is systematically conducted in a structured way since 2005, and is rolled out having as benchmark the Committee of Sponsoring Organizations of the Treadway Commission (Coso) and the Control Objectives for Information and Related Technology (Cobit) frameworks.

Annually, the internal control assessment process is revisited taking into consideration both the possible existence of new risks related to both the preparation and disclosure of financial statements and possible material changes in the automated processes and systems.

The controls, which are tested by an independent Sabesp division, 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 our assets.

The review conducted on the effectiveness of the 2010 internal control environment, in compliance with Section 404 of the US Sarbanes-Oxley Act (SOX), was completed in June 2011 and no material incidents were identified, as it had happened in previous years. The tests related to 2011 will be completed in April 2012.

RISK MANAGEMENT

As a rule, organizations are exposed, on a daily basis, to uncertainties and value is maximized with the establishment of strategies and objectives that guide the balance between growth targets, return on investments and related risks.

For this purposes, in 2008 we systematized corporate risk management by creating procedures for the identification, measurement and treatment of internally and externally generated risks for the organization.

In the second half of 2011, we took a new step toward perfecting our governance process: we proposed to our controlling shareholder the creation of specific risk management unit – previous under the responsibility of the audit function –, following strict independence criteria, in line with current market requirements, such as those of the Sarbanes-Oxley Act, the Code of Best Corporate Governance Practices of the Brazilian Corporate Governance Institute, technical standards such as ABN NBR ISO 31000 – Risk Management – Principles and Guidelines, and other procedures set by the Brazilian Securities and Exchange Commission (CVM), the US Securities and Exchange Commission (SEC), and BM&FBovespa.

The objectives of this new function include: (i) preserve and increase the organization's value by reduction the likelihood and/or impact of loss events, combined with a decrease in capital costs resulting from a lower risk perception of financing agents and the market in general; (ii) promoting higher transparency to investors and the general public by implementing proven risk mitigation actions and techniques; (iii) improve governance standards by clarifying the adopted risk profile.

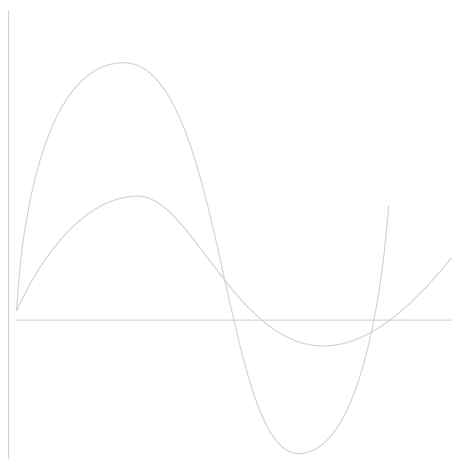
Jaguari Dam

Located in Vargem municipality, it is part of the Cantareira system. In addition to supplying the São Paulo metropolitan area, it also helps storm control water during the rainy season, in summer. There, we have also have a tree nursery with an annual output of 500,000 forest seedlings of native species



ENVIRONMENTAL MANAGEMENT

Our greatest challenge was consolidating the implementation and maintenance of our water and sewage treatment plants' Environmental Management System – already in place at 65 sites – to ensure the continuous improvement of the services' environmental quality. We have also kept partnerships with society: our facilities were opened for visiting by more than 72,000 people, who were able to have a close look at our treatment processes. We have also made progress in the actions aimed at reducing greenhouse gas emissions by renewing more than 1,600 vehicles of our fleet.



WORK IN PARTNERSHIP
WITH SOCIETY IN ENVIRONMENT
IMPROVEMENT ACTIONS

“Supplying water and collecting and treating sewage is an activity intrinsically linked to sustainability. One does not exist without the other”



(1) During the **eco-mobilizations**, we collect garbage and plant seedlings in the banks of water bodies, conducted in association with the NGO SOS Mata Atlântica. **(2) Eco-barriers** refrain garbage to enter into the Guarapiranga dam water. **(3)** In 2011, students and teachers from more than 1,800 schools visited Sabesp facilities.

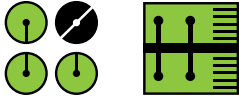
We have been prioritizing

policies focused on environmental sustainability and the improvement of the population's quality of life. Our Environmental Policy, in effect since January 2008, sets out the guidelines of Sabesp's environmental management and a summarized version is available in our website.

We also have an Environment Committee, consisting of representatives from all our divisions, the main responsibilities of which are to assess the implementation of the environmental management policy and model and to make decisions on strategic matters and conflicting situations that involve environment issues.

Environmental commitment
www.sabesp.com.br/rs2011/compromisso

ENVIRONMENTAL MANAGEMENT SYSTEM



IMPLEMENTED IN 65 STPs AND WTPs



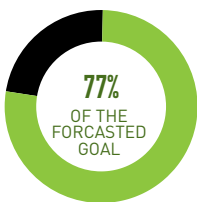
300 TRAINED EMPLOYEES



14,000 HOURS OF TRAINING

ISO 14001 CERTIFICATION

50 CERTIFIED WTPs



WATER USE PERMITS

GRANTED OF THOSE REQUESTED IN 2011



ENVIRONMENTAL MANAGEMENT SYSTEM AND ISO 14001 CERTIFICATION

Our environmental management strategy consisted of implementing the Environmental Management System (EMS) in the sewage treatment plants (STPs) and the water treatment plants (WTPs), coupled with the ISO 14001 certification of part of the units in operation. We set goals for the progressive implementation of the EMS, comprising geographic distribution of the operation basis and still seeking to cover different types of treatment process and sizes.

By December 2010, we had already reached 50 STPs certified under ISO 14001, or 77% of the target for the period. The EMS was implemented in 65 STPs and WTPs and involved the qualification of 300 employees, through 14,000 hours of training.

In 2011, our challenge was to consolidate the EMS implantation and maintenance methodology. In addition, we underwent a recertification audit. In the coming years, we intend to continue the EMS implementation in our units. Our target is 302 STPs and WTPs by 2018, and certifying STPs that were considered of strategic interest, totaling 155 by 2018.

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 complex is included in the Corporate Program for Maintenance and Regularization of Environmental Licensing and Water Resource Use Concessions. Our goal is to conclude all the concession processes in 2012. Currently, 80% of the processes have been completed. For new projects, licensing and obtaining concessions are already part of their life cycle.

ENVIRONMENTAL PROCEEDINGS

Sabesp is a party in environmental proceedings of administrative and judicial levels, nature opened the Public Attorney Office, some cities, and some non-governmental organizations. Most of them refer to the discharge of untreated sewage in water bodies, compensation for alleged environmental damages and investment in sewage facilities and treatment systems.

We have been settling these claims and signing Policy Adjustment Commitments (TACs) and Court Settlements with the Public Prosecution Office, including in our budget the funds for this purpose.

● HYDROGRAPHIC BASIN COMMITTEES

Currently, around **150 employees** are directly involved in 21 state and 2 federal hydrographic basin committees



● USE OF WATER RESOURCES

In 2011, we paid R\$19.3 million for the use of water resources from hydrographic basins: **PCJ, Paraíba do Sul, Sorocaba/Médio Tietê**



WATER RESOURCES COMMITTEES

The hydrographic basin committees are the bodies in charge of discussing, at a regional level, the problems related to the use, preservation and recovery of water resources, and have decision-making power as regards the management of the relevant hydrographic basin.

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 water bodies; and
- actions related to environmental education and recovery of watersheds.

It is, therefore, essential that we have an active and qualified involvement in these committees and their technical panels. Currently, 150 of our employees are directly involved in 21 state and 2 federal hydrographic basin committees. Since 2010, our employees also work in the groups supporting the creation two other federal hydrographic basin committees: Grande and Paranapanema.

Our involvement is necessary, especially in the plenary sessions of the committee and in its planning, water and sewage, and bill collection for water use commissions. 2011 marked the replacement of some of our representatives.

We are also members of the National Water Resources Council, by occupying seats of the National Association

of State Water & Waste Utilities (Aesbe) and the State Water Resources Council, as representatives of the São Paulo State Department of Sanitation and Water Resources.

PAYMENT FOR THE USE OF WATER RESOURCES

The charging for the use of water – a management tool laid down in the National and State Water Resources Policies that aims to promoting the rational use of this resource and fund programs and actions prescribed in the hydrographic basin plans – is being progressively implemented in the State of São Paulo.

We started to pay for the use of water from federal rivers in the Paraíba do Sul hydrographic basin, in 2003, and the Piracicaba, Capivari and Jundiá rivers hydrographic basin in 2006.

In 2007, the State of São Paulo started to charge for the use of water from state rivers in the same hydrographic basins; in 2010, it started to charge for the use of water from the Sorocaba and Médio Tietê basin. In 2011, we paid R\$19.3 million for the use of water resources explored in these three hydrographic basins, to become the largest individual water taxpayer in the state.

It is expected that in 2012 we will start to pay for the water sourced in another five hydrographic basins: Baixada Santista and Alto Tietê, where we have already been notified. At Baixo Tietê, Tietê/Batalha and Tietê/Jacaré, charging decrees were signed in December 2010. The criteria for another six hydrographic basins have already been approved by the State Water Resources Council and

INVENTORY OF GREENHOUSE GAS (GHG) EMISSIONS – REPORTING YEAR 2008

SUMMARY OF GHG EMISSIONS

TYPE OF EMISSIONS	ACTIVITY	TONNES OF CO ₂ e	%
DIRECT			
SCOPE 1	Sewage treatment	953,779	59.17
	Collected and untreated sewage	531,860	33
	Operating vehicle fleet ⁽¹⁾	21,073	1.31
INDIRETA			
SCOPE 2	Electricity	103,982	6.45
SCOPE 3	Outsourced fleet ⁽²⁾	968	0.06
	Air transport	239	0.01
TOTAL		1,611,901	100

(1) Includes automobile fleet, generators and other machinery. (2) Includes mileage reimbursed to Sabesp employees and mailbag transportation.

await the signing of the relevant decree, and collection can also start in the current year.

It is important to consider that all users that pay for the use of water resources in the State of São Paulo have the possibility of using the funds from the State Water Resources Fund (Fehidro) to implement projects in this area, selected and prioritized according to criteria set by the hydrographic basin committees. We have been working with the objective of maximizing the use of these funds in basic sanitation projects, always seeking to improve the quality of available water resources.

CLIMATE CHANGES AND GREENHOUSE GAS EMISSIONS MANAGEMENT

EC2/EN16/EN18 Climate changes and related extreme events are currently the subject matter of a large research effort from the scientific community and have mobilized all sectors of society in the search for alternatives that lead to their mitigation.

We are aware of the need to identify possible impacts on our business and we have listed some of the most significant effects of climate change that can interfere directly with our activities:

- decrease in the volume of water distributed and billed and the revenue generated by distribution services;
- decrease of water quality, with damages to service operations due to increase in soil erosion, sedimentation, pollution and eutrophication of water ecosystems, increasing treatment costs;
- increase of sea level, with higher pipe corrosion risks on coastal areas, possible structural damages, and

damages to sourcing in rivers due to the advance of the saline plume;

- more intense droughts, with a resulting reduction in reservoir levels, causing electricity supply problems, of which we are one the largest consumers in the state of São Paulo;
- increase in the rainwater flow in the sewage systems, which could overload treatment plant capacity.

Extreme climate changes could also impact the extraction, production and transportation of products necessary in our operations, such as materials used in water treatment of mineral origin.

We have invested in reforestation projects around watersheds and have been actively involved in the hydrographic basin committees, to discuss water resources management issues. We have also taken part in the global effort to improve the knowledge about climate change and create new production methods.

In 2008, we took our first corporate inventory of greenhouse gas (GHG) emissions (reporting year 2007). From then on, we have started to enhance the methods and tools used and we are currently completing the first steps to design our Corporate Greenhouse Gas (GHG) Emissions Management Program.

One of this work breakthroughs, in 2011, was the completion of the corporate inventory of the 2008 GHG emissions, the results of which confirmed the conclusions obtained in the previous inventory: approximately 92% of our GHG emissions arise from the sewage process (collection and treatment), as shown in the table below.

USE OF BIOGAS GENERATED FROM SEWAGE AS FUEL FOR OUR VEHICLE FLEET

FLEET RENEWAL



1,563

LIGHT VEHICLES
REPLACED IN 2011



101

HEAVY VEHICLES
REPLACED IN 2011



3

LESS TONNES OF CO₂
per year as a result of vehicle
replacement up to 2014

By the end of 2012, we should complete the corporate inventories for 2009 and 2010. Initially we intended to complete them also in 2011, but delays in the engagement of consulting services for this work prevented us from meeting this goal.

Note that we have been focusing our efforts on emission-reducing initiatives. This includes the use of biogas generated from sewage sludge as fuel for our vehicle fleet, as we have started to do in our Franca STP in 2012. *(For more details see section Research and Innovation.)*

One of our key actions to reduce GHG emissions was the replacement of our vehicle fleet. In 2011, we replaced 1,563 light vehicles and 101 heavy vehicles for vehicles with flex fuel technology and the mandatory use of ethanol as fuel, in the first case. The fleet renewal program includes the replacement, by 2014, of all light vehicles more than seven years old and heavy vehicles more than 20 years old – these, in turn, will use less pollutant P50 Diesel. By removing older vehicles from public streets, we estimate that we will reduce CO₂ emissions by 3 tonnes per year and save 12%.

Another initiative is carbon capture through the riverbank reforestation around watersheds. The main project – 1 Milhão de Árvores no Cantareira (1 Million Trees in Cantareira) – favors the permanent preservation areas on the margins of the Cantareira dam and the banks of its tributaries, and also implementing ecological corridors connecting existing isolated forest patches. In 2011, the Instituto de Pesquisas Ecológicas (Ipê) planted 36,000 seedlings in 20 hectares, and The Nature Conservancy (TNC) planted 27,000 seedlings in 14.2 hectares. Other companies are sponsoring the tree plantation, such as Dersa: that has 550 planted hectares offsetting the construction of the São Paulo ring road.

During 2011, we reached some understandings with TNC for the creation of a Revolving Carbon Fund for the use of income from the sale of carbon credits generated by the new plantations in the Cachoeira watershed, in the Cantareira area. We intend to launch the fund in 2012, with the possibility of receiving donations from private sector companies and public and private bodies, and recover degraded areas in the same watershed, especially those neighboring our land.

We have also conducted training in three schools of Nazaré Paulista, involving 250 students. This initiative, together with Ipê, highlighted the importance of having a plant coverage to maintain water quality and quantity, under the motto “Water does not grow on trees, but without trees there is no water.” The set of actions aim to contribute in the creation of a new economy in the Bragança Paulista region, based on ecotourism and forest management.

ADHESION TO CDP SUPPLY CHAIN



Disclosed their **direct emissions**



Disclosed their **indirect emissions** from power consumption



Disclosed the **physical and/or regulatory** risks related to climate change on their businesses

CARBON DISCLOSURE PROJECT

GRI 4.12 We are part of the Carbon Disclosure Project (CDP) Investors for five years. The objective is to disclose data on GHG emissions based on a quiz prepared by the CDP, an entity sponsored by around 550 institutional investors that manage more than US\$ 70 trillion worldwide. It aims at standardizing and organizing the way companies should report information on their business with respect to the potential risks and opportunities related to climate changes.

We have been preparing appropriately, since we are undertaking studies on possible impacts of the type under our Corporate Greenhouse Gas Emissions Management Program.

EN26 In December 2010 we joined the CDP Supply Chain, a branch of the CDP. The project is based on the cooperation with our main suppliers with respect to the risks of climate changes and their greenhouse gas emissions. We can, therefore, influence a significant part of our business: the supply chain.

Supplier selection has been made based on criteria such as the application of innovative management practices, with strategic importance for the product supplied by us. In 2011, the work was carried out in conformity with our estimates in the previous year.

The project – which started with a gathering in May – facilitated our interaction with approximately 100 of our main suppliers, and created possibilities for the use on collaborative management strategies.

Approximately 20% of the invited suppliers joined the initiative. Of these, 75% disclosed their direct

SABESP PEA

Guidelines for more than **100 actions and projects**



72 million
Liters per month less
in water consumption
under the **Pura**

30,000
Children, aged 6 to 13,
members of the
Clubinho Sabesp

emissions; 70% disclosed their indirect emissions from energy consumption, and 60% disclosed the physical and/or regulatory risks related to climate change on their businesses.

Because this project involves a theme still under development in business, we understand that market adhesion to this type of initiative is still emerging, but it will evolve, driven by the competitiveness.

SABESP ENVIRONMENTAL EDUCATION PROGRAM

We develop environmental and health education actions as an integral part of our values and our corporate communication, aimed at building the awareness and changing the culture of our employees and society. The Sabesp Environmental Education Program (PEA) consists of actions aimed at fostering social values, knowledge, abilities, skills and attitudes for a sustainable world. Since 2007, more than 1,000 employees have been trained in disseminating an environmental sanitation culture.

The PEA provides guidelines for more than 100 actions and projects, including *(for more details see the sections Social Responsibility and Good Environmental Practices in Association with Society)*:

- adoption of the Rational Water Use Program (Pura) in schools, which in 2011 promoted awareness building actions and resulted in a 72 million liter decrease per month in water consumption in the schools of São Paulo city;

Sabesp PEA
www.sabesp.com.br/rs2011/pea

FOCUS ON CHILDREN AND PROJECTS FOR MATERIAL RECYCLING IN OUR MAIN FACILITIES



1,843

SCHOOL VISITS
to WTPs and STPs in 2011

- school visits to WTPs and STPs, with the involvement of students and teachers, all over the State. In 2011, we had 1,843 visits, from a total of 72,671 people;
- holding lectures in schools, communities and businesses. In 2011, 165,607 people attended these lectures, totaling 2,169 events;
- Community Involvement Program, which uses environmental education to tell the population about the importance of regularizing water and sewage connections and the correct use of water and sewage equipment; and
- environmental education actions under the Freying Oil Recycling Program (Prol) and the Zilda Arns Integration Park, in São Paulo city.

The program also includes environmental education specifically for children, the highlight of which is Clubinho Sabesp (www.clubinhosabesp.com.br), which currently has 30,000 members aged 6 to 13. In 2011, we launched the campaign "The toilet is not a wastebasket", with "good guys" and "bad guys" telling the children that they should not throw trash in to the toilet. This initiative results from the significant number of toys and food packages found in the railings of the sewage treatment plants, based on a study conducted in the ABC STP and presented during the 26th Brazilian Congress of Water and Waste and Environmental Engineering, promoted by Abes.



165,607

PARTICIPANTS
of events and lectures in 2011

ENVIRONMENTAL MANAGEMENT CONFERENCES

Every year, we hold the Cycle of Environmental Management Conferences as a corporate environmental management strategy and with the purpose of promoting the discussion, knowledge exchange and the dissemination of information on environmental issues being developed at Sabesp.

The 14 conferences held since 2008 until today have gathered approximately 3,000 participants. In 2011, we organized two events: one about the management of water resources, with our employees who work in hydrographic basin committees, representatives of civil society and governmental agencies; the other, the Environmental Technology and Education Seminar, held at Unesp in the city of Botucatu, discussed the role of environmental education and the challenges of technologic innovation in sanitation.



286

TONNES
Sent for recycling under
the Sabesp 3Rs in 2011

SABESP 3Rs

Based on the concept "reduce, reuse, and recycle", in 2011 the selective waste collection program gathered 286 tonnes of materials for recycling, sent to waste collector cooperatives. To date, we have trained 346 employees



15

TONNES

Collected in the ecopoints and sent for recycling by cooperatives and charities in 2011

to act as the persons responsible for and multipliers of the program implementation. We have also trained 130 trainees, apprentices and workers from the outsourced cleaning, catering, gate and security service teams.

ECOPOINTS

One of our main initiatives for materials recycling in 2011 was the creation of ecopoints to collect recyclable materials in the main company facilities in the middle of residential areas, in the form of standardized containers, made of "plastic wood".

The first ecopoint was opened in May, in our head office, as part of the celebrations of the Environment Week. Another five ecopoints, from a total of 50 (25 in the RMSP, 15 in inland cities and 10 in coastal cities) to be implemented by 2012, have already been installed at the addresses below.

This year, we collected 15 tonnes of paper, cardboard, plastic, metal, glass and cooking oil, which were sent for recycling by scrap papers cooperatives or not-for-profit charities existing near each ecopoint.



ECOPOINTS INSTALLED

ADDRESS	District	City
Avenida Pedro Celestino L. Penteado, 78	Jardim Jordanésia	Cajamar
Rua Paulo di Favari, 60	Vila Mussolini*	São Bernardo do Campo
Rua Américo Brasiliense, 271	Alto da Boa Vista	São Paulo
Rua Najatú, 72	Penha	São Paulo
Rua Sumidouro, 448	Pinheiros	São Paulo

*At installation stage.

GOOD ENVIRONMENTAL PRACTICES

IN ASSOCIATION WITH SOCIETY

ECO-MOBILIZATIONS

Garbage collection and seedling plantation in the banks of water bodies, conducted in association with Fundação SOS Mata Atlântica



18 EDITIONS, FIVE IN 2011

SUSTAINABILITY HEARINGS

Events intended to encourage the discussion and disclose ecologic, social, cultural and sports initiatives in favor of sustainability



29 HEARINGS, INCLUDING THREE IN 2011

CARBON **NEUTRAL**

NOSSA GUARAPIRANGA PROGRAM

Building barriers ("eco-barriers") to contain garbage in the points where the main brooks flow into the dam



2 MILLION PEOPLE BENEFITED

11 ECO-BARRIERS

GOAL: COLLECT **20 m³** OF WASTE / DAY

R\$ 12.2 MILLION IN INVESTMENTS

JALES STP ENVIRONMENTAL ACHIEVEMENTS

Area of great beauty open to the community **EC8**



72,000 HECTARES

130,000 TREES PLANTED IN THE LAST TEN YEARS

2,232 VISITORS IN 2011

WINNER OF THE **MARIO COVAS AWARD** IN 2011, IN THE CATEGORY "INNOVATION IN PUBLIC MANAGEMENT"

FREYING OIL RECYCLING PROGRAM (PROL)

Encourages cooking oil recycling initiatives



PREVENT THE **POLLUTION** OF WATER BODIES

GENERATE INCOME FOR COOPERATIVES AND WELFARE ENTITIES

STATIONS BUILT IN MORE THAN **50 UNITS** OF SABESP IN **35 CITIES**

SUSTAINABLE PROCUREMENT

Set of actions to purchase items that have less socio-environmental impacts **EN26**



SOCIO-ENVIRONMENTAL SEAL FOR 171 PROCUREMENT SPECS

GOAL: SOCIO-ENVIRONMENTAL SEAL FOR **700 ITEMS**, DURING 2012

RESERVES INSIDE PROTECTED AREAS

Areas inside the preservation units, which we inspect and monitor and where we sponsor studies on biodiversity conducted by universities **EN11**

MORRO GRANDE RESERVE - COTIA: 10,700 HA - PERIMETER: 66 KM

RIO CLARO RESERVE - SALESÓPOLIS / BERTIOGA: 16,100 HA - PERIMETER: 152 KM

CAPIVARI FARM - SÃO PAULO: 2,900 HA - PERIMETER: 12 KM



SEEDLING PLANTATION

Education actions in association with cities and NGOs to plant seedlings in several public areas



26,974 SEEDLINGS PLANTED IN 2011

1 MILHÃO DE ÁRVORES NO CANTAREIRA

Partnership with the NGOs The Nature Conservancy (TNC) and Instituto de Pesquisas Ecológicas (Ipê) to plant seedlings in the Cantareira System, which accounts for half of the water supplied in the RMSP **EN13/EC9**



1.25 MILLION SEEDLINGS PLANTED

GOAL: 2 MILLION SEEDLINGS IN THE SECOND STAGE

LABOR FROM LOCAL WORKERS

ABRAÇO VERDE (GREEN HUG)

Tree plantation in sidewalks of Sabesp facilities



ELECTED ONE OF THE **30 BEST** ENVIRONMENTAL PRACTICES OF BRAZIL

VERDE VIDA (GREEN LIFE)

Preservation and recovery of the Canoas river, in Franca



4.020 SEEDLINGS PLANTED IN 2011

MEU AMBIENTE (MY ENVIRONMENT)

Original audio content on sustainability, available free of charge to all national radio stations. Two podcasts a month



160 PODCASTS SINCE AUGUST 2010

314 INTERVIEWEES SINCE AUGUST 2010

CYAN BANK

Together with Ambev, it rewards the people that saves water with discounts in partner entities



60 MILLION LITERS OF WATER SAVED SINCE MARCH 2011

Cosmo Antonio Francisco

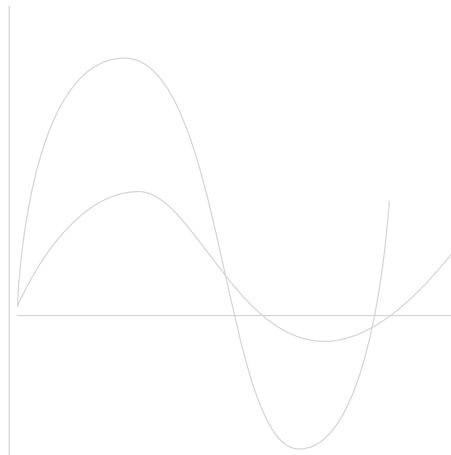
Employee for 31 years, he knows Sabesp well: he started in the administrative area, was transferred to Human Resources and IT, and nowadays he is management analyst in the Corporate Organization Department





SOCIAL RESPONSIBILITY

Our commitment to the satisfaction of our 27.6 million customers has obtained important reinforcements this year, with the expansion of the customer service channels and agility in service provision. We maintained our policy of valuing our employees, aligned with the current market procedures and practices. We have also tried to deepen the relationships between our staff and the community served, and stimulate local economies through relations with suppliers. This policy has caused our customer satisfaction index to reach 92%.



SEARCH FOR SUSTAINABLE DEVELOPMENT,
**OF INTEGRATED MANAGEMENT,
IMPROVEMENT OF QUALITY OF LIFE
AND RESPECT FOR HUMAN RIGHTS AND THE DIVERSITY**

“The positive impacts that a business can have on the value chain where it operates go well beyond supplying goods and services regularly and with quality”



[1]



[2]



[3]

[1] Our **community agents** bring the company closer to the population, in particular low-income people. **[2]** **Clubinho Sabesp** encourages children to preserve the environment. **[3]** One of the last street movie theaters in São Paulo, **Cine Sabesp** received 10,000 students for commented sessions in 2011.

Our commitment to the society

we serve is based on the assumption that the positive impacts that a business can have on the value chain it operates go well beyond supplying goods and services regularly and with quality, or maintaining jobs or creating economic and financial value.

A key driver of our sustainability is developing relationship, communication and engagement practices with our stakeholders (customers, shareholders, employees, governments and the community), governed by ethical and transparency principles. We have created corporate

guidelines on socio-environmental sustainability and valuing our human capital, aligned with our Code of Ethics and Conduct, in our search for sustainable development, integrated management, respect for human rights and the diversity and the improvement of quality of life.

INSTITUTO CRIANÇA CIDADÃ

EDUCATION SUPPORT FOR 7,000
CHILDREN AND TEENAGERS

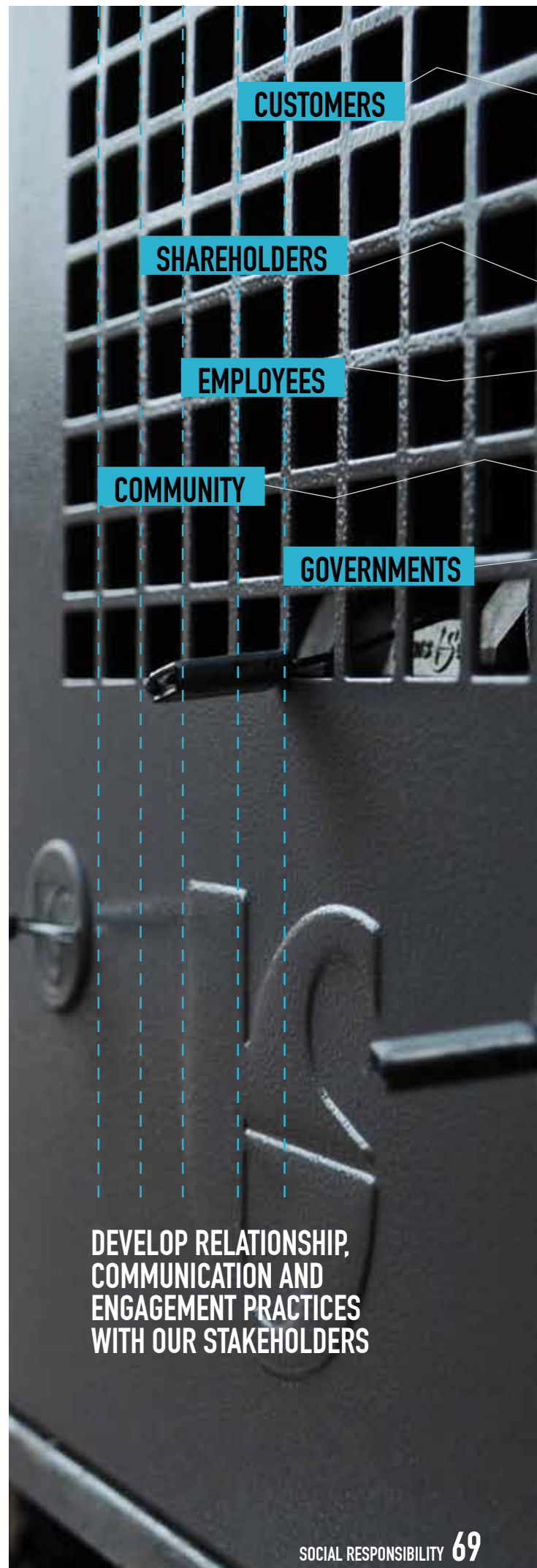


In bidding processes, we have adopted criteria aimed at reducing impacts on the supply chain. We have sought to leverage our level of influence, supported by a procurement portfolio amounting to R\$ 3.05 billion in 2011, to encourage the production of socially more equitable and environmentally more responsible goods and services .

GRI 4.12 In the social area, we should highlight the maintenance of voluntary collaboration with national and international movements. These include the UN Global Pact, that gathers businesses in favor of human labor rights, environmental protection and the suppression of corruption. We are also partners of Instituto Ethos, support and encourage the compliance with the UN Eight Millennium Goals, which are part of our Corporate Volunteering Program. We also support the Sustainable Planet project, led by Editora Abril.

HR6 It is worth mentioning that we are proud of our commitment to protecting Brazilian children, our concern with the prevention and suppression of child labor and for being recognized as a "Child Friendly Business" by Fundação Abrinq. We are the cosponsors of Instituto Criança Cidadã (Citizen Child Institute), whose mission is investing in the education and training of youngster from poor families, supporting education, culture and welfare in the São Paulo metropolitan area. In 2011, we contributed with R\$ 2.4 million, that granted free services for 7,000 children and teenagers.

These initiatives are in line with our Code of Ethics and Conduct, whose values are: respect for society and the customers, respect for the environment and the people, integrity, competence and citizenship. To ensure that these principles are respected, we have an internal denounces channel and a corporate procedure to determine accountabilities. We also have an open channel to receive external opinions, through our Ombudsman Office and our Customer Service. For the second consecutive time, this year we remained outside the list of 50 most complained companies in Procon's (a customer protection agency) ranking, of which we were part until March 2010.



CUSTOMERS

SHAREHOLDERS

EMPLOYEES

COMMUNITY

GOVERNMENTS

DEVELOP RELATIONSHIP,
COMMUNICATION AND
ENGAGEMENT PRACTICES
WITH OUR STAKEHOLDERS



▶ CUSTOMER SERVICE



▶ CALL CENTER 195



**100% OF THE CALLS
ANSWERED WITHIN 60 SECONDS**

▶ WALK-IN SERVICE STATIONS



350 BRANCHES AND STATIONS

60 IN THE RMSP

290 IN INLAND AND COASTAL CITIES

▶ VIRTUAL BRANCH



**80% OF THE MOST
REQUESTED SERVICES**

Served online beginning 2012

CUSTOMER RELATIONSHIP

A change introduced in 2011 in our future vision reflects our utmost commitment to the satisfaction of our 27.6 million customers. As part of our new strategic planning for 2011-2020, our vision become: "To be recognized by 2018 as the company, within its area of operation, that has universalized water and sewage services, in a sustainable and competitive way, **with excellence in customer service.**"

In our effort to attain our goals, we are enhancing customer service channels and the distribution of adherence contracts, with the user's rights and duties; and the initiatives aimed at solving the pending debts – namely of lower-income households – and regularizing water and sewage connections in irregularly or illegally occupied areas.

According to the Arsesp's decisions, starting September 2011 we started to deliver our users the adherence contracts that explain their rights and duties, and ratify our position in favor of a transparent relationship with customers. By the end of 2011, we have delivered a bit more than 5.7 million contracts.

The improvement of our relationship with customers also depends on the prompt response to those who contact us via our call centers, by calling the number 195 – where 100% of the calls are answered within 60 seconds – and our approximately 350 branches and service stations – 60 in the São Paulo metropolitan area, and around 290 in the State inland and on the coast.

In 2011, we extended the presence of the Outside Customer Service Technician (Tace) to another 70 municipalities. Currently, 308 cities already have extend access to this system, where the reading, bill issuance and calculation of water or sewage service consumption are made on site by our staff. On these occasions, our employees are also prepared to provide clarifications and guidance – to better serve and reduce the need of a customer to go to one of our service branches.

Also in 2011, we made available on our website our new "Virtual Branch", since November. The objective is to allow that, by the second half of 2012, 80% of our most requested services in our other service channels – such as connecting and disconnecting water and sewage, settlement of overdue bills, change of address and change of bill due payment date – be made on the internet.

EC9 Our concern with social inclusion is present in the adoption of the so-called social tariff, by which lower-income households can pay lower bills for the services that we provide. This benefit is regulated by the Arsesp and is available to households with a monthly income of up to three minimum wages, in addition the to fulfilment of house size and energy consumption criteria. Currently, approximately 8,600 households are entitled to the benefit. Our social tariff is one of the lowest charged by state-owned water and sewage companies and is 64% lower than the regular residential tariff – considering households with average water consumption of 15 m³ per month.

THE SABESP SOCIAL TARIFF COVERS 8,600 HOUSEHOLDS WITH MONTHLY INCOME OF UP TO THREE MINIMUM WAGES

We have also worked on regularizing connections, a key challenge of basic sanitation companies and that has significant result in terms of improvement of public health conditions and social inclusion. We rolled out, in the east end of the São Paulo metropolitan area, the Paritá project (Actions to Regularize, Integrate and Transform Irregular Areas).

In 2011, we regularized around 1,300 water connections in 14 irregularly occupied areas; another 37 areas were regularized in 2008-2010. Based on the results obtained in the last four years, we reduced the number of households with irregular connections in the east side of the RMSP by 22.5%, comprising 20,000 inhabitants. It is worth noting that these actions have also allowed us to reduce losses by 2.3 million m³ of water per year.

Also in lower-income areas, we developed a fire prevention pilot project in the Sônia Ribeiro housing settlement, in Jardim Aeroporto, São Paulo, by installing public fire hydrants in our water distribution system. The experience will result in an arrangement to be established into with the city of São Paulo for the installation of fire prevention equipment in 21 slums during 2012.

PR5 We conduct a customer satisfaction survey since 2004/2005. In 2006 the survey became annual, using always the same methodology to allow comparing the different business units and the different periods surveyed. Our objective is to improve, based on the responses obtained, the services provided to our customers.

In 2011, Sabesp's general satisfaction index reached 92%. As compared to 2010, satisfaction increased by three percentage points. We believe that this good result is mainly due to the quality of our water and its regular supply: 92% of the respondents said they were "satisfied" or "very satisfied" with our service. The survey results consider a margin of error of 1.3 percentage points, and confidence interval of 95%. The survey interviewed 5,860 customers from all consumption categories and sizes, in the region where we operate in the state of São Paulo.



92%

GENERAL
SATISFACTION INDEX
Measured in an opinion poll
conducted with 5,860 users



2.3

MILLION OF M³
Of water saved in 2011
by regularizing connections

OMBUDSMAN OFFICE

The Ombudsman Office is a qualified customer service channel. It mediates conflicts between Sabesp and our customers, and follows up any complaints filed with the Arsesp. In 2011, the Ombudsman Office received 44,169 messages and complaints from customers, 99% of which were replied and/or solved. In order to ensure the swiftness and agility of solutions to the claims received, we adopt procedures and enter into settlements with Procon (a public body receiving consumers complaint) and the courts to find reconciliation alternatives.

One of these experiments is the Digital Small Claims Courts (JEC), a partnership between Sabesp and the Small Claims Courts system. In 2011, we handled 354 claims, a 15% decrease in the number of customers that contacted this office as compared to 2010. The rate of early settlements and settlements during hearings remained at satisfactory levels, at about 72% of the claims made, which reinforces



99%

OF CUSTOMER CLAIMS
AND COMPLAINTS

Responded to and/or solved in 2011



R\$ 211

MILLION

Saved by holding 2,000
electronic auctions in 2011

our commitment to have a balanced relationship with our customers, and offer quick solutions, acceptable by both parties.

The Ombudsman Office also follows up all complaints registered by Fundação Procon. In 2011, our customers filed 1,488 complaints statewide with this agency, a 5.5% decrease as compared to the prior year. Follow-up during this preliminary stage, prior to the registration of a formal administrative proceeding by Procon against the company, allowed us to reduce the number of complaints eligible for a hearing by 88%. Therefore, in 2011 only 179 complaints remained with Procon after the first reply filed by Sabesp.

We consider that the number of initial registrations made in all Procon units and sent to us for assessment represents a small volume in view of the total number of consumers directly served by us, i.e., 23.9 million people. All complaints are registered and sent, via the Customer Relationship Management system, for assessment and handling by our business units and are always replied to.

INVESTOR RELATIONS

During in 2011, we were present in the main conferences for investors, in Brazil and abroad, and we received in our offices hundreds of analysts, investors and shareholders.

GRI 4.4 Our concern in promoting easy and quality communication with the market, that contributes to perceive the value of our role and, as a result, of the company also, we were recognized by the IR Global Rankings 2011, which granted us an award for the highest progress in the quality of investor relationship website in Latin America. In the webpage, shareholders and investors can also contact the investor relations staff, responsible for forwarding market demands to our top management.

We were also the highlight of the sanitation, water and gas services industry in the 2011 Abrasca Value Creation

Award. This entity considered that we have reached the highest percentages of value creation, in relation to our market value, over the last three years.

SUPPLIER RELATIONSHIP

In our relationship with the supply chain, we tried to encourage competition and facilitate the obtainment of the best results for Sabesp and generation of value for society. We have stimulated the participation of local companies, even though, under the law, we cannot make any sort of discrimination or grant any privileges to such firms. We have also sought to encourage our suppliers to adhere to greenhouse gas management and reduction practices.

As a state-owned company, we have to conduct a short-listing procedure for our procurements, a constitutional obligation regulated by Law 8.666/93 (Bidding Law). These entails offer the same completion and participation conditions to all suppliers, regardless of their location. Thus equitable treatment is observed from the broad disclosure of the biddings in our electronic bidding portal, accessible via our website (web link on the next page).

We were the first state-owned company to implement an electronic procurement procedure in Brazil. In addition to cutting costs, it ensures our suppliers and the population in general more transparency, efficiency and agility. In 2011, we conducted almost 2,000 electronic auctions, totaling R\$ 1.5 billion, and saved R\$ 211 million.

We promote the participation and hiring of local suppliers in the regions where we operate. As our organizational framework is divided into business units, each one of them has its own budget and independence to contract on a decentralized basis.

EC6 As part of the compliance with broad subsidiary legislation on procurement, we also grant a differentiated treatment to micro or small businesses, and cooperatives,

PROMOTE COMPETITION, **IMPROVE COMPANY RESULTS,** GENERATE VALUE FOR SOCIETY

thus encouraging the participation and engagement of local suppliers. In 2011, this participation – taking into consideration only the contracts with waiver of price bidding and by invitation only – reached 40%.

We disclosed our procurement plan as broadly as possible to the market in order to encourage competition among suppliers. Accordingly, we have designed our “Competition Guidelines for Public Procurement Processes”, available in our website (link on the right), in which we established the general guidelines to expand the portfolio of suppliers and encourage competition. In compliance with State Decree 53.336/08, we also disclose our Public Sustainable Procurement Report, which lists our main socio-environmental actions and good practices applied to our supply chain.

HR1 Our bidding notices and draft agreement also include socio-environmental provisions, such as:

- **Participation conditions:** we do not accept any bids from companies interdicted for environmental crimes under Article 10 of Federal Law 9.605/98, which prescribes the penal and administrative sanctions for conducts and activities adversely affecting the environment;
- **Suppression of underage labor:** we require from each bidder a declaration that it complies with all the Ministry of Labor regulations; **HR6**
- **A declaration that it does not use any form of labor** similar to forced or compulsory labor in its production chain; **HR7**
- **Wood products and by-products:** we require from each bidder a declaration that it will only use exotic or legally extracted native wood products and by-products in the performance of its works and engineering services, in accordance with State Decree 53.047/08;
- **Qualification Regulatory Guideline:** we seek suppliers that are committed to the environment and their surrounding areas. We also require compliance with the local environmental law by obtaining installation and operation permits issued by the relevant environmental agencies. In addition, we assess the toxicological risks of suppliers’ products, to guarantee its safe use both in the treatment plants and for the end consumer.

In 2011, in order to encourage competition, we implemented new procedures with strict rules on the approval of biddings when only one bidder participates in the auction, when there is only one valid bid or when we identify indications of lack of competitiveness. This measure incorporates the innovations already adopted in our processes, for example the system that successively extends the end of an auction for another five minutes whenever a new bid is made – and, by exhausting the bidding possibilities, prevents fraudsters from acting.

Public Procurement Processes
www.sabesp.com.br/rs2011/compras

Electronic Bidding Portal
www.sabesp.com.br/rs2011/forneceedores

EMPLOYEE RELATIONSHIP

In order to maintain our leadership, grow at the required pace and overcome the constant market challenges, it is essential that Sabesp have competent professionals and committed to organizational performance. This differential consisting of our staff is a strategic asset that we seek to preserve. We intend to be the benchmark in people management, facilitating professional growth by offering opportunities and recognition, increasing personnel satisfaction and well-being in the work environment.

Our corporation currently has 14,896 employees, ruled by the Brazilian Labor Code (CLT). We employ mostly men (80%), with a high school degree (49%), white (84%) and over 40 years of age (70%). The average turnover is 17 years.

We also hire service providers according to our needs. We have approximately 7,400 professionals engaged as service providers. We also have 918 trainees and 506 young apprentices – which couple a job opportunity to the chance of making administrative qualification courses, in association with Senai (National Service for Industrial Training).

Building a more equitable and sustainable company necessarily could not be made without valuating diversity and social

inclusion. We comply with Federal Decree 3.298/99, which requires the allocation of 5% of the positions offered through public selection processes to disabled individuals. In 2011, we had 63 positions occupied by disabled individuals, of whom 71% has a physical disability, 21% an hearing impairment, and 8% a visual impairment. We also have, since 2005, an agreement with the Association for the Appreciation and Promotion of the Disabled (Avape), under which we currently employ 100 disabled individuals who work in our customer service stations and who have received 108 hours of previous training.

The work undertaken by us evidences the fight to suppress prejudice and discrimination, and value differences as a corporate and social development strategy. We were granted the São Paulo Diversity Seal – Category Full, granted by the São Paulo State Department of Employment and Labor Relations. Before renewing this seal in 2011, we were audited by the Vanzolini Foundation certification body. The compliance foundation of our branches and internal facilities in terms of accessibility and the creation of a service channel for the hearing impaired show our concern with inclusion.

NUMBER OF EMPLOYEES BY REGION LA1

2009 2010 2011

	2009	2010	2011
1. RMS, VALE DO PARAÍBA AND BAIXADA SANTISTA	10,397	10,745	10,486
2. REGIONAL SYSTEMS (EXCEPT VALE DO PARAÍBA AND BAIXADA SANTISTA)	4,706	4,585	4,410
TOTAL	15,103	15,330	14,896

Note: Sabesp's hirings are conducted through public selection processes, as established by the 1988 Federal Constitution, in which we specify the job offered, qualifications required, region, number of vacancies, and salary. Currently, 71% of our managers work in Region 1 and 29% in Region 2. EC7

HEADCOUNT DISTRIBUTION LA13

JOB CATEGORY	2009	2010	2011
MANAGERS	570	575	592
UNIVERSITY GRADUATES	2,715	2,718	2,687
ADMINISTRATIVES/TECHNICALS	6,309	6,455	6,339
OPERATINGS	5,509	5,582	5,278
SUBTOTAL	15,103	15,330	14,896
TRAINEES	931	1,056	918
APPRENTICES	468	548	506
TOTAL	16,502	16,934	16,320

RATIO OF LOWEST SALARY TO MINIMUM WAGE LA14

GENERAL	2009	2010	2011
LOWEST SALARY* (A)	718.24	754.49	814.85
MINIMUM WAGE (B)	465.00	510.00	545.00
RATIO (A/B)	154%	148%	150%

*Lowest entry-level salary paid to an Environmental Sanitation Agent I. There is no difference in the base salary of men and women.

RATIO OF LOWEST SALARY TO MINIMUM WAGE / BY REGION EC5

	REGION 1		REGION 2		REGION 1		REGION 2	
LOWEST SALARY (A)	861.87	718.24	905.40	754.49	977.84	814.85		
MINIMUM WAGE (B)	465.00		510.00		545.00			
RATIO (A/B)	185%	154%	178%	148%	179%	149%		

Region 1: RMS, Vale do Paraíba and Baixada Santista / Region 2: Regional Systems, except Vale do Paraíba and Baixada Santista.

EMPLOYEE TURNOVER / TOTAL, BY AGE GROUP, GENDER AND REGION LA2

[%]

GENDER				AGE GROUP				REGION			
FEMALE	9.8	5.9	7.0	20-40 Y/O	3.7	4.7	6.2	RMSPP	12.8	13.5	9.6
MALE	13.0	5.7	7.7	41-55 Y/O	7.6	3.4	4.7	INLAND AND COAST	11.2	11.5	5.6
				OVER 55 YEARS	47.4	18.8	23.2	TOTAL COMPANY	12.3	5.8	7.6

HEADCOUNT DISTRIBUTION BY POSITION, GENDER AND RACE LA13

	MANAGERS						TOTAL	COLLEGE GRADUATES						TOTAL
	♂		♀		TOTAL			♂		♀		TOTAL		
WHITE	415	417	441	117	117	108	549	1,522	1,527	1,448	838	835	824	2,272
BLACK AND MULTIRACIAL	17	17	19	4	5	3	22	130	128	134	85	84	86	220
ASIAN	16	17	19	1	2	2	21	83	87	92	54	54	59	151
AMERINDIAN	-	-	-	-	-	-	-	-	-	1	-	-	-	1
UNDECLARED	-	-	-	-	-	-	-	3	3	3	-	-	-	3
TOTAL	448	451	479	122	124	113	592	1,738	1,745	1,718	977	973	969	2,687

	ADMINISTRATIVES/TECHNICALS						TOTAL	OPERATINGS						TOTAL
	♂		♀		TOTAL			♂		♀		TOTAL		
WHITE	3,945	3,982	3,857	1,464	1,492	1,485	5,342	4,463	4,444	4,166	58	65	70	4,236
BLACK AND MULTIRACIAL	609	663	664	188	206	216	880	944	1,025	991	21	22	24	1,015
ASIAN	48	55	60	46	48	48	108	12	14	13	-	-	1	14
AMERINDIAN	2	2	2	-	-	-	2	-	2	3	-	-	-	3
UNDECLARED	5	5	5	2	2	2	7	11	10	10	-	-	-	10
TOTAL	4,609	4,707	4,588	1,700	1,748	1,751	6,339	5,430	5,495	5,183	79	87	95	5,278

EMPLOYEE PROFILES BY AGE, LENGTH OF SERVICE, EDUCATION, WORKING HOURS, MANAGEMENT AND GENDER LA13

	♂			♀			TOTAL		
AGE									
18-30 Y/O	504	199	703	657	259	916	649	289	938
31-40 Y/O	3,049	800	3,849	3,016	755	3,771	2,775	710	3,485
41-50 Y/O	4,521	1,185	5,706	4,507	1,173	5,680	4,434	1,164	5,598
OVER 50 YEARS	4,151	694	4,845	4,218	745	4,963	4,110	765	4,875
AVERAGE AGE	45,8	43,8	45,4	45,7	43,8	45,3	45,8	43,8	45,5
LENGTH OF SERVICE									
UP TO 3 YEARS	402	113	515	1,109	254	1,363	1,470	399	1,869
4-10 YEARS	1,941	460	2,401	1,754	443	2,197	1,240	331	1,571
11-20 YEARS	5,271	1,308	6,579	4,771	1,204	5,975	4,962	1,204	6,166
OVER 20 YEARS	4,611	997	5,608	4,764	1,031	5,795	4,296	994	5,290
AVERAGE LENGTH	17,7	16,9	18,6	17,3	16,7	17,2	17,1	16,4	17,2
EDUCATION									
ELEMENTARY	2,673	62	2,735	2,187	42	2,229	2,179	53	2,232
HIGH SCHOOL	6,099	1,059	7,158	6,318	948	7,266	6,233	1,097	7,330
COLLEGE (1)	3,453	1,757	5,210	3,893	1,942	5,835	3,556	1,778	5,334
WORKDAY									
PART-TIME (2)	1,232	243	1,475	1,265	250	1,515	1,254	266	1,520
FULLTIME	10,993	2,635	13,628	11,133	2,682	13,815	10,714	2,662	13,376
MANAGER									
NON-COMMISSIONED	-	-	-	-	-	-	-	-	-
COMMISSIONED	448	122	570	451	124	575	479	113	592

(1) 1,779 staff have a post-graduate level specialization/MBA, and 10% of them has a masters degree and/or a PhD.

(2) Work in operating and customer service areas.

TO MAINTAIN LEADERSHIP, IT IS KEY TO RETAIN PROFESSIONALS WHO ARE COMPETENT AND COMMITTED

LA3 We maintain a benefit package that goes beyond those required by law, that seeks ensuring to our employees and their dependents that they maintain their health, social welfare, development, better quality of life, satisfaction and safety. The benefits are granted to all employees, regardless of their working hours or position, gender or ethnic background – except for apprentices, whose benefits are governed by specific legislation.

Those employees with legal custody of children are granted a childcare allowance or can use our Daycare Center, for children from six months to less than six years old. We reimburse the expenses incurred by employees with physically or mentally disabled children on their treatment in specialized institutions equivalent to up to two times the amount of the childcare allowance, with no age limit.

Employees on sick or accident leave paid whose salary is higher than the ceiling allowance by the public social welfare are automatically granted a salary supplement during up to six months.

EC3 In addition to these benefits, we also subsidize healthcare and pension fund benefits for all employees, through Fundação Sabesp - Sabesprev. In 2011, we contributed with 1.41% of monthly payroll to the employees' defined benefit pension plan.

As the end of December 2011, we entered into an agreement with the entities representing the employees to make changes in their pension plan. The proposal provides for the increase in the incentives granted to those employees willing to migrate from the defined benefit pension plan (Basic Plan) to the defined contribution plan (Sabesprev Mais Plan). It also incorporates changes in the risk benefits.

With the agreement, we expect to address the basic pension plan's technical deficit issue, estimated at R\$ 538.6 million. The solution still needs to be approved by the State Government oversight bodies and will also be submitted to the approval of courts, due to the lawsuit that in November 2010 suspended migrations to the Sabesprev Mais plan.

As regards the healthcare plan Sabesprev, in 2011 we created a joint committee to define proposals to improve plan coverage, at costs consistent with the market, comprising the performance analysis of the plans currently administered by Sabesprev in terms of the following: financial income and expenses, service, and service network available to active and retired employees.



1.41%

OF PAYROLL

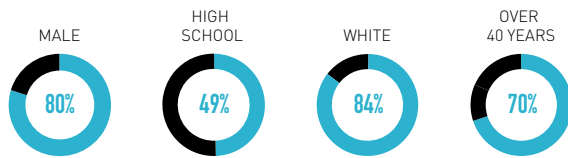
Allocated by Sabesp
to the pension plan

PEOPLE MANAGEMENT

The adoption of a people management model consistent with market reality, agile and flexible is indispensable for good corporate performance. We understand that we need to review the bases of and create new scenarios for our human resources and outsourcing policy. This approach should reflect and include market trends, and management and personnel expectations.

We are also seeking the involvement of internal stakeholders through integration and motivation strategies, and we expect to resume the Organizational Climate Management

14.896 EMPLOYEES



R\$ 51 MILLION

Paid to employees for the attainment of profit sharing plan goals in 2011

+ 918 TRAINEES / 506 APPRENTICES

process in 2012. We intend to be considered, in the near future, one of the best companies to work in Brazil. To meet this goal, we have initiated actions to improve the current states of the organization and our relations with our employees. These actions include the enhancement of our Career and Salary Plan (PCS).

In 2011, we engaged Fundação do Desenvolvimento Administrativo (Fundap) to design a new PCS, one of the main goals of the current administration. Our objective is to align Sabesp with current market practices and procedures and implement an effective, merit-based career plan, in the assessment of performance, capacities and skills.

Over the year, we completed all the internal diagnosis stages to set requirements, prepare a proposal for the new plan and present it to our executive committee. This process involved directors, managers, employees, trade unions and class associations. The proposal has been submitted and waits the approval of government bodies.


LABOR AND TRADE UNION RELATIONS

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.

HR5 We conduct negotiation processes responsibly and with transparency, and value the healthy dialogue with trade unions. 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. In 2011, there were not situations in which this right to freedom of association and negotiation were at risk.

LA4 We annually negotiate with the five main trade unions representing the majority of our employees (90%): São Paulo Water, Sewage and Environmental Workers' Union (Sintaema), Santos, Baixada Santista, 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). We emphasize that 80% of our employees voluntarily joined one of these unions.

We negotiated the 2011/2012 collective bargaining in May with the main unions representing our employees. We agreed on a salary and benefit increase of 8% and set the goals for the profit sharing plan (PPR). Note that, as agreed with the trade unions during the negotiation of the 2010 collective bargaining, on January 31, 2011 we paid an advance of 30% of the 2010 profit sharing bonuses and on April 29, 2011 we paid the remaining bonuses, tied the compliance of the established goals. The amount paid was R\$ 51 million, to 15,424 employees, as shown in the table below.

 EMPLOYEE CATEGORY	MEAN*	[R\$]
Operations	2,167.50	
Administratives/Technicals	2,926.64	
College graduates	5,085.55	
Managers	9,370.18	
Sabesp Average	3,307.66	

*Formula to calculate the VPPR: {R\$1,055.42 + [70% x (base salary + position allowance and commission + ATS)]} x 98.2%.

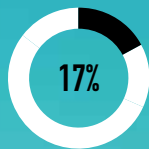
QUALIFICATION

112,000

PROFESSIONALS
TRAINED IN 2011



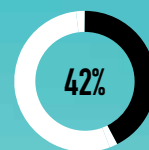
MANAGERS



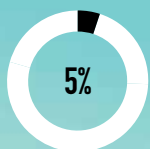
COLLEGE
GRADUATES



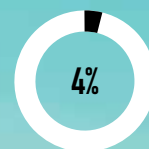
OPERATING
STAFF



TECHNICIANS



TRAINEES



APPRENTICES

AVERAGE HOURS BY EMPLOYEE CATEGORY **LA10**

	2009	2010	2011
Administratives/Technicals	63.9	45.5	43.4
Apprentices	23.4	50.7	39.8
Trainees	63.9	56.1	68.4
Managers	116.1	71.1	55.2
Operations	40.2	36.0	35.9
College graduates	88.8	71.0	66.5
Total	60.5	46.3	46.5

LA12 In 2011, there were approximately 2,700 changes in personnel, involving promotions, transfers, assignment, and dismissal of employees. These changes are made after the assessment of an employee's competence or performance by the relevant manager.

We comply with the Brazilian law that protects workers against changes that affect their working conditions. In the event of changes in processes that affect the employment relationship, we previously discuss the matter with the affected employees.

LABOR QUALIFICATION AND TRAINING

We are aware that the sustainability of our business depends on who occupies the leadership positions in our company in the medium and long terms. This is even more crucial when we know that 35% of our managers will be eligible for retirement in the coming five years. Accordingly, in 2011 we created our first class of the Succession Preparation and Career Program, consisting of 39 people that have the key and potential competences to become future leaders in Sabesp. The development process comprises an MBA, coaching, assessment, language courses and individual specialization, locally and internationally, on priority business issues. In 2012, we will initiate a Management Excellence Program and will start a second succession and career class.

LA11 The qualification and training of our employees has always deserved a special attention. We are one of the pioneers in corporate education in Brazil with our Corporate University, created in 2001 to train our future leaders and employees from all levels.

In 2011 the qualification process had 112,000 attendants, namely 4% managers, 17% college graduates, 28% operating staff, 42% technicians, 5% trainees and 4% apprentices, reaching an average of 46 hours/person. We should highlight remote education, with a syllabus of around 350 courses, totaling an annual average of 12,000 attendances.

Piracaia Dam



350REMOTE
LEARNING COURSESTotaling an annual
average of 12,000 attendants

The University's investments in qualification totaled around R\$ 9 million and favor courses focused mainly on sustainability, corporate governance, environment, social responsibility, quality, health and safety, and key competences for the business.

HR3/HR8 In 2011, there was a strong investment in occupational hygiene, safety and medicine activities, including human rights aspects. We also dedicated efforts to the increase of our staff qualifications, by subsidizing post-graduation, MBA, technical and professionalizing and language courses, through partnerships with renamed teaching institutions. In addition, our agreements with more than 150 teaching institutions granted discounts of up to 40% for our employees and their dependents in tuition fees of graduation, post-graduation, high school, elementary school, technical, pre-school, language and adult education courses.

R\$ 9

MILLION

Invested in
Corporate University

OCCUPATIONAL SAFETY AND HEALTH

Basic sanitation activities are, by their nature, exposed to occupational accidents. Thus, the objective of our occupational safety and health management is to ensure the implementation of actions that promote the development of a company wide prevention culture and the improvement of working conditions, bettering the quality of life of our employees and service providers.

PR1/PR2 Our Occupational Safety and Health Management System is certified by the OHSAS 18001 standard and encompasses 100 locations within the scope of digging services and works, and work in confined spaces carried out in public ways. In 2011, Bureau Veritas Certification audited Sabesp to maintain the certification and we were re-certified.

LA6 A quarter of our staff, including management and employee, take part in formal safety and health committees, and are involved in activities such as: systematization, monitoring and specific programs. We highlight, in particular, the dedication and commitment of our 3,650 Internal Accident Prevention Committee (Cipa) members, emergence brigade members and area professionals.

The main drivers of our safety and health policy are as follows: (i) responsibility for occupational safety and health is everyone job; and (ii) occupational safety and health-related performance must be permanently monitored and improved.

The programs developed for occupational safety and health have gradually resulted in a decrease in the frequency and severity of accidents. The most frequent are traffic accidents (26%) and falls (24%). The main causes relate to behavioral attitudes (66%).

In 2011, we made an average investment of R\$ 10 million in accident prevention. We have also created a specific communication channel for outside stakeholders, covering occupational safety and health issues, available on the link on the right.

Occupational safety and health
www.sabesp.com.br/rs2011/trabalhe



● OCCUPATIONAL SAFETY AND HEALTH INDICATORS / BY REGION ^{LA7}

SÃO PAULO - METROPOLITAN REGION			
	2009	2010	2011
Frequency rate	5.3	5.9	7.8
Severity rate	160	683	224
Occupational disease	49	38	5
Absenteeism (%)	4.7	3	3
Deaths	24	17	23
Work-related deaths	-	1	-

INLAND AND SHORE			
	2009	2010	2011
Frequency rate	5.5	7.4	6.7
Severity rate	220	784	297
Occupational disease	27	33	7
Absenteeism (%)	6.1	3.1	2.4
Deaths	18	17	18
Work-related deaths	-	1	-

TOTAL - SABESP			
	2009	2010	2011
Frequency rate	5.1	6.2	6.9
Severity rate	330	662	239
Occupational disease	76	71	12
Absenteeism (%)	5.3	3	3
Deaths	42	34	41
Work-related deaths	-	2	-

DEFINITIONS

Frequency rate: Number of work-related last-time accidents resulting in injuries and leave of absence per million of hours/man worked, over a given period.

Severity rate: Days lost to work plus days debited from work-related accidents per million of hours/man worked, over a given period.

Occupational disease: Number of employees on leave due to disease associated with or caused by the performance of a job specific to a certain activity (Appendix II - Federal Decree 6.042/07).

Absenteeism: Percentage that measures the decrease in the total number of hours worked due to absence from work.



72,000

PEOPLE

Visited our STPs and WTPs in 2011 to be familiar with our treatment processes

QUALITY MANAGEMENT

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

- Review and implement a Management and Organization Model, based on strategic planning, for the 2011/2020 cycle;
- Promote the continuous improvement of operating and administrative processes and/or activities; and
- Continuously promote a quality, safety and environmental preservation culture by offering consulting opportunities.

The Quality Management Excellence Program has prioritized ISO 14001 certification (environmental management) and the maintenance of the integrated certification for the ISO 9001 (quality) and OHSAS 18001 (occupational safety and health).

In 2011, we were audited for the maintenance and recertification of the Intergraded Quality System with respect to ISO 9001, ISO 14001 and OHSAS 18001. We currently have 13 laboratories accredited under ISO/IEC 17025 and certified by Inmetro, ensuring that the product water does not have direct impacts on the customers health.

PR3/PR4 To this regard, we should note that even though we do not use procedures for minimizing specific risks in connection with product and service labeling – since such procedures are designed for packed products –, we disclose in our monthly bill for water and sewage services the water quality parameters (turbidity, chlorine, fluorine contents, total coliforms, and thermotolerant coliforms), and in accordance with Presidential Decree 5.440/05 and Ministry of Health Ordinance 2.914/11.

COMMUNITY RELATIONSHIP

We seek to support educational activities focused on customers, suppliers and communities, to address their

concerns identified in our opinion surveys. In this area the highlights are training on the rational use of water and environmental education. We open our doors to schools that wish to get acquainted with the water and/or sewage treatment process: in 2011, we conducted nearly 2,000 visits, totaling more than 72,000 people.

S01 We work in communities in association with local governments. Programs for the lower-income 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 our works characteristics and the profile of the beneficiary population.

We should highlight the methodology called Collaborative Governance, developed by the Brazilian Analysis and Planning Center (Cebap), which is used, for example, in programs such as Córrego Limpo by our Metropolitan Division. Under this approach, socio-environmental projects are sponsored with the involvement of all stakeholders and the beneficiaries are accompanied and supported through visits from our social responsibility teams.

In the RMSP, we also develop the Agente da Gente (Our Agent) – Community Participation Program, which serves as an effective communication channel between out 40 technicians and community leaders. Together, they work to involve the residents, transforming them in multipliers of environmental awareness. In 2011, there were more than 600,000 actions, including participation in water and sewage lectures and events.

We continuously look for means to get our operations staff closer to the communities served. Accordingly, one initiative has been conducting services using own labor, a model adopted by the Regional Systems Division. Named Gente que Faz (Doers), it is also a strategy to value our staff and add value to the company.

We should also highlight the meetings held in the weeks right before the rainy season in 2011, with government and civil society representatives, to present

TAX INCENTIVES	2011
Incentive to culture - Rouanet Act	5,405
Incentive to audiovisual	8,000
Incentive to sports	3,090
Condeca*	3,000
Total	19,495

* State Child and Adolescents Rights Council

the management of Cantareira System's dams operation and create coordinated actions to face and prevent possible emergency situations during the summer months. We held five meetings – in Atibaia, Campinas, Nazaré Paulista, Piracicaba and Vargem – involving bodies such as the State Department of Water and Electrical Energy (DAEE), the State Civil Defense, municipal authorities (executive and legislative branches), representatives from civil society, municipal consortiums, other water and sewage companies and the press.

GRI 4.15 We are open and seek to establishing new links with stakeholders from different sectors, but we adopt criteria to focus such partnerships, so that they can add to our business and mission. Thus, our assessment of sponsorships, institutional support and cooperation arrangements is guided by the following criteria: (i) favor entities/headquarters/operations within our operation basis; (ii) favor initiatives linked to water and sustainability (e.g.: water sports); (iii) do not exclude and allow a broad social involvement; (iv) good reputé, history of activities and compliance with legislation applicable to sponsorships by state-owned companies. We have also entered into contracts through biddings with Public Interest Civilian Society Organizations (Oscip), NGOs and universities for eco-social projects, in compliance with the requirements of Law 8.666/93.

RELATIONSHIP WITH GOVERNMENTS

We are a public utility services concessionaire. As such, one of our stakeholders are the governments, whether federal, state or municipal. We comply with the laws, standards and regulations set out by the Executive Branch and, at the same, we try to cooperate with the public water and sewage policy-making.

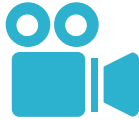
Our relationship with the federal government is typified by the defense of the public interest. As a state owned company, we depend, for example, of approval from federal agencies to obtain international financing. We also endeavor to have access to budget funds possibly made available by the federal government. We have tried to influence, though industry entities, the discussions on federal taxation of water and sewage services, which we consider too high in Brazil – note that in 2011 we paid to the Union R\$ 1.21 billion in income tax, Pasep, Cofins and CSLL.

At state level, the São Paulo State Government is our controlling shareholder. We collaborate in the design of public programs and setting guidelines for the water and sewage industry to hasten the attainment of the universal services goal in our state. We also allocate funds for actions sponsored by the state government – such as incentive to culture and sports, based on tax incentives.

R\$ 1,2

BILLION

Paid in income tax, Pasep, Cofins and CSLL in 2011



R\$ 13.4

MILLION

Invested in cinema, literature, visual arts, music, dance, theater, circus and preservation of cultural heritage sites in 2011

127

SPONSORED FILMS

Since 2004, which makes us one of the three largest sponsors on the movie industry in Brazil

INCENTIVE TO CULTURE

The municipalities are the concession grantors of the utility services we provide. We consider them, therefore, our main customers. Our program contracts are defined in close partnership with the cities, in order to increase the consistency of our works with the needs and demands of the populations served. We also develop socio-environmental projects together with the cities to create more benefits for the population.

INCENTIVES TO CULTURE AND SPORTS

We grant institutional and financial support to environmental, sociocultural and sports projects developed by organizations dedicated to environmental preservation and aligned with social responsibility principles, cultural incentive and community welfare.

In the last few years, we have developed a closer relationship with culture, by sponsoring events and the creation of new venues and cultural programs, such as "Sabesp para quem tem sede cultura" (Sabesp for those with a thirst for culture), through which we sponsor cinema, literature, visual arts, music, dance, theater, circus and preservation of cultural heritage projects. In 2010 we invested R\$ 13.4 million.

In 2011, we selected 19 feature films to receive a total of R\$ 8 million under the São Paulo Film Incentive Program. The films were selected by the State Department of Culture and received funds that we make available under the Rouanet and Audiovisual Law. Two of these movies address sustainability issues: "Metrópolis – Desafios para o Desenvolvimento Sustentável", directed by Chico Guariba, and "Coração do Brasil", directed by Daniel Santiago.

Since 2004, when we joined the program, 127 films have been sponsored, totaling investments of R\$ 48 million in this area – one of them is "Xingu", directed by Cao Hamburger, which will open in 2012. The films were selected by experts, directors, producers and curators,

according to criteria such as cultural and artistic interest, project quality and professionals involved.

Today, we are the company that most invests in cinema in the State of São Paulo and one of the three largest sponsors of this industry in Brazil. As regards diversity, we were one of the first companies in Brazil requiring that beginning 2011 sponsored productions make available copies that allow the hearing and visually impaired to enjoy them. "Onde Está a Felicidade", a film directed by Carlos Alberto Riccelli, was the first to include captions and audio description. All productions sponsored by us in 2011 assumed the same commitment.

We also rolled over the project Escola no Cinema (School in the Cinema), aimed at enhancing our relationship with students and teachers: 10,000 students have already attended the commented sessions held at Cine Sabesp, one of the last street movie theaters in São Paulo city, and currently supported by us. More than half of these attendants had never been to a movie theater before. The venue is also used for the Cine Sabesp Vestibular activities, which shows movies based on mandatory books for university applicants. After the session, we hold lectures and debates that transform our theater in an extension of classrooms.

We have also sponsored sports activities by allocating R\$ 3 million as tax incentives in 2011. The beneficiaries include the Esporte Clube Pinheiros water sports team and the Associação Comunidade Mãos Dadas water polo team. We sent another R\$ 3 million to the State Children and Adolescents Fund, through Condeca (State Child and Adolescents Rights Council).

AWARDS RECEIVED BY SABESP

GRI 2.10 In 2011, our effort to improve even further our operations, developing best management practices, expanding our services and adding value to society were recognized through more than 20 awards received, as link below.

Cine Sabesp
www.sabesp.com.br/rs2011/cinema_01

Prizes
www.sabesp.com.br/rs2011/premios

ANNUAL SOCIAL BALANCE SHEET / 2011

EN30

1 - Calculation basis		2011 (R\$'000)			2010 (R\$'000)		
Net revenue (NR)		9,927,445			9,230,370		
Operating profit (OP)		2,354,495			2,672,119		
Gross payroll (GP)		1,395,844			1,291,749		
2 - Internal social indicators	Amount (R\$'000)	% on GP	% on NP	Amount (R\$'000)	% on GP	% on NP	
Meals	109,966	7.88	1.11	100,278	7.76	1.09	
Mandatory payroll taxes	133,908	9.59	1.35	127,207	9.85	1.38	
Pension plan	65,923	4.72	0.66	5,329	0.41	0.06	
Healthcare	108,243	7.75	1.09	98,695	7.64	1.07	
Occupational safety and health	10,254	0.73	0.10	9,631	0.75	0.10	
Education	688	0.05	0.01	292	0.02	0	
Culture	970	0.07	0.01	767	0.06	0.01	
Professional training and development	8,779	0.63	0.09	7,026	0.54	0.08	
Daycare centers or childcare allowance	1,473	0.11	0.01	1,592	0.12	0.02	
Profit sharing	56,692	4.06	0.57	27,525	2.13	0.30	
Other	4,563	0.33	0.05	3,581	0.28	0.04	
Total - Internal social indicators	501,459	35.93	5.05	381,923	29.57	4.14	
3 - External social indicators	Amount (R\$'000)	% on GP	% on NP	Amount (R\$'000)	% on GP	% on NP	
Education	0	0	0	24	0	0	
Culture	20,163	0.83	0.20	15,182	0.57	0.16	
Health and sanitation	2,510	0.10	0.03	240	0.01	0	
Sports	5,943	0.24	0.06	3,493	0.13	0.04	
Hunger eradication and food security	0	0	0	0	0	0	
Other	7,820	0.32	0.08	12,294	0.46	0.13	
Total contributions to society	36,436	1.49	0.37	31,233	1.17	0.34	
Taxes (excluding payroll taxes)	1,466,228	57.67	14.18	1,557,913	55.66	16.11	
Total - External social indicators	1,443,827	59.16	14.54	1,518,502	56.83	16.45	
4 - Environmental indicators	Amount (R\$'000)	% on GP	% on NP	Amount (R\$'000)	% on GP	% on NP	
Investments related to company production/operation	9,304	0.38	0.09	411	0.02	0	
Investments in external programs and/or projects	21,122	0.87	0.21	22,359	0.84	0.24	
Total environmental investments	30,426	1.25	0.31	22,770	0.85	0.25	
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 () meets 51 to 75% () meets 0 to 50% () meets 76 to 100%			(x) has no goals () meets 51 to 75% () meets 0 to 50% () meets 76 to 100%			

5 - Staff indicators	2011	2010
No. of employees at end of period	14,896	15,330
No. of hires during the period	723	1,090
No. of outsourced employees*	7,399	0
No. of technical students and apprentices	1,424	1,056
No. of employees above 45 y/o	7,757	7,868
No. of female employees	2,928	2,932
% of management positions held by female employees	19.09	21.57
No. of black employees	2,137	2,150
% of management positions held by black employees	3.72	3.83
No. of disabled employees or employees with special needs (includes Avape partnership)	163	57

6 - Significant information on exercise of corporate citizenship	2011			2012 Goals		
Ratio between highest wage to entry level wage ratio in the company	23			nd		
Total number of work lost-time accidents	187			136		
The social and environmental projects developed by the company were set by:	<input type="checkbox"/> officers	<input checked="" type="checkbox"/> officers and managers	<input type="checkbox"/> all employees	<input type="checkbox"/> officers	<input checked="" type="checkbox"/> officers and managers	<input type="checkbox"/> all employees
The safety and health standards in the work environment were set by:	<input checked="" type="checkbox"/> officers and managers	<input type="checkbox"/> all employees	<input type="checkbox"/> all + Cipa	<input checked="" type="checkbox"/> officers and managers	<input type="checkbox"/> all employees	<input type="checkbox"/> all + Cipa
As regards unionization freedom, the right to collective bargaining and internal representation of employees, the company:	<input type="checkbox"/> does not get involved	<input type="checkbox"/> follows ILO standards	<input checked="" type="checkbox"/> encourages and follows ILO	<input type="checkbox"/> will not get involved	<input type="checkbox"/> will follow ILO standards	<input checked="" type="checkbox"/> will encourage and follow ILO
The pension fund encompasses:	<input type="checkbox"/> officers	<input type="checkbox"/> officers and managers	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> officers	<input type="checkbox"/> officers and managers	<input checked="" type="checkbox"/> all employees
Profit sharing encompasses:	<input type="checkbox"/> officers	<input type="checkbox"/> officers and managers	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> officers	<input type="checkbox"/> officers and managers	<input checked="" type="checkbox"/> all employees
In the selection of suppliers, the same ethical, social and environmental responsibility standards are adopted by the company:	<input type="checkbox"/> are not considered	<input type="checkbox"/> are suggested	<input checked="" type="checkbox"/> are required	<input type="checkbox"/> will not be considered	<input type="checkbox"/> will be suggested	<input checked="" type="checkbox"/> will be required
As regards the involvement of employees in voluntary work programs, the company:	<input type="checkbox"/> does not get involved	<input type="checkbox"/> supports	<input checked="" type="checkbox"/> organizes and encourages	<input type="checkbox"/> will not get involved	<input type="checkbox"/> will support	<input checked="" type="checkbox"/> will organize and encourage
Total number of complaints and criticisms from consumers	at company Ombudsman: 44,169	at Procon CIP: 1,488	at JEC/Conc courts: 354	at company nd	at Procon nd	at courts nd
% of complaints and criticisms pursued or solved	at company Ombudsman: 99%	at Procon CIP: 88%	at JEC/Conc courts: 72%	at company nd	at Procon nd	at courts nd
Wealth for distribution (R\$'000):	In 2011: 5,714,179			In 2010: 5,316,928		
Distribution of wealth:	25.6% government 5.1% shareholders 16.3% retained	28.9% employees 24.1% third parties		29.2% government 7.3% shareholders 23.4% retained	23.6% employees 16.5% third parties	

7 - Other Information

This company does not use child or work similar to slave labor and makes sure that this does not work along the supply chain. The company is not involved with prostitution or sexual exploitation of children or adolescents, or the traffic of wild animals. We adopt practices to prevent and suppress corruption. Our company values and respects diversity both internally and externally.

* The number of outsourced workers is estimated considering the labor allocated to the service arrangements, since Sabesp does not contract outsourced labor directly.

REPORTING PARAMETERS AND PROCESS

GRI 3.10/3.11 This is the fifth time we disclose our Sustainability Report. This is the first time, however, that we issue it simultaneously with our Management Report, according to a decision of our Executive Committee. Our purpose is to allow society to know our socio-environmental performance at the same time we present our report on our financial results.

In this issue, our effort was to expand the volume and the reported information, thus opening Sabesp to further examination by our stakeholders. This is evidenced, for example, in the higher number of monitored environmental indicators, from six in 2010 to 12, according to the Global Initiative Reporting (GRI) performance indicators – which have adopted since our first sustainability report. We have also added three other social indicators on the safeguards to prevent corruption.

GRI 3.6 Our top management has been involved and monitored the preparation of this report, which covers the activities of all our business and administrative units throughout 2011. For the second consecutive year, we have elected to draft the report using a team consisting on our own staff. We have held successive meetings and reviews to ensure the balance, comparability, accuracy and clarity of information. During drafting, we add the support of an outside consultancy, Weingrill Informação e Comunicação Ltda.

GRI 3.5/3.7 Information selection prioritized the materiality of the topics as regards our strategic options, the transparency in the relationship with stakeholders, the results of the materiality matrix and the reporting of expenses to analysts, investors, governments, employees, customers and, especially, the community to which we belong. In brief, this report shows our interest and efforts to integrate sustainability into our management.

The year's report tries to be more concise and objective, in line with the idea of sustainability, with a lower paper consumption and cost, as shown in the table below.

EDITION [No. of copies]	2008	2009	2010 ⁽¹⁾	2011 ⁽²⁾
Portuguese	2,000	1,000	700	600
English	300	200	-	50
Spanish	300	200	-	-

(1) From 2010 on, Spanish version became available only in digital media.

(2) This year we are making the printed version in English available once again on account of our participation in events such as Rio+20.

GRI 3.9 Throughout the text, we provide information on operational indicators, goals and performance projections for the period ending 2018. We also report historic series with at least three-year data. 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 quality of these indicators and, when material, add new ones.

For the economic and financial statements, also available on our website, we followed the standards issued by the Brazilian Securities and Exchange Commission (CVM) and 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 GRI model, and for the Social Balance Sheet, we used the Social Balance Preparation Guide of the Brazilian Institute of Social and Economic Analyses (Ibase) and the pattern preconized by Instituto Ethos.

Since 2006, we are signatories of the Global Pact, a UN initiative that gathers companies to promote sustainable developments. We annually send the English version of our report as "progress communication".

GRI 3.13 We have assumed for this report level B of the GRI. Even though it is the same self-declared in the last two editions, we believe that we made progress and meet a higher number of parameters this year. We intend to have, in the future, the environmental and social dimensions examined by outside valuers. The economic and financial dimensions are already audited by PricewaterhouseCoopers, which also assesses the summary published in *Diário Oficial do Estado de São Paulo* and *Valor Econômico* newspaper, which contains a summarized vision of our social and environmental activities.

GRI 4.14/4.16/4.17 The stakeholders' engagement process for the reparation of the report included a sustainability hearing, held on January 30, 2011. We have innovated to this regard, however, by promoting, for the first time at Sabesp, a Sustainability Experts Workshop, aimed at gathering inputs for report preparation and suggestions on our corporate sustainability policy. This workshop was attended by 13 outside guests, who joined around 30 people from our staff, divided into three theme panels: (i) Environmental sustainability in water and sewage services; (ii) Social responsibility in a state-owned company; and (iii) How to progress in corporate governance. Our CEO attended the plenary session that discussed the workshop's finding and recommendations. We have decided to repeat the initiative in 2013.

GRI 3.4 The electronic version of this report is available on our website (Sabesp/Sustentabilidade/Compromisso com a Sustentabilidade), in Portuguese, English and Spanish. Further information, suggestions or criticism on this publication can be addressed to sustentabilidade@sabesp.com.br. In order to facilitate the identification of the GRI indicators, their number are inserted throughout the text, next to the subject addressed and in the table summarizing results obtained at pages 88 to 90. As in previous editions, this report is carbon neutral.

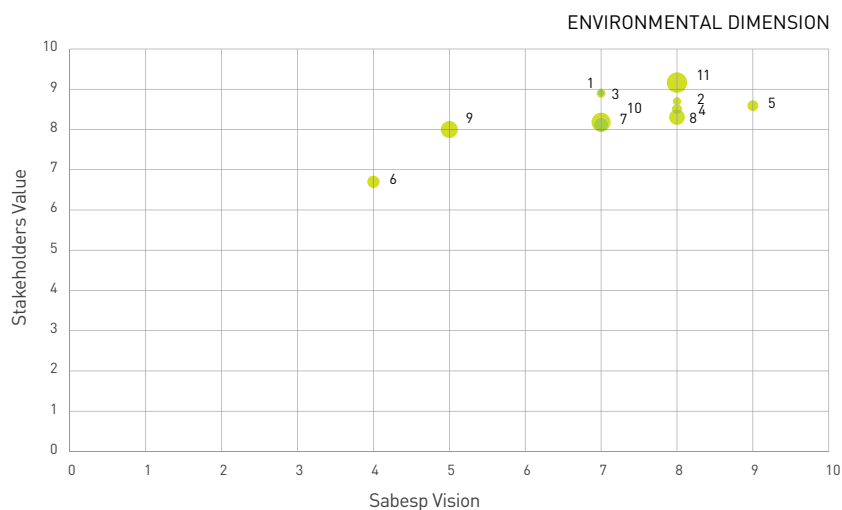
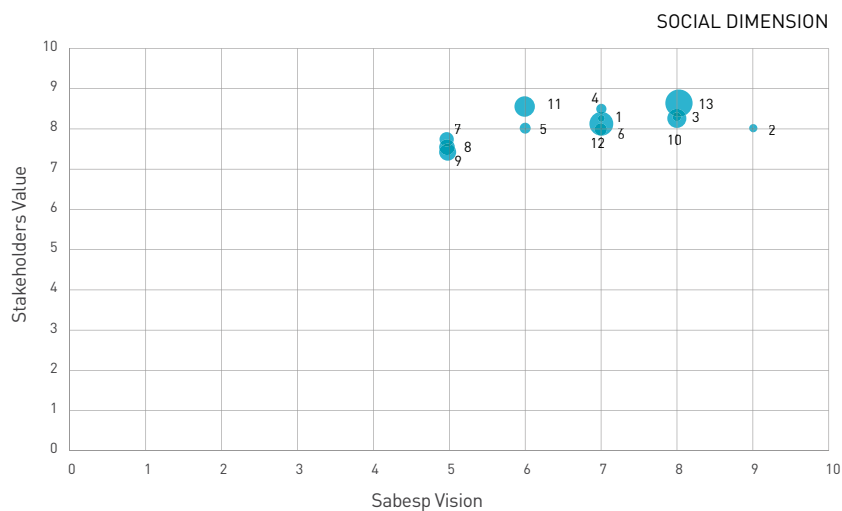
MATERIALITY MATRIX

In order to assess the level of compliance between what we consider as material to be highlighted in the report in the environmental and social dimensions and what stakeholders point out as being important, for the third consecutive year we used the materiality matrix tool, presented below, separately for each dimension. The opinions were gathered from NGOs, associations and businesses, and the responses were given only by one of their leaders or their representative. The quizzes were sent and received via internet. We received 102 responses (in 2010, we received 62 and, in 2009, 54). Previously, the responses were concentrated in NGOs and neighbors associations. Now, we have obtained significant responses from large companies, such as Natura, Arcelor Mittal and Pão de Açúcar.

We once again noted that the subjects environmental management, water resources management and people management

obtained the highest scores. In order to verify if any of these subjects is prioritized in this report, we noted that environmental management and water resources management take 49% of the environmental chapter and people management take 38% of the social chapter. We have also improved the matrix presentation by adopting bubble graphs to show the occurrence of identical notes.

As we can see, there is a concentration of topics representing each subject in the top right corner of the matrices, which indicates a high consistency between the internal and the outside standpoints. In this aspect, we maintained the same trend of 2010. There is not much difference between what the company considers as important for its activities and what the stakeholders consider material to be included in the report.



GRI INDICATOR

PAGES

GRI INDICATOR	PAGES
1.1 Statement from the most senior decision-maker of the organization	Pages 6 and 8
1.2 Description of key impacts, risks and opportunities	Throughout the entire report.
2.1 Name of the organization	Page 10
2.2 Primary brands, products and/or services	Page 10
2.3 Operational structure of the organization	Page 11
2.4 Location of organization's headquarters	Page 10
2.5 Number of countries where the organization operates	Page 10
2.6 Nature of ownership and legal form	Page 10
2.7 Market served	Page 10
2.8 Scale of the reporting organization	Page 10
2.9 Significant changes during the reporting period regarding size, structure or ownership including	There were no changes in terms of size, structure, or equity interest in 2011.
2.10 Received awards	Page 83
3.1 Reporting period	FY 2011
3.2 Date of most recent previous report	July 2011
3.3 Reporting cycle	The next sustainability report is scheduled for publishing in 2013, related to fiscal year 2012.
3.4 Contact point for questions regarding the report	Page 86
3.5 Process for defining report content	Page 86
3.6 Boundary of the report	Page 86
3.7 Limitations on the scope or boundary of the report	Page 86
3.8 Basis for reporting on subsidiaries or other entities	Sabesp does not have subsidiaries.
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 86
3.10 Revisions in relation to prior report	Page 86
3.11 Change in scope, limit and measurement	Page 86
3.12 Table of location of the GRI indicators	Page 88
3.13 Policy and current practice with regard to seeking external assurance for the report	Page 86
4.1 Governance structure	Page 51
4.2 Indicate whether the chair of the highest governance body is also an executive officer	Page 51
4.3 State the number of members of the highest governance body that are independent and/or non-executive members	Page 51
4.4 Mechanisms for shareholders and employees to provide recommendations to the highest governance body	Page 72
4.5 Linkage between compensation for members of the highest governance body, senior managers and executives and the organization's performance	Page 51
4.8 Statements of mission or values, codes of conduct and relevant principles	Pages 10 and 31
4.12 Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses	Pages 61 and 69
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 86
4.15 Basis for stakeholders' engagement	Page 82
4.16 Approaches for stakeholders' engagement	Page 86
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 86
EC1 Economic value generated and distributed	Page 41
EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change	Page 59
EC3 Coverage of the organization's defined benefit plan obligations	Page 76
EC4 Significant financial assistance received from government	Page 82
EC5 Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Page 74
EC6 Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation	Page 72
EC7 Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	Page 74
EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind or pro bono engagement	Page 64

EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Pages 65 and 70
EN1	Materials used by weight or volume	Page 14
EN2	Percentage of materials used that are wastes	Page 14
EN3	Direct energy consumption by primary energy source	Page 14
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 14
EN10	Percentage and total volume of water recycled and reused	Page 14
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Page 65
EN13	Habitats protected or restored	Page 65
EN16	Total direct and indirect greenhouse gas emissions by weight	Pages 14 and 59
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Page 59
EN21	Total water discharge by quality and destination	Page 14
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Pages 25, 61 and 64
EN30	Total environmental protection expenditures and investments by type	Pages 14 and 84
LA1	Total workforce by employment type, employment contract and region	Page 74
LA2	Total number and rate of employee turnover by age group, gender and region	Page 75
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Page 76
LA4	Percentage of employees covered by collective agreements	Page 77
LA5	Minimum notice period regarding operational changes, including whether it is specified in collective agreements	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 79
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region	Page 80
LA8	Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases	The employees attend courses and lectures related to disease prevention and risk-control. Treatments (physiotherapy, GPR, acupuncture, etc.) 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 and per employee, by employee category	Page 78
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Page 78
LA12	Percentage of employees receiving regular performance and career development reviews	Page 78
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 74 and 75
LA14	Ratio of basic salary of men to women, by employee category	Page 74
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Page 73
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	We do not carry out screenings on human rights of significant suppliers and/or contractors.
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 79
HR4	Total number of incidents of discrimination and actions taken	Page 52
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 77
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	Pages 69 and 73
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 73
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	Page 79
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	In 2011 no incidents of this type were recorded.

S01	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 28 and 81
S02	Percentage and total number of business units analyzed for risks related to corruption	Page 53
S03	Percentage of employees trained in organization's anticorruption policies and procedures	Page 52
S04	Actions taken in response to incidents of corruption	Page 52
S05	Public policy positions and participation in public policy development and lobbying	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.
S06	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	Sabesp does not adopt this practice.
S07	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	The action, filed in 2010, claiming compensation for damages caused by the gas cartel condemned by Cade is still in progress. There was a lower court decision unfavorable to us and currently we await the judgment of the appeal filed.
S08	Monetary value of significant fines and total number of nonmonetary sanctions for non-compliance with laws and regulations	As regards fines for non-compliance with laws and regulations, in 2011 we paid unfavorable sentences amounting to R\$1.15 million, including payments of fines imposed by the environmental agency (Cetesb) and general fines imposed by cities and the São Paulo State Department of Finance. We did not identify any significant nonmonetary sanctions.
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 79
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	Page 79
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Page 81
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 81
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Page 71
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). To date, there was no case involving us judged irregular by Conar.
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 2011, we did not have any non-compliance cases related to codes or legislation concerning marketing communications, including advertising, promotion and sponsorship.
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	In 2011, there were no complaints regarding breaches of customer privacy and losses of customer data.
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	We do not have this data in systems.

LOCATION OF GLOBAL PACT PRINCIPLES

PRINCIPLES

PAGES

1	Respect and protect human rights	25, 31, 52, 69, 73, 74, 76, 77, 78, 79 e 81
2	Prevent human rights violations	52, 69, 72, 73, 78 e 79
3	Support freedom of association in the workplace	77 e 79
4	Abolish forced work	72, 73, 78 e 79
5	Abolish child labor	69, 72, 73, 78 e 79
6	Eliminate discrimination at the workplace	31, 69, 74, 75, 76 e 77
7	Support a preventive approach to environmental challenges	14, 25, 65 e 81
8	Promote environmental responsibility	14, 25, 31, 79 e 81
9	Encourage technologies that do not harm the environment	25, 59, 61, 64 e 81
10	Fight corruption in all of its forms, including extortion and bribery	52 e 53

CORPORATE INFORMATION

www.sabesp.com.br

Investors: www.sabesp.com.br/investidores

2011 SUSTAINABILITY REPORT

www.sabesp.com.br/rs2011

Suggestions/comments to the report: sustentabilidade@sabesp.com.br

SOCIAL NETWORKS

www.youtube.com/user/SaneamentoSabesp

www.flickr.com/photos/sabesp

www.facebook.com/OficialSabesp

twitter.com/CiaSabesp

CUSTOMER SERVICE

Virtual branch: your service office on the internet. Request a copy of your water bill, leak repairs, check your consumption history and know how to make payments.

<https://www9.sabesp.com.br/agenciavirtual>

On-line customer service: call our attendants and clear your doubts on our services.

Open from Monday to Friday, from 8:00 am to 9:00 pm, and Saturdays from 8:00 am to 5:00 pm.

www.sabesp.com.br • Option: Atendimento online

Service branches: find the service branch closer to your home on our website or on the water bill delivered in your home.

www.sabesp.com.br • Option: Clientes e serviços

CALL CENTER

195 (toll free)

For emergencies, such as water shortage, leaks and clogged sewage.

Available 24/7.

COMMERCIAL SERVICES

For information on bills, request a copy (in case its lost or not received), request services, addresses, useful telephones or brochures.

São Paulo Metropolitan Area: 0800-0119911 (toll free)

Monday to Friday from 7:00 am to 9:00 pm.

Saturday from 8:00 am to 5:00 pm.

Inland and coast cities: 0800-0550195 (toll free)

Available 24/7.

Telephone service for the hearing impaired: 0800-7773700 (toll free)

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

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

Sabesp Environmental Solutions for São Paulo Metropolitan Area: 0800-07712482 (toll free)

Provides exclusive service for large customers on individualized water metering, rational use of water (Pura), non-domestic wastewater, reclaimed water and the other services of the program.

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

Ombudsman Office: 0800-0550565 (toll free)

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

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

www.sabesp.com.br • Option: Ouvidoria

@CiaSabesp

#rs2011



300% CITIES



146 cities where @CiaSabesp operates have 100% treated water, 100% sewage collection and 100% treated. sabesp.com.br/rs2011/146 #rs2011

POPULATION SERVED



@CiaSabesp is present in 363 cities and serves 70% of SP state urban population. #rs2011

27.6 MILLION PEOPLE



@CiaSabesp is the fourth largest water and sewage company in the world in population served: 27.6 million people. #rs2011

UNIVERSAL SERVICES



@CiaSabesp progresses toward universal water and sewage services in the area where it operates by 2018. All inland cities by 2014. #rs2011

PRODUCTIVITY



The average productivity of @CiaSabesp employees increased 6% in 2011. It is the highest of the sector in Brazil. #rs2011

EFFICIENCY



With the losses reduction program, just in 2011 @CiaSabesp saved sufficient water to supply 26,700 people. #rs2011

SUSTAINABILITY



@CiaSabesp is committed to sustainable development. The speech of our CEO: sabesp.com.br/rs2011/diretora #rs2011

INVESTMENTS



@CiaSabesp has invested in average R\$ 2 billion per year in SP. This is 1/3 of what is invested in this sector in Brazil. #rs2011

RECORD NUMBER OF SEWAGE CONNECTIONS



In 2011, @CiaSabesp carried out the highest number of sewage connections of the last 12 years: 207,900. #rs2011

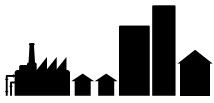
THE PATH OF SANITATION



@CiaSabesp has 212 STPs and 490 WTPs. Get acquainted with the path of sanitation in Great SP: sabesp.com.br/rs2011/caminho #rs2011



@CiaSabesp



WATER IN THE METROPOLIS

[@CiaSabesp](#) expanded water production by 5,000 liters per second in the SP metro area. Know the details: sabesp.com.br/rs2011/pma **#rs2011**



COASTAL REGION WATER

Major works undertaken in the São Paulo coast by [@CiaSabesp](#) benefited 3 million people. sabesp.com.br/rs2011/litoral **#rs2011**



TIETÊ PROJECT

[@CiaSabesp](#) invests R\$ 1 bi in Tietê Project. More than 8.5 million people served with sewage services in 20 years. **#rs2011**



CLEAN BROOK

103 brooks free from sewage. Result of the partnership between [@CiaSabesp](#) and [@SP_Prefeitura](#): 1.7 million people benefited **#rs2011**



ONDA LIMPA

Largest sewage program on our coast, Onda Limpa, conducted by [@CiaSabesp](#), invested R\$ 1.6 bi. sabesp.com.br/rs2011/tag/onda-limpa **#rs2011**



OUR GUARAPIRANGA

[@CiaSabesp](#) actions to take care of the dam: 11 barriers avoid garbage to spread out. sabesp.com.br/rs2011/ecobarreiras **#rs2011**



RESPECT FOR CUSTOMERS

92% of the users of [@CiaSabesp](#) services are satisfied with the company. More indicators sabesp.com.br/rs2011/tag/indicadores **#rs2011**



OUT OF THE LIST

For the 2nd year in a row, [@CiaSabesp](#) is not in the ranking of 50 most complained companies in Procon. **#rs2011**



SOCIAL TARIFF

8,600 households with income of up to 3 minimum wages are entitled to [@CiaSabesp](#) social tariff. **#rs2011**



OPEN DOORS

Every day, [@CiaSabesp](#) receives the visit of students and teachers in its facilities. In 2011, they were more than 72,000. **#rs2011**



COMMITMENT TO THE ENVIRONMENT

78% of [@CiaSabesp](#) customers think we are a socio-environmentally responsible company: sabesp.com.br/rs2011/compromisso. **#rs2011**



@CiaSabesp



RECLAIMED WATER

@CiaSabesp has the capacity to produce 319 million liters/month of reclaimed water from sewage treatment in its STPs. **#rs2011**



FOREST RESERVES

@CiaSabesp maintains 3 reserves within preservation units: Morro Grande, Rio Claro and Capivari Farm. They total 30,000 ha. **#rs2011**



RESEARCH AND DEVELOPMENT

@CiaSabesp and @AgenciaFAPESP together to develop new technologies: R\$ 50 million for research. sabesp.com.br/rs2011/fapesp **#rs2011**



ENVIRONMENTAL MANAGEMENT

50 @CiaSabesp STPs certified with the ISO 14001. The goal for 2018 is to reach 155. Know more: sabesp.com.br/rs2011/iso14001 **#rs2011**



FUEL FROM SEWAGE SLUDGE

@CiaSabesp is going to produce fuel for its vehicles from biomethane generated in its Franca STP. Partnership with Germany. **#rs2011**



FLEET RENEWAL

By 2014, @CiaSabesp will replace all light vehicles with more than 7 y/o and heavy vehicles with more than 20. Less CO₂ in the air. **#rs2011**



SUSTAINABLE BUSINESS

@CiaSabesp looks after the water and sewage of SP in a sustainable way: R\$ 1.2 billion profit in 2011. **#rs2011**



HIGH LEVEL OF GOVERNANCE

@CiaSabesp is one of BM&FBovespa's Novo Mercado pioneers and is listed in NYSE for 10 years. sabesp.com.br/rs2011/investidores **#rs2011**



HIGH LEVEL OF CONFIDENCE

@CiaSabesp is one of the Brazilian companies with the best market valuation. Rating (Standard&Poor's): Global: bb+ / Brasil: brAA+. **#rs2011**



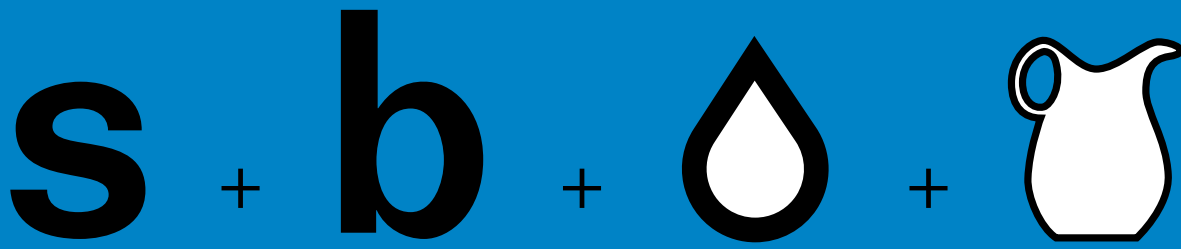
SABESP IS CINEMA

@CiaSabesp is one of the three largest sponsors of Brazilian cinema. 127 films sponsored since 2004. **#rs2011**



MOVIES FOR EVERYONE

In 2011, @CiaSabesp started to require that all movies it sponsors include captions and audio description. **#rs2011**

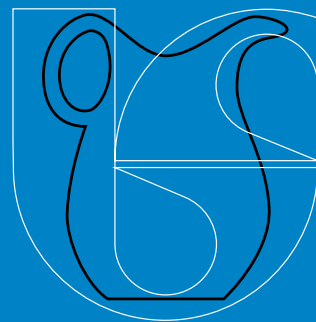


Format

He used the modern symbol of a water drop – which today conveys the general idea of sanitation – as an element harmoniously added to the lined and arches to organize the logo.

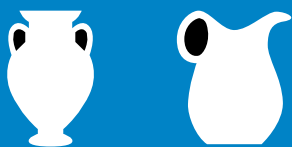
**THE SABESP
TRADEMARK WAS
CREATED IN 1973**

BY **NABIH MITAINI**



Trademark building

The trademark was built from the association of the theme initials (s, b) so that visually the share of these initials could be added to the symbols (amphora and drop). The top right graphic element forms letter "C" (Company); there is a graphic connotation of s - b (basic sanitation); the edge has letter "P", which added to the "S" result in "SP" (São Paulo).



Amphora

The element researched to design the symbol in the shape and with the meaning of an ancient amphora, a vase used by the Greeks and Romans, and afterward by other peoples, to store and carry water and other liquids. It is true that the amphora shape was created by the ancient Egyptians, who used clay vases in the water aeration and sedimentation process.

sabesp



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SUSTAINABILITY REPORT



WWW.SABESP.COM.BR