



sabesp

SUSTAINABILITY
REPORT

20
09



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SUSTAINABILITY
R E P O R T

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Table of Contents

Message from the Chairwoman of the Board	4
Message from the CEO	8
About Sabesp	14
Indicator Table	22
2009 and 2010 Goals	24
Corporate Management	29
Investment acceleration toward universal services	32
Market consolidation and contractual stability	48
Economic and financial sustainability	50
Management modernization	56
Repositioning in view of the new regulatory framework	62
Corporate Governance	70
Economic and financial performance	84
Environment	93
Main Accomplishments	94
Good Environmental Practices	104
Social Responsibility	119
Relations with Stakeholders	122
Social Programs	140
Report Benchmarks	152
Reference List	162
Corporate Information	4th Cover Folder

Tables



Table 1: The ten main 2009 Goals	26
Table 2: The ten main 2010 Goals	27
Table 3: Investments	32
Table 4: Breakdown of investments made in 2009	33
Table 5: Historical evolution of water & sewage service rates	34
Table 6: Population served by the progress in water & sewage coverage	34
Table 7: Improvement of population quality of life	35
Table 8: Structuring programs	36
Table 9: Corporate loss reduction program goals	42
Table 10: Contracting with municipalities	48
Table 11: Profit history	84
Table 12: Generate economic value	85
Table 13: Gross operating revenue history	85
Table 14: Water & sewage volume billed by use category and by region	86
Table 15: Net operating revenue history	86
Table 16: EBITDA history	87
Table 17: Capital structure on December 31, 2009	91
Table 18: PROL partners	113
Table 19: 2009 Sustainability hearings	115
Table 20: Priorities proposed by customers for investments in social responsibility	117
Table 21: Priorities proposed by customers for investments in environmental actions	117
Table 22: Headcount distribution by position, gender and race	127
Table 23: Number of employees by region	128
Table 24: Headcount distribution by gender and race	128
Table 25: Employee profiles by age, length of service, education, working hours, management, and gender	128
Table 26: Standard salary comparison	129
Table 27: Total number and rate of employee turnover by age group, gender, and region	129
Table 28: Percentage of local lower salary compared to minimum wage	129
Table 29: Average working hours by position	133
Table 30: Injury, occupational illness, lost days of work, absenteeism and work-related deaths ratios by region	135
Table 31: Annual Social Balance sheet / 2009	150
Table 32: Sabesp to NGOs linear propositioning correlation	153
Table 33: Average and materiality matrix table for the environmental dimension	154
Table 34: Average and materiality matrix tables for the social dimension	155

Message from the Chairwoman of the Board



To the future,
sustainability

Dilma Pena

Chairwoman of the Board of Directors

GRI 1.1 Sabesp, the largest sanitation company in Latin America and one of the largest in the world, had yet another remarkable year in 2009. The figures detailed herein speak for themselves. But not only the figures evidence the upward and sustainable trend of Sabesp.

By acting according to clear rules, both from the service provision and accounting, economic and financial standpoint, i.e., within the sustainability principles, as we have stated in the 2008 Report, Sabesp is taking firm steps toward its goal, the future of which it will be proud.

Sabesp's strategic planning establishes as a goal for 2018 "to be recognized as the company that, within its area of operation, with a focus on the customer, has universalized water and sewage services, in a competitive and sustainable way, with excellence in environmental solutions." We are trailing the right avenue.

For the third consecutive year, in 2009 Sabesp is part of the Corporate Sustainability Index portfolio of the São Paulo Mercantile and Stock Exchange (BM&F Bovespa). And, once again, we conquer important awards, including the National Quality Award, in the categories Customer and Water & Waste Innovation Management, the Top Environmental Award and the Top Social Award, the classification of Franca as the city with the best Sanitation Ratio of Brazil, and media awards, such as Best Utility in Brazil and the Climate Change Award.

Five areas should be highlighted among Sabesp's accomplishments in 2009:

a) investment acceleration aiming universal services, b) market consolidation and contractual stability, c) economic and financial sustainability, d) modernization of management, and e) strategic repositioning in view of the challenges of the new regulatory framework.

The volume of investments (R\$1.8 billion) was the highest in the last ten years, although 2009 was an economically difficult year. Contract and market stability progressed: 40 authorization acts were passed by city councils, including the São Paulo City Council, which reflect Sabesp's consistent partnership with the Cities. We took actions to cut costs and increase efficiency to ensure the economic and financial sustainability of Sabesp, and sustain the progress made in the recovery of receivables. Management modernization is in progress – there was a staff qualification effort, with the first comprehensive public recruitment process since 2001, to fill 1,700 vacancies. New talents renewed the team.

Sabesp promoted a strategic repositioning in view of the new regulatory framework – created an environmental function in 2007, a regulatory affairs function in 2008, and a new business function in 2009. Challenge for 2010: progress in the creation of a Research, Development & Innovation (RD&I) function.

Coupled with these actions, Sabesp is developing a strong program to reduce water losses. And we are already obtaining promising results. IN 2007-2009, loss reduction reached 174 million cubic meters, a volume sufficient to supply 1.7 million people during one year, equivalent to the population of Campinas and Osasco together. It is a pleasant sight to look at the strong drop in the loss ratio chart since 2004, as a result of large investments: in 2009, R\$261 million were invested in the program (R\$43 million in expenses and R\$218 million in investments). A sure path, guaranteed path, as recovering losses is to have a return on what we produced. It means saving financial and natural resources.

Sabesp is already exporting this know-how. We entered into with Companhia de Saneamento de Alagoas (Casal) the first loss reduction technology transfer agreement. We also entered into technical cooperation agreements with Agbar from Barcelona, Mekorot from Israel, Caesb from Brasília, and Casan from Santa Catarina. And we won an international tender bid together with Latin Consult. This consortium will operate, in some provinces of Panama, as consultant in a rational water use program and its commercial and operational management.

As an increasingly environmental solutions company and partner of the Cities where we operate, Sabesp is accumulating experience and achievements, using a platform of products and services offered to achieve customer loyalty and broaden our large customers' base, which benefit from our sustainability, environmental preservation and water resource management know-out and technology.

A water and sewage
company focused on its own
and the planet's sustainability



Thus, in 2009 we entered into 56 new loyalty contracts, which provide for minimum monthly consumption demand. With the existing 103 contracts, guaranteed revenue reaches R\$196 million per year.

The Rational Use of Water Program (PURA) is intended for public administration agencies and so far achieved excellent results through the following actions: reclaimed water (one of the contracts alone guarantees the supply of up to 1,000 l/s, the consumption of a city as large as Santos); individualized water metering in condominiums and telemeter. We should highlight also the END (Non-household Sewers). Sabesp billed R\$125 million with these services and collected 16.9 million cubic meters of effluent. This avoided, in an environment-friendly and lucrative way, the disposal of industrial wastewater in water streams.

A water and sewage company focused on its own and the planet's sustainability works as follows: collects and treats wastewater before returning it to the nature. And benefits everyone: consumers and shareholders. In other words, we operate in a sustainable way, under the guidance of Governor José Serra.

Dilma Pena

Message from the CEO



2009 Balance and 2010 challenges

Gesner Oliveira
CEO

GRI 1.1 SABESP took important steps in 2009 to accomplish its mission to "*render sanitation services, contributing for a better life and environmental quality*". We prioritize five work fronts.

The first was **investment acceleration aiming universal services**. In 2009, SABESP invested R\$1.8 billion, a record level in the past ten years. The investment made in 2007-2009 was R\$4.5 billion, more than double the investment made in 2003-2005.

These investments improved the quality of living of the population. We made roughly 201,000 new water connections and 184,000 new sewage connections. As a result, currently sewage collection increased to 80 percent and treatment of collected wastewater reached 74 percent. In 2007-2009, we started to treat the wastewater of 3 million people more. We estimate that by the end of 2010, this number increases to 3.4 million people, a figure close to the entire population of Uruguay.

In addition to more investment, there was a visible improvement in project management. Investment acceleration was made using **structuring programs**, which facilitate planning and fundraising. We have enhanced project management with the use of a methodology based on the concepts and best practices of the *Project Management Institute* (PMI), one of the largest project management development centers in the world. Additionally, we created a streamlined structure, named Investment Executive Group (GEE).

In 2009, Sabesp
invested R\$1.8 billion,
a record level in the
past ten years



The highlight is the Onda Limpa Baixada Santista (Santos Lowlands Clean Wave), which will increase sewage collection from 54 to 95 percent, and treat all collected wastewater. Investments in this program will total R\$1.4 million by 2011.

Four programs in the São Paulo Metropolitan Region should be specially highlighted. Firstly, Project Tietê, whose second phase was completed in 2008, is increasing wastewater collection in the São Paulo Metropolitan Region from 80 to 84 percent, and treatment from 62 to 70 percent. Project continuity is ensured by the approval of a US\$600 million loan from the Inter American Development Bank (IADB) for the project's Phase 3. This will allow increasing collection in the Greater São Paulo to 87 percent and treatment to 84 percent by 2015.

Secondly, the Metropolitan Water Program, with materialized the first big investment under a public-private partnership in the High Tietê Water Producing System, increasing water treatment capacity from 10 to 15 cubic meters per second. Thirdly, Program Vida Nova (New Life), focused on the conservation of watersheds, in particular around the Guarapiranga and Billings dams. Finally, Córrego Limpo (Clean Brook) Program, which permitted decontaminating 42 brooks in the city of São Paulo during stage 1, and will reach 58 brooks by the end of 2010.

We prioritized the Water Loss Reduction Program as it should. In 2009, water losses decreased to 26 percent of revenue. The goal for 2010 is to reduce loss ratio to 24 percent, a decrease of 8 percentage points over 2006, when losses reached 32 percent. If we reach this goal, in the 2007-2010 Sabesp will increase water supply capacity by 1.7 million inhabitants, equivalent to the population of Campinas and Osasco together, without the need to find new watersheds, and incur in the related power and material costs.

The second work front was ensuring **contract and market security**, comprising the renewal of existing agreements and ensure closer cooperation with the city governments.

In fact, the universal water and waste services goal requires actions from the Cities in addition to our investments. It is necessary that each party's efforts be complementary. A municipal government can work to clear irregularly occupied, invaded and environmental preservation areas, eliminate unauthorized connections and make the connection to the sewage system mandatory, detect illegal wastewater discharges, etc.

During the year several city councils approved 40 authorization acts, including in the City of São Paulo. In 2009, we entered into 14 agreements, added to the 174 agreements entered into since 2007. By January 2010, 30 authorization acts had been approved that will soon permit the provision of sanitation services.

The third work front was build-up sound pillars of economic and financial sustainability, to increase investment capacity and, therefore, the ability to better serve our customers. Note, to this regard, the R\$1.4 billion profit obtained in 2009, the highest ever nominal profit in our history.

To ensure our economic and financial soundness, we have been working to obtain efficiency and productivity gains. One of the most important actions in this sense is the mentioned loss reduction program. Note also the increase in productivity, from 684 connections by employee in 2006 to 837 connections by employee in 2009, a considerable 22 percent increase.

To reach these gains, we have undertaken significant efforts in cutting costs, optimizing the asset base, and improving our financing structure. The reduction in personnel, telecommunications, power, and treatment material costs, among other, permitted savings of approximately R\$180 million in the 2010 budget. More than this, they create a continuous cost efficiency and control culture, which is

Sabesp is for the third consecutive year part of the Corporate Sustainability Index portfolio of BM&FBovespa



crucial for a secure growth path. As part of the asset base reduction efforts, in 2009 we sold nonoperating properties worth R\$27 million. As regards fundraising, the need for more funds to finance increased investments was covered together with an estimated two-percentage point reduction in the average interest rate paid and an increase in the share of Government and multilateral funding. These funds bear lower interest rates, have longer terms, and are, therefore, more appropriate for the type of projects developed by SABESP.

We also progressed in the elimination of outstanding financial items, with the settlement of water and sewage bills owed by the State and the cities. There was equal progress in the actions taken to reduce water supply debts of permittee cities.

Our financial soundness is confirmed by the upgrading of our rating awarded by Standard and Poor's (S&P), a sign of our capacity to honor our financial obligations. Additionally, SABESP is for the third consecutive year part of the Corporate Sustainability Index portfolio of the São Paulo Mercantile and Stock Exchange (BM&F Bovespa).

The fourth work front consisted on the comprehensive corporate modernization process. In 2009, we worked intensely to renew our staff. We conducted the first comprehensive **public recruitment process** in eight years to hire 1,771 new employees. To ensure new talents succeed current leads, we prepared a **succession and career plan** within Sabesp, including special training consisting of MBA classes, language courses, and a mentoring program. Additionally, we started the scaled termination of retirees, in compliance with a Public Prosecution Office resolution. With a headcount formed by staff that passed the recruitment examination and trained and qualified new talent, we are ready to face the coming challenges and enter new markets and industries.

In the same line, it is important to emphasize the continuity of the **pioneering implantation in a state-owned company of the Value Added Management (VAM)** model, which is crucial to steer the actions related to the optimization our asset base and improve the quality of investments, to strengthen SABESP and its long-term sustainability.

Enhancing the corporate governance practices is also one of our priorities. Our Code of Ethics and Conduct of Company was widely disseminated, including a Q&A section, and practical examples to facilitate their understanding by our

personnel. In order to consolidate the companywide implementation of strategic risk management, we formalized the formation of a Risk Committee.

The fifth work front was the **Company's strategic repositioning** in view of the challenges of the new regulatory framework and the Company's expectations as regards the water and waste services and the environmental conservation. After the **creation of the environment and environmental management function in 2007** and the **regulatory affairs function in 2008**, we formalize the **new businesses function in 2009**.

This is devoted to ensuring the return on existing assets and developing environmentally sustainable solutions. Note, to this regard, that the publication in 2009 of the first tender notice for the concession to private sector companies of the right to exploit the energy potential of the Guaraú and Vertedouro Cascata

Water Treatment Plants, by building small hydropower plants (SHPs).

Additionally, there was **progress in the execution of arrangements and agreements**. Domestically, we highlight the **first loss reduction technology transfer agreement with**

Companhia de Saneamento de Alagoas (CASAL), and the technical cooperation agreements with Agbar from Barcelona, Mekorot from Israel, Caesb from Brasília, and Casan from Santa Catarina.

Internationally, the **consortium formed by Sabesp and Latin Consult won the international tender bid** held by Instituto de Acueductos y Alcantarillados Nacionales (IDAAN), with the support of the IADB. The consortium will operate as consultant in a rational water use program and the implementation of a new commercial and operational management model in the central provinces of Panama.

In 2009, we progressed in actions to mitigate the impact of climate changes by planting approximately 678,000 young trees, and reducing by 2.3 percent specific power consumption by cubic meter of water supplied. We also expanded partnering projects, such as the collection of frying oil in ten other cities, and the forestation of areas around company facilities, in 13 of our business units. In the environmental management area, we highlight the implementation of more detailed environmental clauses in supplier contracts, and the retaining of a consultant to implement an environmental accounting and balance sheet system.



Sabesp made firm progress in actions to mitigate the impact of climate changes, such as planting roughly 678,000 young trees

After creating three new functions, the challenge for 2010 is strengthening the Research, Development & Innovation (RD&I) function. The objective is to increase our efficiency and competitiveness. **This area's highlight was the cooperation agreement entered into with the São Paulo State Research Support Foundation (FAPESP), which provides for joint investments totaling R\$50 million, over a five-year period, to fund research in water and waste areas.**

As part of our concern for the quality of living of our employees, we implemented a partnership program with the community focused on cultural and sports activities. Also, Sabesp was the first state-owned company and the second company in general to receive the Tobacco-Free Environment Gold Seal.

We also opened the new Call Center, resulting from our concern to improve customer service, which will serve 10 million people, in the 328 inland and coastal cities where we operate.

2009 was a year of great economic hardships, nationally and internationally. Despite the adverse scenario, we managed to maintain the level of investments. The goal for 2010 is to increase our investments by R\$1.8 billion. This will require maintaining the cost cutting program, the optimization our asset base, decreasing even further the revenue loss ratio by enhancing the use of existing assets, and finding new partners.

Sabesp is in the right path to materialize our strategic vision of universal water and waste services in all the areas where we operate. In line with the guidelines of Governor José Serra administration, we have contributed for the economic and environmental development of the State of São Paulo, following best corporate governance practices.

Gesner Oliveira

About Sabesp



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

Sabesp (Companhia de Saneamento Básico do Estado de São Paulo) provides sanitation services to 366 of the 645 municipalities in the State of São Paulo, supplies bulk water to six permittee cities and treats sewage in five of them, serving, directly or indirectly, over 26 million people, 67 percent of the State urban population.

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

Vision “In 2018... To be recognized as the company that managed to ensure universal competitive and sustainable sanitation services within its area of operation, focused on the customer, with excellence in environmental solutions.”

¹ Permittee municipalities are those where we only provide part of the services that form the entire sanitation cycle. Treated water is sold in bulk and the City is responsible for its distribution. As regards sewage, the city collects wastewater and we treat it.



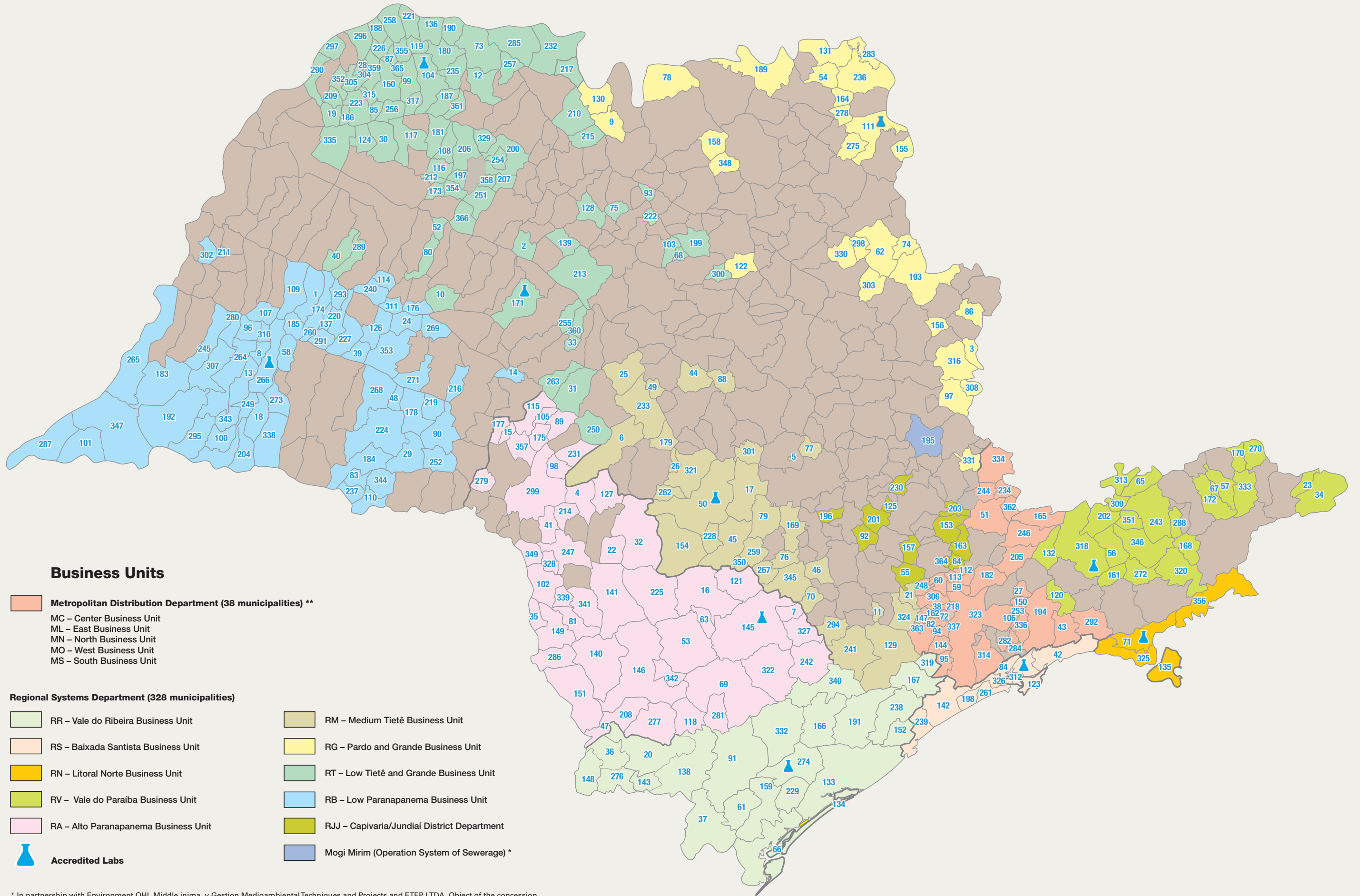
Construction of the new Peruíbe I STP

Sabesp is a semi-public corporation and our main shareholder is the São Paulo State Government. Sabesp went public in 1994, and in 2002 we became the first semi-public corporation to join the BM&FBovespa's Novo Mercado (New Market), the highest corporate governance level segment in Brazil. In the same year, we became a Securities and Exchange Commission (SEC) registrant, and our shares started to be traded in the New York Stock Exchange ("NYSE"), in the form of Tier III American Depositary Receipts ("ADRs"). In 2007, we were included in the BM&FBovespa's Corporate Sustainability Index (ISE), a portfolio that includes only companies that have a high level of commitment to sustainability and social responsibility, and we are until today the only water and waste company part of this index.

We are the largest water and waste company in the Americas and the fifth largest in the world in number of customers, according to the 11th issue of the Pinstent Masons Water Yearbook. Our economic value and our environmental and social importance are recognized in Brazil and abroad. We were included in the Global Pact, a UN initiative that gathers the largest voluntary social responsibility groups in the world.

Map of the municipalities served by Sabesp

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



* In partnership with Environment OHL Middle Inima, y Gestion Medioambiental Techniques and Projects and ETEP LTDA. Object of the concession is removal of drains, deployment and operation of sewage treatment.

** Partial attendance of the city of Mogi das Cruzes (Industrial District and Districts of the Taboao Device). Object of the concession is the provision of water.

In addition to providing basic sanitation services in the State of São Paulo, we can also provide these services in other countries and operate in the drainage, urban cleansing, solid waste handling, and power markets. The broadening of our geographic and technical market creates development, qualification opportunities, adding new technologies, and increasing revenue.

Our focus, described in our Mission and our Vision, is provide universal water and waste services in the region where we operate, and contribute to the social, environmental, and economic development of the region.

Currently, 125 municipalities served by SABESP already have universal water and sewage services. To reach every household and industry in the municipalities where we operate in the State of São Paulo by 2018, in 2008 we doubled the annual investment volume and we are working to maintain this level in the coming years.

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

Our mission and vision are fully aligned with our ethical values: respect for society and the customers, respect for the environment and the people, integrity, competence, and citizenship.

These values guide the work of our 15,103 employees, working all over the State of São Paulo, and their focus and dedication of these employees have been recognized by SABESP. We received many awards in 2009, including **GRI 2.10** :

- Best Company of Brazil Award – Category Utilities, **granted by Revista Isto É Dinheiro magazine (Editora Três)**.
- Época Climate Changes Award, **granted by Época magazine (Editora Globo), which elected SABESP one of the 200 Climate Change Leading Companies for its environmental policy to reduce greenhouse gases.**
- City with the best Sanitation Ratio of Brazil, **title awarded by Instituto Trata Brasil. This title was awarded to Franca, a city served b Sabesp.**
- Intangibles Award Brazil 2009 – Utilities Industry, **granted by the National**

Federation of the Marketing and Sales Managers Associations of Brazil (FENADVB), for considering SABESP the best manager of own intangible assets (trademark, corporate governance, sustainability, customers, innovation, information technology, talents, corporate knowledge, etc.).

- Metering International Latin America Excellence Award - Category Best Advanced Metering Project, **granted by Metering Magazine.**
- São Paulo Management Quality Award (PPQG 2009), **granted by the São Paulo Management Excellence Institute (IPEG).**
 - Bronze Medal: São Bernardo Regional Office of the South Business Unit (MS).
- National Water & waste Quality Award (PNQS) 2009, **granted by the Brazilian Sanitation and Environmental Engineering Association (Abes).**
 - Tier III – Platinum Trophy: North Business Unit (MN).
 - Tier II – Silver Trophy: Metropolitan Water Production Business Unit (MA).
 - Tier I – Bronze Trophy: Metropolitan Planning and Development Superintendency (MP), **Regional Butantã, Santo Amaro and Taboão da Serra offices.**
 - Tier I Distinction: Certificate – Committed to Excellence.
 - West Large Consumers Division.
 - Capela do Socorro Regional Office.
 - Itaim Paulista Regional Office.
- National Quality Award (PNQ) 2009 - Category Customers, **granted by the National Quality Foundation to the North Business Unit (MN) for its management of consumer relations.**
- National Quality Award (PNQ) 2009 - Category IGS (Water & Waste Management Innovation), **granted by the National Quality Foundation to the West Business Unit (MO) for case “Sustainable Partnership Program”, focused on the implementation of a service and product supplier management excellence model.**
- Top Environmental Award, **granted by the Brazilian Association of Sales and Marketing Managers (ADVB), for case “Environmental Solutions”.**

- São Paulo Diversity Seal, granted by the Institutional Cooperation Unit of the São Paulo State Department of Institutional Relations, **which recognized Sabesp as the company with representatives from all areas of Brazilian society among its staff, without any prejudice or discrimination.**
- 2009 Top Social Award, **granted by the Brazilian Association of Sales and Marketing Managers (ADVB) and the ADVB Social and Environmental Responsibility Institute (Ires) to our Human Resources and Quality Superintendency (CR) for case "Sabesp – Toward Sustainability".**
- 2008/2009 E-Learning Brasil Award, **promoted by Micropower and granted to Sabesp for our distance education program.**
- Top HR, **granted by the Brazilian Association of Sales and Marketing Managers, for case "Knowledge Management".**

Indicator Table



Indicators	Unit	2009	2008	2007	2006	2005	2004
Service							
Water Service Rates		Trend to universal service ⁽¹⁾					
Sewage collection service rate	%	80	79	79	78	78	78
Collected sewage treatment ratio	%	74	72	66	63	61	63
Resident population served by water supply	thsd. inh.	23.363	23,162	22,959	22,700	22,570	22,335
Resident population served by sewage collection	thsd. inh.	19.600	19,198	18,881	18,519	18,326	18,014
Number of cities with universal service ⁽¹⁷⁾	un.	112	110	108	104	-	-
Positive customer satisfaction perception ⁽¹⁸⁾	%	76	80	78	-	-	-
Operational							
Water connections	thousands	7.118	6,945	6,767	6,609	6,489	6,358
Sewage connections	thousands	5.520	5,336	5,167	5,002	4,878	4,747
Water system extension ⁽²⁾	km	63.732	62,582	62,318	61,469	57,999	57,320
Sewage system extension ⁽²⁾	km	42.896	41,312	40,608	39,126	37,181	36,435
WTP - Water Treatment Plant	un	208	206	198	197	201	195
STP - Sewage Treatment Plants	un	475	464	461	446	440	431
Water loss	%	26,0	27.9	29.5	31.9	32.4	34.0
Water loss per connection	liters / (conn. vs. day)	402	436	467	511	520	547
Water metering ratio ⁽³⁾	%	99,97	99.98	99.98	99.97	99.97	99.96
Produced water volume	million m ³	2.845	2,853	2,874	2,887	2,830	2,770
Retail water micro metered volume	million m ³	1.444	1,404	1,392	1,363	1,313	1,248
Bulk water volume billed	million m ³	288	285	274	263	259	251
Retail water volume billed	million m ³	1.630	1,596	1,573	1,544	1,500	1,441
Sewage volume billed	million m ³	1.373	1,330	1,300	1,246	1,198	1,141
Number of employees ⁽⁴⁾		15.103	16,649	16,850	16,978	17,448	17,735
Operating productivity	conn./ employee	837	738	708	684	651	626
Finance ⁽⁵⁾							
Gross revenue	millions of reais	7.236,2	6,838.8	6,448.2	5,984.0	5,356.3	4,642.5
Net revenue	millions of reais	6.730,5	6,351.7	5,970.8	5,527.3	4,953.4	4,397.1
EBITDA	millions of reais	2.741,7	2,840.3	2,698.9	2,446.1	2,285.6	1,926.5
EBITDA Margin	% of net revenue	40,7	44.7	45.2	44.3	46.1	43.8
Operating income ⁽⁶⁾	millions of reais	2.181,3	2,222.5 ⁽⁷⁾	2,083 ⁽⁷⁾	1,814.5 ⁽⁷⁾	1,689.6	1,327.6
Operating margin	% of net revenue	32,4	35.0 ⁽⁷⁾	34.9 ⁽⁷⁾	32.8 ⁽⁷⁾	34.1	30.2
Net income/ loss	millions of reais	1.373,9	63.6 ⁽⁷⁾	1,055.3	789.4 ⁽⁷⁾	865.6	513.0
Net margin	% of net revenue	20,4	1.0 ⁽⁷⁾	17.7	14.3 ⁽⁷⁾	17.5	11.7
Net debt by EBITDA	multiple	2,11	2.20	1.93	2.45	2.79	3.60
Net debt on equity	%	55,0	59.5	53.4	65.8	75.3	87.3
Investment	millions of reais	1.834 ⁽⁸⁾	1,708 ⁽⁸⁾	921	905	678	601

Indicators	Unit	2009	2008	2007	2006	2005	2004
Environmental							
Reclaimed water volume sold ⁽¹³⁾ EN21	thsd. m ³	1,347,09	1,188.63	1,118.78	1,050.04	1,025.06	955.55
Reclaimed water volume sold to treated sewage volume ⁽¹³⁾ EN21	%	0,27	0.27	0.29	0.30	0.31	0.29
Reclaimed water volume sold to supply capacity ⁽¹³⁾ EN21	%	30,10	26.56	34.62	32.50	31.72	29.57
Total electricity consumption EN3	Terajoules(TJ)	7,631,58	7,731.50	7,717.60	7,575.18	-	-
Electricity consumption/m ³ of produced water ⁽¹⁴⁾	kWh/m ³	0,634	0.649	0.648	0.637	-	-
Electricity consumption/m ³ of treated sewage ⁽¹⁵⁾	kWh/m ³	0,404	0.396	0.418	0.427	-	-
Direct and indirect greenhouse gas emissions EN16	t CO ₂ e	- ⁽¹⁹⁾	- ⁽¹⁹⁾	1,719,159	-	-	-
Recycled A4 paper by A4 paper used	%	17,53	15.53	14.41	2.90	-	-
Volume of A4 paper used per employee	sheets/(employee/year)	3,311	2,846	2,829	2,893	2,751	3,045
Positive public perception of Sabesp's environmental responsibility ⁽⁸⁾	%	71	66	-	-	-	-
Positive public perception of employee engagement in environmental issues ⁽¹⁶⁾	%	51	44	-	-	-	-
Voluntarily planted seedlings ⁽⁹⁾	units	547,750	125,573	127,118	50,253	88,026	45,174
Number of recyclables collected by Sabesp 3Rs	t	130,9	77.4	-	-	-	-
Average consumption of fuel alcohol EN6	liters/ vehicles	2,174	1,724	2,500	2,552	2,836	3,069
Alcohol consumption to total fuels ⁽¹²⁾ EN6	%	46%	34%	28%	28%	29%	32%
Social							
Frequency ratio of accidents w/ leave of absence ⁽¹⁰⁾	Accidents / million worked hours	5,1	7.2	7.1	7.4	7.7	8.0
Amount invested in internal social programs ⁽¹¹⁾	millions of reais	462	432	391	433	384	388
Amount invested in internal social programs ⁽¹¹⁾	% of net revenue	6,9	6.8	6.6	7.8	7.8	8.8
Amount invested in external social programs	millions of reais	62	51	75	25	22	15
Amount invested in external social programs	% of net revenue	0,9	0.8	1.3	0.5	0.5	0.3
Positive public perception of Sabesp's social responsibility ⁽¹⁶⁾	%	78	71	-	-	-	-
Positive public perception of employee engagement in social issues ⁽¹⁶⁾	%	47	41	-	-	-	-

Notes:

- (1) 99% or more.
- (2) Includes watermains, sewage mains, interceptors and outfalls.
- (3) Connections by water meter/total connections.
- (4) Number of own employees, excluding employees assigned to other entities.
- (5) Amounts at period end.
- (6) Does not include financial expenses and other operating income and expenses.
- (7) adjustment to 2006, 2007 and 2008 operating income/expenses and net income (2006 and 2008) resulting from the adoption of State Law 11638/07 (reversal of deferred charges) and 2008, resulting from the adoption Federal Law 4819 (republication of 2008 Financial Statements), which impacted operating margin and net margin.
- (8) Does not include commitments assumed in program contracts, R\$253 million in 2008 and R\$18 million in 2009
- (9) Excludes young trees planted under the environmental offset and policy adjustment commitments, which totaled 130,000 in 2009.
- (10) Excludes commuting accidents and occupational diseases.
- (11) Includes profit sharing.
- (12) Own and leased fleet light vehicles considered; alcohol and gasoline.
- (13) The volume of reclaimed water does not include reclaimed water internally used in the STPs (e.g.: pump sealing). The volume of treated water does not include STPs without facilities to produce reclaimed water. Beginning 2008, we started to supply reclaimed water to Santher through the Parque Novo Mundo STP.
- (14) Includes sourcing, treatment and distribution consumption.
- (15) Includes collection and treatment consumption (45% of electricity from CESP, which is 100% hydropower).
- (16) Surveys conducted in 2008 by Vox Populi (November 2008-January 2009, 7,337 interviewees in the entire operation basis, with 1 percent error margin and 95 percent confidence interval, Marks Sist. Informações (December 2009-February 2010, 7,440 interviewees in the entire operation basis, with 1 percent error margin and 95 percent confidence interval).
- (17) Water service ffl 95 percent, sewage collection ffl 90 percent and collected sewage treatment ffl 97% considered. Based on IBGE (Brazilian Institute of Geography and Statistics) data, to be revised with the 2010 Census. In April 2010, there were 125 cities with universal services.
- (18) Surveys conducted in 2007 by Formar (8,030 interviewees), 2008 by Vox Populi (7,337 interviewees), and 2009 by Marks Sist. Informações (7,440 interviewees).
- (19) Work validity exceeds 1 year. Sabesp is hiring new inventories to evaluate the modeling.

2009 and 2010 Goals



Setting goals helps all employees identifying the Company's priorities and accelerates Sabesp's progress toward universal water and sewage services.



Aerial view of the Guaraúx WT

In 2009, Sabesp met almost all the goals set for the year. Seven of the ten main goals were fully met: 1) water supply service rate; 2) sewage collection service rate; 3) collected sewage treatment ratio; 4) revenue loss ratio; 5) reduction in number of occupational accidents; 6) units with implemented environmental management system; and 7) investments.

We considered a goal fully met when at least 80 percent of the goal was fulfilled. This includes customer satisfaction rate and the EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) margin. The customer satisfaction rate reached 76 percent and the goal was 80 percent. The EBITDA margin was 40.7 percent, and the goal was 47.1 percent.

The concession agreement renewal goal reached 14 executed agreements. However, in 2009, 40 authorization acts were approved by city councils, including the São Paulo City Council, which represented a major step for the renewal of the concession agreements. **Table 1** lists the ten main 2009 goals and the results reached by the Company.

Table 1: The ten main 2009 goals

Description	Goal	Completion
Water supply service rate	Trend to universal service	Trend to universal service
New Water Connections (in thousands)	158.8	200.9
Sewage Collection Service Rate	80.1%	80.2%
New Sewage Connections (thousands)	160	184.1
Collected Sewage Treatment Rate	73.7%	74.3%
Revenue Loss rate	26%	26%
Metering Losses (liters per connection x day)	397	402
Customer Satisfaction Rate (1)	80%	76%
Reduction in Number of Occupational Accidents (2)	177	143
EBITDA Margin	47.1%	40.7%
Units with implemented Environmental Management System (SGA) (number of business units)	26	26
Investments (in billions of reais) (3)	1.650	1.726
Formal Contracting with Cities (number of cities) (4)	89	14

(1) Customer satisfaction survey.

(2) Excludes commuting accidents and occupational diseases.

(3) Excludes PPP, arrangement with PMSP, and lease of assets.

(4) This year, 40 authorization acts were approved, including by the São Paulo City Council.

The process continues to be improved, with equally challenging goals. The ten main goals for 2010 (**Table 2**) have only one change in relation to 2009, which is the replacement of the formal contracting with cities by the number of complaints filed with the consumer protection agency (Procon), an item which was part of the 2008 ten main goals. The inclusion of two goals measuring customer satisfaction is a way to show that this factor is one of our priorities.

Table 2: The ten main 2010 goals

Description	Goal
Water supply service rate	Trend to universal service
New Water Connections (connections)	148,460
Sewage Collection Service Rate (%)	81.2
New Sewage Connections (connections)	180,013
Collected Sewage Treatment Rate (%)	75.3
Revenue Loss Rate (%)	24
Metering Losses (liters per connection x day)	373
Customer Satisfaction Rate (%)	80
Complaints with PROCON (complaints/million of customers)	2.25
Maximum number of occupational accidents	120(1)
EBITDA Margin (%)	44.4(2)
Increase in Billed Sales Volume (m ³ /million)	3,316.9
ISO 14001 Certified Units	65
Investments (in billions of reais)	1.767 (3)

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

(2) Excludes reversal of PMSP's allowance for doubtful accounts.

(3) Excludes PPP, arrangement with PMSP, and lease of assets.



View of the Guaraúx WTP

Corporate Management



To be recognized as the company that, within its area of operation, with a focus on the customer, has universalized water and sewage services, in a competitive and sustainable way, with excellence in environmental solutions.



Aerial view of the Jaguari dam

In 2009 we took important steps toward our future vision for 2018, set out in our strategic planning: “to be recognized as the company that, within its area of operation, with a focus on the customer, has universalized water and sewage services, in a competitive and sustainable way, with excellence in environmental solutions.” This section highlights five sides of 2009 accomplishments: investment acceleration aiming at universal services; market consolidation and contractual stability; economic and financial sustainability; management modernization; and strategic repositioning in view of the new regulatory framework.

First, **the investment volume reached R\$1.8 billion**, a record level for the last 10 year.

Second, **contract and market stability** progressed. In 2009, 40 authorization acts were passed by city councils, including the São Paulo City Council.



Assembly of a Santos sea outfall span

Third, we took actions to cut costs and increase efficiency to ensure the economic and financial sustainability of Sabesp, and sustain the progress made in the recovery of receivables.

Fourth, there is a management modernization process in progress at Sabesp. We should highlight staff qualification, by holding the first comprehensive public recruitment process since 2001 to fill 1,771 vacancies; the start of the implementation of the Policy Adjustment Commitment (TAC) to terminate employees already retired by Social Security (INSS); and the preparation of a succession and career plan to train our new Company leads for the coming decade.

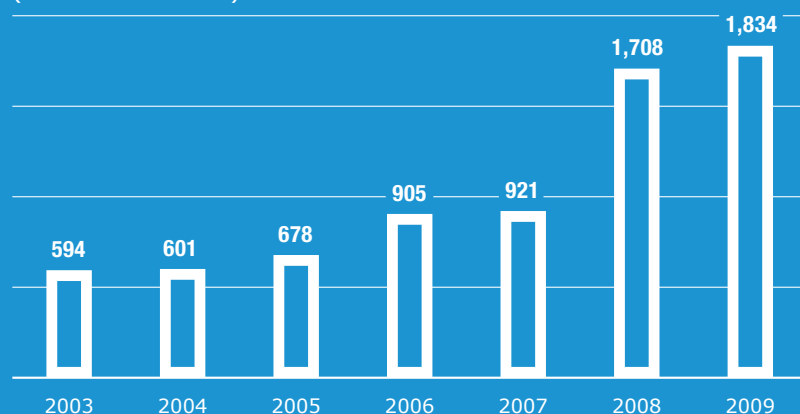
Fifth, we promoted a strategic repositioning in view of the new regulatory framework. We created an environmental function in 2007, a regulatory affairs function in 2008, and a new business function in 2009. The challenge for 2010 is to progress in the creation of a Research, Development & Innovation (RD&I) function.

Investment acceleration toward universal services



In 2009, Sabesp invested R\$1.8 billion. The investment made in 2007-2009 reached R\$4.5 billion, with a strong acceleration in the period. In 2009, we materialized the first investment under a public-private partnership.

Table 3: Investments
(in million of reais)



Note: 2003 – the transfer of the City of São Bernardo do Campo sanitation services (R\$415 million) is not included.
2008 – obligations assumed under program contracts (R\$253 million) are not included.
2008 – obligations assumed under program contracts (R\$18 million) are not included.



Completion of the new Santos Sewage Pre-treatment Plant

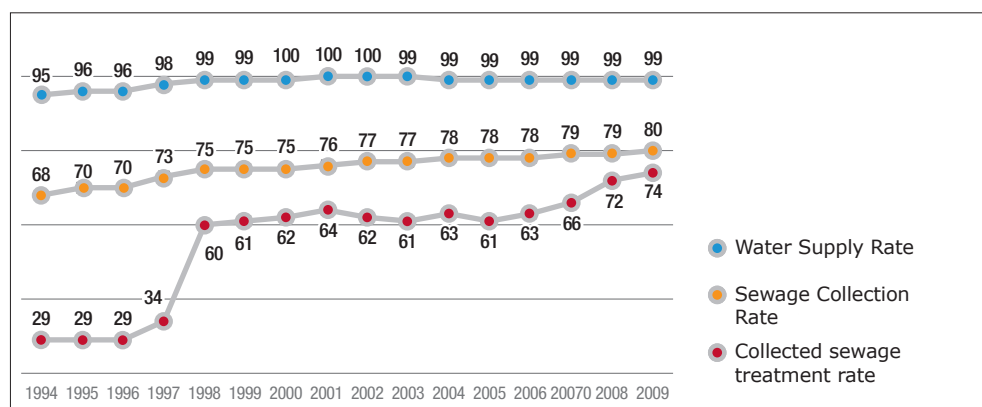
Table 4: Breakdown of investments made in 2009
(millions of reais)

	Water	Sewage	Total
Greater São Paulo Metropolitan Area	506.2	237.5	743.7
Regional Systems (coastal and inland regions)	350.7	740.0	1,090.7
Total	856.9	977.5	1,834.4

2009 – obligations assumed under program contracts (R\$18 million) are not included

Sabesp investments are necessary to expand water production and distribution and sewage collection and treatment infrastructure. In 2009, we completed approximately 201,000 new water connections and 184,000 sewage connections, the water supply service rate remained at the universal service level, and sewage collection increase to 80 percent, and the collected sewage treatment ratio reached 74 percent. **Table 5** shows the historical evolution of water & sewage service rates.

Table 5: Historical evolution of water & sewage service rates (%)



The growth of the population directly served by water, sewage collection and treatment services is significant (Table 6). In 2009, approximately 23.4 million people receive water directly in their households, and increases to over 26 million if we include the population of the cities that by bulk water from Sabesp. At the same time, 19.6 million people have their sewage collected by us, and we treated the wastewater generated by 14.3 million people.

Table 6: Population served by the progress in water & sewage coverage (in million)

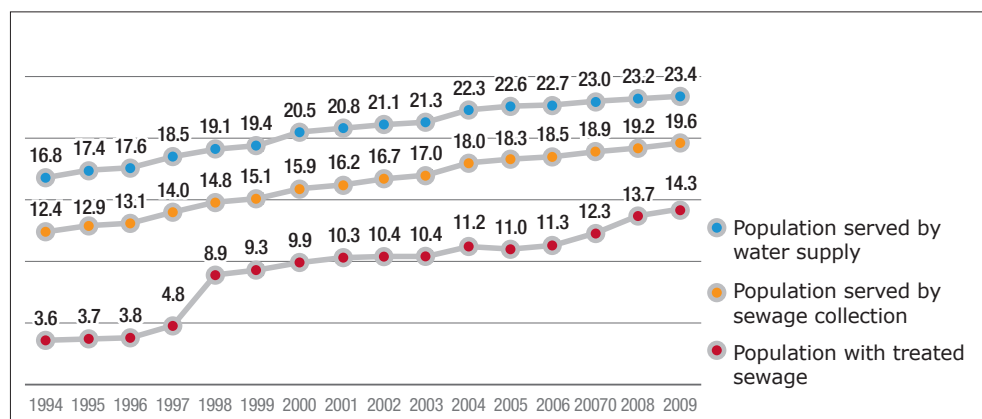


Table 7 summarizes the improvement of the quality of life of the population because of the investments made and budgeted for 2007-2010.

Table 7: Improvement of population quality of life

Indicators	Dec 06	Dec 09	2007-2009	Dec 10	2007-2010
Water (direct service)	22.7	23.4	0.7	23.6(p)	0.9
sewage collection	18.5	19.6	1.1	20.0(p)	1.5
collected sewage treatment	11.3	14.3	3.0	14.7(p)	3.4
Indicators	Dec 06	Dec 09	2007-2009 increase	Dec 10	2007-2010 increase
water	99%	99%	(iii)	99%(p)	(iii)
sewage collection	78%	80%	2 p.p.	81%(p)	3 s.s.
collected sewage treatment	63%	74%	11 p.p.	75%(p)	12 s.s.

Note: (i) data for December of each year in millions of inhabitants.
(ii) where (p) is the 2010 projection, and
(iii) is universal supply service (margin of error of -2 to +2 percentage points)

In 2009, we completed the first investments funded by private sector capital, under a public-private partnership and asset leases. These funding models allowed us to access alternative funding sources and accelerate investments.



Taiçupeba WTP expansion works

Structuring programs

Investment acceleration was made using structuring programs, which facilitate planning and fundraising. We have enhanced project management with the use of a methodology based on the concepts and best practices of the Project Management Institute (PMI), one of the largest project management development centers in the world. Additionally, we created a streamlined structure, named Investment Executive Group (GEE).

A structuring program represents an integrated set of projects that significantly increase and enhance sanitation services in a certain region. Table 8 shows the main features of the structuring programs.

Table 8: Structuring Programs

Program	Goal	Beneficial population	Beneficial region	Implementation period
Onda Limpa (Clean Wave)	Increase sewage collection from 54% to 95% and collected sewage treatment from 96% to 100% in Santos Lowlands	2.95 million (fixed population = 1.6 million; seasonal population* = 1.35 million)	Santos Metro Area (RMBS): Santos, São Vicente, Praia Grande, Itanhaém, Peruíbe, Mongaguá, Guarujá, Cubatão and Bertioga	2007–2011
Onda Limpa Litoral Norte (North Shore Clean Wave)	Increase sewage collection from 36% to 88% and collected sewage treatment to 100%	600,000 (resident population = 300,000; seasonal population* = 300,000)	North Shore (Ubatuba, São Sebastião, Ilhabela and Caraguatatuba)	2007–2015
Coastal Region Water	Ensure water supply in Santos, North Shore, and South Shore regions	3.7 million (fixed population = 2.4 million; seasonal population* = 1.3 million)	North Shore, Santos Lowlands, and South Shore	2008–2013
Tietê – Phase 3	Increase sewage collection from 84% to 87% and collected sewage treatment from 70% to 84% in the São Paulo Metro Area (RMSP)	1.5 million (sewage collection) and 3 million (sewage treatment)	RMSP e Bacia do Tietê	2009–2015
Metropolitan Water Program (PMA)	Ensure water supply in the São Paulo Metro Area by increasing water production capacity by 13.2 m ³ /s (20% of volume currently produced)	18.9 million	RMSP	Phase 1: 2006–2010 Phase 2: 2011–2014
Vida Nova (New Life)	Protect and recover watershed	200,000 (direct benefit) and 18.9 million	RMSP	2008–2012
Córrego Limpo (Clean Brook)	Decontaminate and recover 100 brooks (42 in Phase 1 and 58 in Phase 2)	2 million	Municipality of São Paulo	Phase 1: 2007–2009
Loss Reduction	Reduce losses from billings from 29.5% in 2007 to 13% in 2019	26.4 million	All cities directly and indirectly served	2009–2019

* State Data Analysis System Foundation (Seade).



Divers working in the submersion of the Santos sea outfall

Onda Limpa Baixada Santista (Santos Lowlands Clean Wave)

Program structured by the São Paulo State Government, through the State Department of Sanitation and Energy and Sabesp, which will significantly increase sewage collection and the treatment in the entire Santos Lowlands, to the benefit of approximately three million people (fixed and seasonal population) living in the cities of Santos, São Vicente, Praia Grande, Guarujá, Itanhaém, Peruíbe, Mongaguá, Cubatão and Bertioga. Investment will reach R\$1.4 billion by 2011.

Onda Limpa will increase from 54 to 95 percent the sewage collection rate and 100 percent of the collected sewage will be treated. The program focuses on the decontamination of rivers and canals, which will improve swimming conditions on 82 beaches along the region's 162-kilometer shoreline, promoting tourism, job creation, and income generation in the Santos Lowlands. As a result, it will reduce the number of hospital and clinic admissions due to water-transmitted diseases, and the overall mortality rates, in particular the infant mortality rate.

The total amount invested in the program reached in 2009 approximately R\$967 million, equivalent to 67 percent of the works required. For 2010, we estimate completing 60 percent of the pipe-laying works (collection systems, sewage mains, force main trunk lines and lift stations), with the installation of 60,000 new sewage connections.





Clean Wave Program construction in Caraguatatuba, North Shore

Onda Limpa Litoral Norte (North Shore Clean Wave)

EC9 This program will increase sewage collection and treatment in the north share, to the benefit of approximately 600,000 people in the cities of São Sebastião, Ilhabela, Ubatuba and Caraguatatuba. Up to 2015, the program will heighten the region's sewage collection and treatment from 36 to 88 percent, improving the population's health and well-being, and leveraging economic development by increasing the region's tourist flows.

Investments of approximately R\$480 million include the construction of 390 kilometers of collection systems, sewage mains, interceptors and outfalls, 26,000 new household connections, 155 sewage lift stations, and 15 sewage treatment plants, as well as a sea outfall, laid in May 2009, and the Ilhabela Wastewater Pretreatment Plant.

Água no Litoral (Coastal Region Water)

The purpose of this program is to ensure the supply of treated water to the population residing in all São Paulo State coastal cities served by Sabesp, and the seasonal population, mainly the population visiting the region during the summer, to reduce demand pressures during the peak season. It will benefit approximately 3.7 million people.

The program provides for investments in production expansion, treated water quality improvement, increasing water transmission and storage capacity, distribution system expansion, and increase in the number of household connections.

In 2009, we started the construction works of the Jurubatuba Water Treatment Plant (WTP), in Guarujá; the Mambú-Branco WTP, in Itanhaém; and the Melvi-Boqueirão watermain, in Praia Grande. We have also redirected the Itu System watermain, started the construction of the Itu WTP, in São Vicente, published the Tender Notice to build the Melvi WTP, in Praia Grande, and resume the construction of the Antas WTP, in Mongaguá, with budgeted investments of R\$428 million.



Fixing pipes of the Tietê 15 interceptor, São Paulo East End

Project Tietê

Project Tietê is focused on improving better water quality in the Tietê River Basin, São Paulo Metropolitan Region, by expanding the wastewater collection and treatment infrastructure. The project was started in 1992 and involves investments totaling US\$2.5 billion, divided into three phases.

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

In 2009, we took important steps for the third stage of Project Tietê. The objective of this stage is to increase the collection rate to 87 percent and the treatment rate 84 to percent by 2015.

The following works were considered to fulfill these goals: (i) 580 km of collectors and interceptors, (ii) 1,250 km of collection system, and (iii) 200,000 household connections. These actions will benefit 1.5 million people with collection services and 3 million with sewage treatment services.

Expected to last six years, the investment during this phase is estimated at US\$1.05 billion, of which US\$600 million come from Inter American Development Bank (IADB) financing, US\$200 million from Sabesp, and US\$205 million from other funding sources.

In 2009, the IADB approved a loan to Sabesp that will allow us to start the tenders of Phase 3 works. For 2010, we expect starting the construction of another 240 Km of sewage mains and almost 400 km of pipes, and the publication of the tender notices for the expansion of the sewage treatment plants.



Metropolitan Water Program

This program's objective is to ensure regular supply of treated water to the municipalities São Paulo metropolitan area (RMSP) served by us and the permittee cities (buyers of Sabesp's water in bulk). Total investments under the program are estimated at R\$2.74 billion, over eight years.

In 2009, we completed the transmission, storage and dam works. We should also highlight the start, in 2009, of the construction works of the Alto Tietê Public-Private Partnership, which has already invested approximately R\$126 million. The works should be completed by the end of 2010, which will increase the nominal capacity in the Alto Tietê System will increase to 15m³/s from 10m³/s, with direct benefits to 1.5 million people in the eastern region of the São Paulo Metropolitan Area, including the cities Arujá, Itaquaquetuba, Poá, Ferraz de Vasconcelos, Suzano, Guarulhos and Mogi das Cruzes, in addition to increasing the reliability, flexibility and water availability of the integrated system that supplies the Greater São Paulo.

Vida Nova (New Life) Program

The Vida Nova Program, which includes the Watersheds Program, among other projects, consists of actions focused on the preservation of the watersheds in the São Paulo Metropolitan Area, especially the watersheds of the Guarapiranga and Billings dams. Most of the funds will be invested in building wastewater collection and treatment infrastructure. Vida Nova also includes green area preservation projects and the urbanization of favelas (slums), with a direct benefit to 45,000 families.

In the whole, the program gathers investments of approximately R\$1.2 billion from the São Paulo State Government, the cities in the region, and the Federal Government. Sabesp is investing R\$300 million. Vida Nova is coordinated by the State Department of Sanitation and Energy, with actions by Sabesp, CDHU (State Housing Authority), and cities in the region.



Vida Nova couples sanitation and housing

Córrego Limpo (Clean Brook) Program



EC8 After the program is completed, which is estimated for the end of 2010, one hundred brooks will be recovered and more than 1,000 liters of wastewater per second will no longer be disposed in streams in the City of São Paulo. The volume of sewage to be diverted for treatment will be equivalent to the wastewater produced by a city of 750,000 inhabitants.

During the Program's Phase 1, completed in March 2009, we performed decontamination actions in 42 brooks, of which 28 were fully decontaminated and 14 had their main sections recovered. Phase 2 started right after the Phase 1 and has the objective of cleaning 58 other brooks and streams by the end of 2010. Currently, 64 brooks were fully decontaminated. The investment estimated for these two phases was R\$197 million, of which R\$143 million was funded by Sabesp and R\$54 million by the City of São Paulo. The project will benefit approximately 2 million people.



Cruzeiro do Sul brook revived



Corporate Water Loss Reduction Program

EC8 Our objective is to accelerate the reduction of water losses in the long run. The program is valid for 11 years (2009-2019) and its goal is to reduce the revenue loss rate from 29.5% (Dec 2007) to 13% when the program is terminated, a rate consistent with international standards.

Budgeted investments for the period total approximately R\$3.4 billion (Oct 2007 reference amounts), used especially in the replacement of watermains and service pipes, compartmentalization (reducing water pressure), and replacement of water meters.

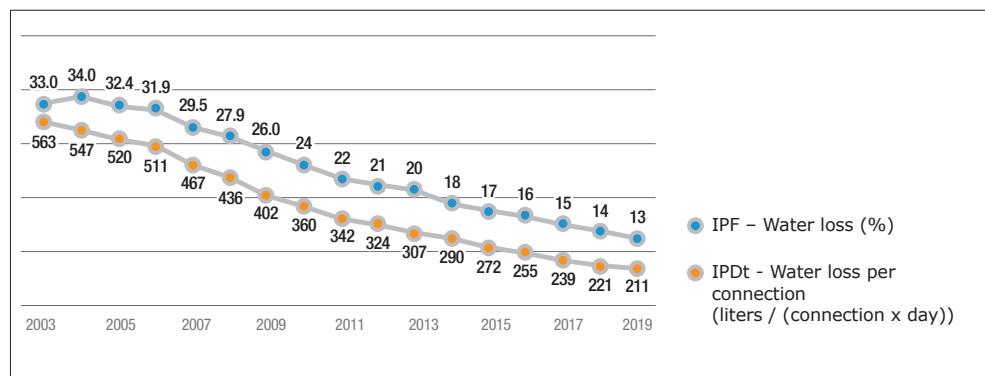
In 2009, we invested R\$261 million in this program, of which R\$43 million was allocated to expenses and R\$218 million was used in investments, and we managed to obtain a water revenue loss rate of 26 percent, a level significantly lower than the average nationwide revenue loss rate of approximately 40%.

Sabesp started to transfer water loss reduction technology to other States



Reduction in the period 2007-2009, of 5.9 percentage points, in the Revenue Loss Rate corresponds to a decrease in real loss volume of 174 million cubic meters, a volume equivalent to the supply to a population of 1.7 million inhabitants over a one-year period, equivalent to the population of Campinas and Osasco together (reference: IBGE, 2007). The challenge for 2010 is to reach a revenue loss rate of 24 percent.

Table 9: Corporate loss reduction program goals



The importance and the efficiency of the Sabesp's corporate loss reduction program is evidenced by the significant funding raised and the recognition of our partners and international entities. We have already received for this program the first tranche of the R\$560 million financed by the National Bank for Economic and Social Development (BNDES). We are also negotiating with the Japan International Cooperation Agency (JICA) financing amounting to US\$480 million.

In 2010, we will organize the most prestigious event on loss reduction in the world, the International Water Loss Reduction Conference, organized by the International Water Association (IWA).

In addition, we started to transfer water loss reduction technology to other states and we entered into an agreement with Companhia de Saneamento de Alagoas (Casal) that will generate revenue estimated at more than R\$25 million for the next five years. We have already been contacted by other companies interested in our technology, and our next challenge will be to enter into new agreements in 2010, as a new source of revenue for the Company and promoting development in other Brazilian regions.



Household system connection - Clean Wave



Sabesp employees clean a canal in Santos

Canal Limpo (Clean Canal)

In 2009, an agreement between Sabesp and the City of Santos created the Canal Limpo Program. The investments in this program are roughly R\$9 million. The initiative is key for the improvement of the swimming conditions on the region's beaches and the success of the Onda Limpa program.

The program involves works in 22.5 kilometers on the 19 canals of Santos, which drain rainwater to the beaches, and will last 24 months. Additionally, it includes a series of actions focused on the elimination of wastewater disposal into the canals through illegal connections to the rainwater drainage system.

Toward universal water and sewage services

Sabesp's vision states that "In 2018, to be recognized as the company that, within its area of operation, with a focus on the customer, has universalized water and sewage services, in a competitive and sustainable way, with excellence in environmental solutions."

Currently, 366 cities served, 125 with universal water supply and sewage collection and treatment services. Three business units are close to completing the work to provide all types of sanitation services to the where we operate: Low Tietê and Grande, headquartered in Lins; Low Paranapanema, headquartered in Presidente Prudente; and Pardo and Grande, headquartered in Franca.

All 83 cities served by the Low Tietê and Grande Business Unit have universal urban sanitation services since early 2010. This was attained after the completion of the works in 11 sewage treatment plants, added to the 93 already existing in the region.

In the area covered by the Low Paranapanema Business Unit, universal sewage collection and treatment services will be reached in 2011. To ensure it, we are building the Álvares Machado, Echaporã and Adamantina sewage systems. By 2011, there will be 75 sewage treatment plants in operation in the region.

In the area covered by the Pardo and Grande Business Unit, universal sewage collection and treatment services will be reached in 2011 in the urban areas of the 29 municipalities served. We have already contracted the main works to be completed that will ensure universal services.

Taubaté and Tremembé have the best sewage treatment system design in Brazil

Sabesp's Sewage Treatment Plant opened in March 2010 will treat 100% of the wastewater collected in Taubaté and Tremembé. This project was elected by the National Water Agency (ANA) the best sewage treatment system design in Brazil. Sabesp's investments in both cities, in 2007-2010, will total R\$133 million.

The R\$100 million investment—in the building of the plant, pipe laying and sewage lift stations—will immediately benefit roughly 330,000 people and serve the entire population of Taubaté and Tremembé by year 2025. It will also represent the increase in the sewage treatment ratio from 2 to 100 percent in these municipalities, treating an average 1.8 million liters of wastewater per hour, no longer discharged in river Paraíba do Sul.

We will receive R\$16 million in installments for the volume of wastewater monthly treated, through the Watershed Decontamination Program (Prodes), of the Federal Government. These funds will be fully reinvested in the Paraíba Valley region.



Taubaté STP-Tremembé



New Graça dam

Construction of the new Graça dam – High Cotia water production system

In November 2009, we completed the construction of the new Cachoeira da Graça dam, which is part of the High Cotia water production system, in the Cotia municipality.

We invested own funds totaling R\$6.1 million in the new dam. This dam replaces the former structure, built in 1917, which was at the end of its useful life, and thus ensures water supply to the approximately 400,000 inhabitants of Cotia, Embu, Itapecerica da Serra, Embu-Guaçu and Vargem Grande.

This investment increases operating safety, and we have installed instruments that will allow its remote operation from the Cotia Water Treatment Plant, more than one kilometer away from the dam.

Improves water supply in São Bernardo do Campo

Since 2004, when we resumed supplying water to this city, we have already invested about R\$72 million in environmental sanitation improvements.

In the coming ten years, we estimate investing another R\$480 million in the city to ensure the provision of universal services and focus on the increase of sewage collection and treatment.

One of the works that will contribute to attaining this goal is the construction of the Vila Marchi-Alvarenga watermain. The watermain will be built in two steps. The first step, completed in September 2009, consisting of a 2.3-kilometer pipeline that increased water supply to the Demarchi, Batistini and Alvarenga districts. During this phase, investment totaled R\$3.6 million, using own funds. The second step will consist of a 4.3-kilometer pipeline, an investment of R\$9.1 million financed by Caixa Econômica Federal. The second stage works are in progress since September 2008 and completion is scheduled for the first half of 2010.



Campo Limpo compact WTP



Hortolândia STP

Compact water treatment system in Campo Limpo Paulista

The compact water treatment plant opened in May 2009 is a new installation and swift building concept, completed in less than one year. It consists of four prefab modules, it has the capacity to treat 180 liters per second, and the process is controlled in a laboratory that analyzes water quality instantly.

Initially, the system is intended to supply part of the water to Campo Limpo Paulista and Várzea Paulista, while the main plant undergoes refurbishment and expansion works, totaling investments of more than R\$10 million. We estimate that in the second half of 2010, both facilities will work complementarily, to reach the output of 700 liters per second supplied to both cities.

Hortolândia sewage system

In June 2009, we inaugurated the Hortolândia sewage system, the first step to the decontamination of six delimited micro-watersheds that feed the Jacuba river, which is part of the Piracicaba and Tietê-Sorocaba river basin. This investment will increase the quality of life of more than 200,000 people and result in improvements to the environment and the socio-economic development of the entire region. During this first stage, more than R\$37 million were invested in the construction of the sewage treatment plant, we laid 17,690 meters of sewage mains, and connected 10,000 households to the sewage system, among other accomplishment.

Currently, 100% of the region's population has access to the supply of drinking water. With the completion of stage one of the sewage system, 20 percent of the wastewater produced is collected and treated, and by 2012, we intend to include the city in the group of municipalities with universal water and waste services.

Market consolidation and contractual stability



The universal water and waste services goal requires actions from the Cities in addition to our investments.

Upon the renewal of the agreements, and in new agreements, we should look for closer cooperation with the Cities. It is necessary that each party's efforts be complementary.

The City can work to clear irregularly occupied, invaded and environmental preservation areas, eliminate unauthorized connections and make the connection to the sewage system mandatory, detect illegal wastewater discharges, etc.

During 2009 we entered into 14 contracts and several city councils approved 40 acts that authorize municipal governments to enter into contracts with us. The highlight was the authorization act passed by the São Paulo City Council in June. 39 other authorization acts were enacted by inland city councils. To date, 202 authorization acts have been approved, which allowed entering into 174 contracts.

Table 10: Contracting with municipalities

Description	2007	2008	2009	2007-2009
Contracts	107	53	14	174
Authorization acts	118*	44	40	202

*Includes 2006

The biggest challenge for 2010 is the contract between the State of São Paulo and the City of São Paulo to provide services in the city of São Paulo, which is singlehandedly responsible for more than half our total revenue.



Taiacupeba WTP expansion works

São Paulo

Sabesp and the City of São Paulo (PMSP) have taken new steps to formalize their relationship in a contract.

The agreement signed with the City of São Paulo in November 2007 allowed for new investments in joint programs, including the Clean Brook Program, the Rational Use of Water Program (PURA) and the Integration Park.

In June 2009, the São Paulo City Council approved Municipal Law 14934, which authorizes the Executive Branch to enter into agreements and contracts with the State of São Paulo and Sabesp.

As the beginning of 2010, two public hearings were held to discuss contract formalization. The first public hearing discussed the municipal side of sanitation services in São Paulo and the draft of the arrangement entered into by the City and the State. The second public hearing handled the draft contract.

There are two great challenges for 2010. The first challenge is to conclude the contract formalization process with our main market. For this challenge to materialize it will be necessary to progress in the legal and institutional discussion of the water and sewage service contract format for metropolitan areas.

The second challenge is to advance in the renewal of the pending contracts and the contracts termination at the end of 2010, the deadline set forth by the Sanitation Act (Law 11445) for the proper formalization of the service provision in all locations.

Economic and financial sustainability



The maintenance of a high level of investments was coupled with cost cutting, revenue increase, asset base optimization steps, and resolving past-due receivables from the cities and the São Paulo State Government improves the credit profile and increases fundraising.

The first issues are approached in this section and the last issue is covered in the section on the economic and financial performance.



Jacaré dam, Cantareira System

Cost cutting

Cost is one of the key components for Sabesp's economic and financial sustainability and to maintain the current investment levels. In 2007-2009, expenses grew, reflecting, but not limited to, the increased regulatory and environmental requirements, the effort to concessions and the placement in service of new systems.

Cost containment actions taken in 2009 were important to stop the increase of expenses and match it with revenue growth. The adjustment made is reflected in the 2010 budget and will represent an efficiency and competitiveness gain for us. Most of the cost containment is based on the decrease in personnel expenses and most of these actions have already been taken. We also plan to rationalize energy costs and decrease expenses on telecommunications and treatment materials, among other actions. With these actions, we expect to obtain savings of up to R\$180 million compared to the same cost base of 2009. The cost containment actions are partly coupled with Sabesp's corporate restructuring as we have the possibility of increasing efficiency by decreasing function overlaps. These two topics were covered in the scope of a project development by us during 2009, which will be continued in 2010.

Asset Base Optimization

The optimization of the asset base is one of our goals. In 2009, we sold about R\$27 million in nonoperating properties. We also identified an additional 183 potentially nonoperating properties, and the proceeds from their sale will be used in investments.

Revenue Increase

The efforts to ensure the increase in revenue, through our Sabesp Environmental Solutions program, have already paid off. The 159 loyalty agreements (firm demand) entered into in 2009 represent an annual revenue of R\$196 million. Another example is the Non-Domestic Wastewater (END) collection program, through which we receive and treat industrial wastewater, which generated R\$125 million in revenue for 2009.

Environmental Solutions

The Sabesp Environmental Solutions program consists of a platform of products and services offered to achieve customer loyalty and broaden our large customers' base. By using our new services, customers benefit from our expertise and technology in sustainability, environmental preservation and water resources management areas. Therefore, we have been increasing, for example, our competitive capacity in the segments the most targeted by alternative water suppliers. The main results for 2009 are as follows:

- **Loyalty Contracts:** under a take-or-pay contract, companies benefit from differentiated rates and consumption management systems, thus, cutting their costs. In 2009, we entered into 56 new contracts, which when added to the 103 existing contracts generate firm revenue of R\$196 million/year.
- **Non-Domestic Wastewater (END):** currently one of our greatest concerns is the final disposal of industrial wastewater. To meet such need, we are prepared to accept and treat non-domestic wastewater generated by manufacturers. In 2009, we collected 16.9 million cubic meters of wastewater, generating revenue of R\$125 million.



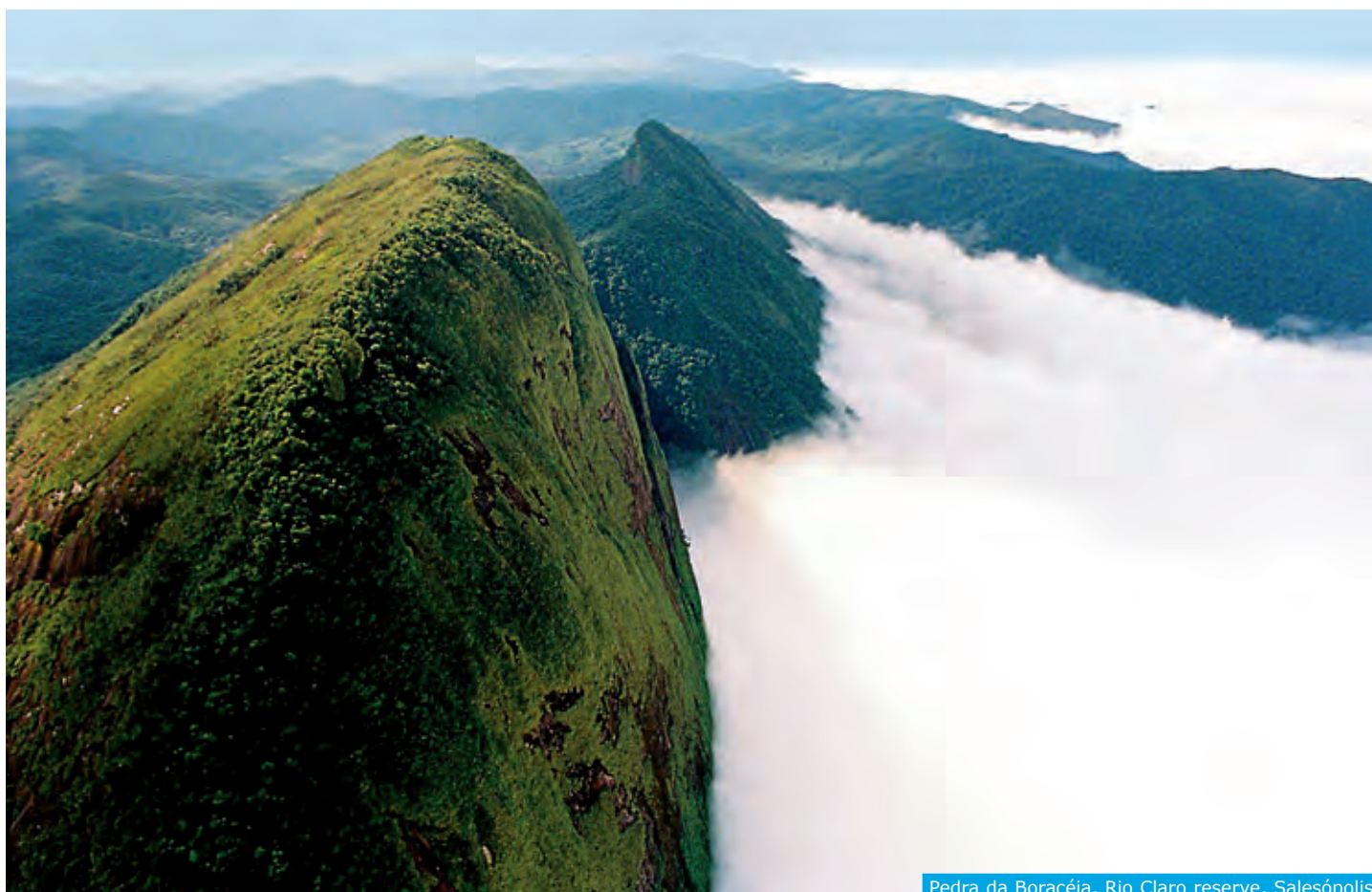
- **Program for the Rational Use of Water (PURA):** The solutions to reduce water consumption involve a number of actions, such as leak detection and repair, replacement of conventional equipment with water saving devices, studies related to the reuse of water, and educational lectures. PURA is specifically focused on government bodies and agencies. In 2009, 644 public schools in the city of São Paulo joined the program, generating savings of 70 million liters of water per month (an average monthly reduction of 37 percent).
- **EN21 Reclaimed Water:** Reclaimed water: treated wastewater that can be used in equipment cooling, manufacturing processes, and other nondrinking uses. Our reclaimed water production process is certified by the ISO 9001:2000 quality management system in conformity with strict quality standards. Currently, our largest customers are Coats Corrente, which consumes 75,000 m³/month, a Santher, which consumes 40,000 m³/month in pulp and paper production, and the City of São Paulo, which consumes 20,000 m³/month reclaimed water in street and monument cleansing, garden irrigation, and to unclog rainwater harvesting systems.
- **Individualized water metering in condominiums:** In 2008, we launched a technology that allows to separately measure the individual consumption of each apartment. Named "individual water metering", the new technology meets an old request of many condominiums and may become an important economic incentive to rational water use.
- **Telemeter:** this service allows for the web-based tracking of consumption registered in the water meter, in real time. Consumption history is presented in charts, according to the period requested by the customer. Additionally, the system can send warning flags about leaks and consumption peaks, via e-mail and cell phone messages. Initiated in May 2007 as a pilot project, the system posts the following results: 120 private customers, 2,458 City buildings in São Paulo, and 309 schools of the State Board of Education, totaling 2,887 properties.

Agreement with the São Paulo State Government (GESP)

2009 is the year where we made considerable progress in our relations with the São Paulo State Government. Three aspects should be highlighted:

- i. settlement of water and sewage bills owed by the State, reaching 97.6% in 2009;
- ii. regularization of the dividend flow to the State Government with the payment, by us, of R\$890 million in nominal amounts, in 2007-2010. Up to 2007, we retained these payables to offset unpaid water and sewage bill; and
- iii. agreement between Sabesp and GESP, reached at the end of 2008, for the reimbursement of R\$915 million, equivalent approximately to two thirds of the amounts paid by us as pensions and survivors' pensions, and the regularization of the monthly of these benefits.

Items (i) and (ii) are provided for in the Second Amendment to the Obligations, Payment Commitment and Other Covenants Acknowledgement and Consolidation Agreement; item (iii) is provided for in the Third Amendment to the same Agreement.



Negotiations with Permittee Cities

In 2009 there was progress in the steps taken to reduce water supply debts of Permittee Cities. Two aspects should be highlighted:

The first concerns the favorable court decisions issued on the collection lawsuits filed by us against these Cities. In 2009, for example, there was significant progress in the revenue attachment lawsuits filed against the Mauá water and waste authority, Saneamento Básico do Município de Mauá (Sama). We received through the lawsuits filed against the Guarulhos water and waste authority, Serviço Autônomo de Água e Esgoto de Guarulhos (Saae) approximately R\$38 million related to water bills issued and unpaid. We also obtained an important favorable decision requiring the City of Santo André and the Santo André municipal water and waste authority, Serviço Municipal de Saneamento Ambiental de Santo André (Semasa), to include in their budgets the full amounts owed to SABESP and to deposit in court any possible disputed amounts.

The second aspect is related to the extrajudicial negotiation initiatives with the Permittee Cities willing to settle their debts to us. These were the cases of Mogi das Cruzes and Diadema. In addition, we initiated negotiations to create a Sabesp-Semae (Mogi das Cruzes municipal water and waste authority) joint venture that will operate the city's sewage system. There was considerable progress in the negotiations with the City of Diadema and the Diadema water and waste authority, Companhia de Saneamento de Diadema (Saned), for the creation of a Sabesp-City of Diadema water and waste joint venture.



Upgrading of S&P's rating

Our economic and financial soundness was recognized by the risk rating agency Standard and Poor's (S&P), which upgraded our global rating to "BB" from "BB-" and the Brazilian scale rating to "brAA-" from "brA+". This should be particularly highlighted since the economic crisis resulted in the downgrading of countless companies in 2009.

Management modernization



We are undergoing a modernization process, with initiatives in four fronts: human resources and organization resizing, strategic planning, Value Added Management (VAM), and corporate restructuring. The following subtopics point out the progress made in each of these fronts.



New employees' hiring drive

Human resources and organization resizing

After years without a competitive recruitment process, we held in May 2009 a public recruitment process to fill 1,771 vacancies all over the State of São Paulo. Over 190 applicants enrolled for the three position levels: operational, technical and college graduates. Of the selected applicants, 379 are already working at Sabesp.

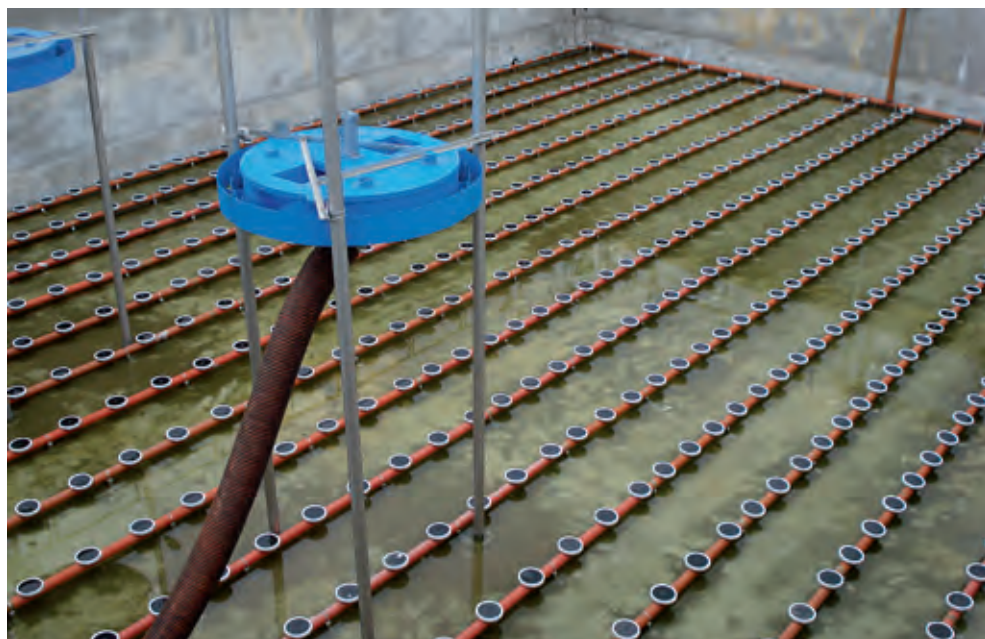
We continued to comply with the Policy Adjustment Commitment (TAC) entered into with the State Public Prosecution Office. This instrument provides for 2,437 layoffs. From this total, we dismissed 1,388 retirees this year. Under the established calendar, in 2010, 2011 and 2012 we should dismiss 568, 381 and 100 retirees, respectively. When terminated, retirees are offered outplacement assistance under the Employee and Entrepreneurship Support Program (PAEE).

The termination of a large number of employees highlights the importance of a corporate strategy to train new talent that can succeed current leads in the future. We have, therefore, prepared a succession and career plan within Sabesp. The succession and career plan is a structured and continuous employee training program to prepare them for managerial positions, and was launched in February 2010.

The target employees are professionals with the profile and potential to assume managerial positions in the future, who must undergo all the development steps set out in the plan. In addition to a corporate MBA, selected employees will all undergo professional coaching, and attend language and specific training in the areas of interest of each professional. The second step of the program is a job rotation initiative, and another qualification stage, including post-grad programs. First, we will select 40 employees and in another 80 in the future.

One of the greatest challenges for 2010, the new Jobs and Salaries Plan approved by the São Paulo State Government Salary Policy Committee (CPS), will allow us to resume career advances. Its positive features include:

- i.** Job grouping, which creates more career advance prospects;
- ii.** Promotion according to the progress of individual skill set and performance;
- iii.** Increase in the staff salary ceiling, which creates better salary progress conditions for those who invest in improving their skill set;
- iv.** Equalization of managerial positions that permits managers in the same hierarchical level to receive the same overall compensation.



Clean Wave STPs diffusers and floating spillways

Strategic Planning

We have a strong culture in the definitions of corporate goals, disclosed during the Strategic Planning seminars periodically organized by Sabesp. During these events, managers discuss Sabesp's course for the coming year based on the guidelines of our controlling shareholder. In 2008, strategic planning horizon was expanded to 10 years, allowing that the Future Vision defines 2018 as the year universal water and sewage services will be ensured in our area of operation. We use the Balanced ScoreCard (BSC) concepts to translate this corporate strategy into operating goals and follow up their progress. Based on this information, the goals are revised annually to incorporate prior-year accomplishments and possible changes in the domestic and foreign scenarios. Integrated and challenging goals provide a focus for our employees' work to accelerate progress toward universal water and sewage services and make us stronger and more efficient.



Aerial view of the Guarãú STP

Profit Sharing Program (PPR)

By tying the PPR to BSC indicators we make sure Sabesp and our employees are aligned with the objectives and goals set at levels that will produce significant gains and results.

In 2009, the set of PPR goals was extracted from our strategic planning, using the BSC, tying the Profit Sharing Program to Sabesp's corporate steering.

The 2010 profit share program goal set is divided into three groups:

- i.** corporate goals, which depend on the entire company's performance, such as EBITDA margin, net income, and number of ISO 14001 certified units;
- ii.** goals set for core areas, which are tied to the activities of the operating departments, such as customer satisfaction rate, maximum number of occupational accidents with leave of absence, number of sewage connections, wastewater treatment rate, and electricity consumption;
- iii.** back office goals, used for the second consecutive year. These goals refer to the corporate back office functions, such as IT, sourcing and legal affairs. Setting specific goals for the back office allows these employees to have a direct involvement in the effort to meet our strategic goals and support the work of the operating functions.

Value Added Management (VAM)

In 2009, we continued the implementation of the Value Added Management model. We trained 485 employees in this methodology, totaling 692 employees since the process started. Additionally, we completed the implementation of the Alto do Paranapanema Business Unit, an up-state pilot unit, and the South Business Unit, and we are completing the implementation of the Center Business Unit.

The Value Added Management (VAM) model is crucial to steer actions related to the optimization our asset base and improve the quality of investments, to strengthen Sabesp and its long-term sustainability. The challenge for 2010 is to complete the implementation of the VAM in all business units, as part of the preparation of variable compensation proposal, pegged to value generation. The objective is to encourage and reward asset, expense and revenue management improvement efforts.

Tenure for employee hired in 1988-89

The decision of the Supreme Federal Court (STF) on the jobs of the employees who joined Sabesp without passing a competitive recruitment process but based on a public selection process. Most of these employees work in operating functions (about 1,000). With STF's decision, which annuls the previous labor courts' decision, it was possible to reassure these employees and, in particular, avoid a sudden, unplanned termination, not based on performance criteria, which might impair service continuity.

Incentive to competition in Sabesp's tender biddings

As a semi-public corporation, we must use selective procurement procedures—constitutional requirement regulated by Law 8666/93—which entails offering the same competition and participation conditions to all suppliers, regardless of their location. We comply with this guarantee through the broad disclosure made by the electronic tender bidding portal, on our website (www.sabesp.com.br).

We were the first state-owned company and the second company in general to implement an electronic procurement procedure. In addition to cutting costs, it provides our suppliers and the population in general more transparency, efficiency, and agility. With a focus on the increase in competitions in auctions, we prepared a Public Procurement Competition Guidelines manual.

EC6 On the other hand, we also promote the participation and engagement of local suppliers, in the regions where we operate, from a decentralized structure, divided into business units, where each unit has its own budget and independence to contract on a decentralized basis. In 2009, the participation of local suppliers in procurements with waiver of tenders based on amount and invitation was 55 percent.

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

Repositioning in view of the new regulatory framework



The implementation of a regulatory framework for the water and waste industry (Federal Law 11445/07) and the creation of the São Paulo State Sanitation and Power Regulatory Agency (ARSESP)—State Law 1025/07—radically change the regulatory environment where we operate, increasing competition in the industry, creating new changes and new opportunities for Sabesp.

In addition, we have increasing expectations in relation to the water and waste and environmental preservation services, which require more investments, agility and innovation. To adjust Sabesp to this new scenario, we have scheduled actions around our four modernization pillars: environment, regulation, new businesses, and innovation. Several actions have already been implemented regarding the first three pillars:

- **Environment:** creation in 2007, of the Environmental Management Superintendency, deployment of programs such as Abraço Verde (Green Hug) and Sabesp 3Rs that can be seen in detail in the chapter on the environment and launching of the Sabesp Environmental Solutions platform products and services, detailed in the Section on economic and financial sustainability;
- **Regulation:** creation in 2008, of the Regulatory Affairs Superintendency, training of professionals in the application of regulatory accounting and implementation of tariff policy easing actions to grant Sabesp market competitiveness;
- **New businesses:** creation in 2009, of the New Businesses Superintendency, establishment of several cooperation arrangements with state-owned and private sector companies in Brazil and abroad, and development of projects of new water and waste businesses to increase revenues and incorporate new technologies and private capital in to Sabesp investments.



Guarapiranga dam

This modernization process will be consolidated by strengthening, in 2010, the Research, Development and Innovation (RD&I) function, which will be responsible for:

- i.** inventorying and disseminating the technologies existing at the Company;
- ii.** develop an intellectual property protection policy;
- iii.** coordinate technology alliances and cooperation arrangements for the development of research in Sabesp's area of interest; and
- iv.** assist in the formation of products that can be sold using technologies developed at Sabesp.

Regulatory affairs

After structuring the Regulatory Affairs function in 2008, when we created a related superintendency and committee, during 2009 we started to implement best regulation practices and disseminate a regulatory culture at SABESP.

There were important progresses regarding the challenges of the regulatory framework, with higher integration between Arsesp and Sabesp the preparation of regulations. Debates and technical studies are essential to enhance the new regulatory framework and create more opportunities in the water and water industry.

Some of 2009 highlights are as follows:

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

Tariff revision: in 2009, Arsesp initiated the discussion of a new methodology for the calculation of the tariff adjustment, which, according to a note issued by the regulator, will be fine-tuned in 2010 and applied in 2011. The objective is to create a new adjustment methodology by enhancing the criteria used and creating sustainability and economic and financial balance condition for the services provided.

Since 2003, Sabesp's tariff is adjusted using a parametric formula that considers total company costs, where manageable costs are revised using the Extended Consumer Price Index (IPCA) and non-manageable costs are revised based on actual changes in costs between calculation dates.

The proposal made by Arsesp provides for a different methodology. The main changes refer to the calculation of the adjustment using regulatory costs, inclusion of productivity gains—that reduce the return base—including in the calculation formula the concept of return on operating assets base adjusted for inflation, and the calculation of the Weighted Average Cost of Capital (WACC), which is applicable to the return of the asset base.

Regulation: In 2009, Arsesp enacted two Resolutions. The first was the infringement and penalty regulation for water and waste service providers. The regulation basically sets out the penalty system and the amounts of fines to be imposed to the concessionaires in case of noncompliance with prevailing standards and legislation. The regulation preparation process involved public consultations, and we contributed with several inputs. The regulator also issued on November 14, standards that set out the general terms and conditions for the provisions and use of water and waste utility services. This basically addresses the standards that govern the business and operational relationship between utility operators and users.

New businesses

2009 was very important for the New Businesses function, with the creation of a related Superintendency and the signature of several cooperation and partnership agreements: Note that in 2007-2008, Sabesp already worked in the prospection of opportunities and closed important cooperation deals with other, including: Casal, of Alagoas; Cagepa, of Paraíba; Corsan, of Rio Grande do Sul; and Cesan, of Espírito Santo.

New arrangements were entered into in 2009, such as the Sabesp technical cooperation agreement with Caesb of Brasília and Casan of Santa Catarina.

In January 2009, Sabesp entered into its first international cooperation agreement with Instituto Costarricense de Acueductos y Alcantarillados (AyA), of Costa Rica. During the year, the trend accelerated and Sabesp entered into other international technical cooperation agreements, namely with Agbar, of Barcelona and Mekorot, of Israel. These cooperation agreements proved to be quite effective to exchanging experiences and know-how between different companies, and prospect new joint ventures. For example, the partnership with Agbar allowed us to know the Spanish company's research and development structure and use part of their institutional model to strengthen our own innovation function. It was also possible to deepen, through technical visits, the knowledge in the filtering membranes and sludge drying areas.

Sabesp entered into its first international cooperation agreement with AyA of Costa Rica

The increase of our activities abroad was not restricted to cooperation agreements. The consortium formed by SABESP and Latin Consult won the international tender bid held by Instituto de Acueductos y Alcantarillados Nacionales (IDAAN), with the support of the Inter-American Development Bank (IADB). This consortium will operate as consultant in a rational water use program and the implementation of a new commercial and operational management model in the central provinces of Panama. The agreement amounts approximately to US\$8 million.

Sabesp also consolidated its position as a competitor in the water and waste market, and we filed two bids in tenders organized by the State of São Paulo and one at international level. The final decisions on these tenders should be made in 2010.

The New Businesses function also contributed to Sabesp's efforts to ensuring the return on assets and develop environmentally sustainable solutions.





The Aquapolo Ambiental Project made significant progress with the definition of the main terms and conditions of the contracts to build, together with Foz do Brasil, the largest reclaimed water project in South America. The Project plans to supply up to 1m³/s of reclaimed water to the Quattor Petrochemical Group, with the possibility of extending supply to the other companies in the Capuava Petrochemical Hub. We expect completing the negotiations and start construction works early 2010.



increase revenue and
consolidate the Sabesp
trademark in Latin America

In addition, our entering into new segments has created new demands. In view of the interest shown by some cities, such as São João da Boa Vista, Mogi Mirim and Lins, the New Businesses function conducted several studies and analyses to bring solutions for the disposal of urban solid waste (RSU).

For 2010, the domestic focus is multiplying and intensifying projects and partnerships with other state-owned and private sector companies.

The challenge for 2010, at the international level, is to gradually but steadily expand our operations to increase revenue and consolidate the Sabesp trademark as one of the leading companies in Latin America. This task requires resources to fulfill our strategic planning goals: provide universal water and sewage services within the State of São Paulo.

Small Hydropower Plants (SHPs)

The first tender notice for the concession to private sector companies of the right to exploit the energy potential of the Guaraú and Vertedouro Cascata Water Treatment Plants, by building small hydropower plants (SHPs) was published in 2009. These plants will generate approximately 7 MWh – the first time this power model will be applied in Brazil. For 2010, we expect to create the conditions for the tender bid of a Small Thermal Power Plant (STP) using biogas generated by the Barueri sewage treatment plant.

Companhia de Saneamento de Alagoas (Casal)

The cooperation agreement entered into with Casal in 2007 has borne fruits and we entered into the first water loss reduction technology transfer agreement with the company from Alagoas. Under the agreement, we will assist Casal, during a five-year period, to develop the water loss reduction program of the City of Maceió. Our revenue forecast for this agreement is R\$25 million, and may be higher depending on the results of the water loss reduction program.

This water loss reduction agreement created new demands for Sabesp. In 2009, we started the negotiations with Serviço Autônomo de Belém do Pará (Saaeb) and the City of Toritama, in Pernambuco.

Supply of drinking water to Sumaré

In August 2009, we entered into a treated water supply agreement with the Sumaré Department of Water and Sewage (DAE). We will supply water to approximately 50,000 inhabitants or 20 percent of the local population. The municipality currently has an approximate population of 240,000 inhabitants and after the works are completed we will be able to fulfill one of the major demands of the municipality's population, which is having regular water supply and eliminate water shortage issues, especially in the Cura District

To make ensure the feasibility of this operation, we are advancing R\$3,5 million to fund the investments necessary to expand the Paulínia–Hortolândia–Monte Mor integrated system. These funds will be used to build a water treatment plant and the purchase of supply equipment to supply the integrated system. Sabesp will be in a position to supply up to 200 l/s to the municipality of Sumaré, thus coupling the economic value of the project with the creation of an important political link for the expansion of new businesses in the region.



Operation of Central Lab liquid chromatograph

Research, Development & Innovation (RD&I)

Three major accomplishment were made in 2009 in the RD&I area. The first was the cooperation agreement with the São Paulo State Research Support Foundation (FAPESP) to develop “Joint Technology Innovation Research (PITE)” projects. This partnership provides for investments totaling R\$25 million by SABESP and another R\$25 million by FAPESP over five years.

In the context of this agreement, in December 2009, FAPESP published a tender notice for the first round of water and waste research bids, which ill funds totaling R\$10 million, of which R\$5 million from SABESP and R\$5 million from FAPESP, to be completed in 36 months.

The second accomplishment was the SABESP Creativity Award, which selects and rewards innovating ideas proposed by our employees to improve processes and cut costs. The first edition gathered 730 participants, and we rewarded 64.

The third accomplishment was our integration to the São José dos Campos Technology Center, which had the participation of other companies, such as Vale and Embraer. The integration in the Technology Hub will allow us to share and

develop technologies and knowledge with companies traditionally involved in research, development, and innovation, thus expanding the possibility of forming technology alliances and prospecting new businesses.

The challenge for 2010 is strengthening this function by creating a RD&I Superintendency, and Innovation Committee and Scientific Board, which will be formed by members chosen by our executive committee and with reputation and knowledge in research and development, business administration, intellectual property and other related areas.

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

In 2009, we conducted five innovation hearings covering topics such as: statistic methods and 6 Sigma in Sewage Treatment, STP Sludge Recycling, Biocatalysts and Bioremediators to Improve Sewage Treatment Performance, Energy Efficiency in Automated Discharges and Monitoring.



The integration in the Technology Hub will allow us to share and develop technologies and knowledge with companies traditionally involved in research



Water Resources Technologies and Environmental Remediation Research and Development Center in São José dos Campos

We installed in the Riugi Kojima Technology Park, in São José dos Campos, the Water Resources Technologies and Environmental Remediation Research and Development Center. The Technology Park is a project of the São Paulo State Government and the da City of São José dos Campos, engaged in encouraging the technology development through company-university arrangements.

The installation of the Sabesp's center fosters important progresses in technology development, and is becoming a reference in water resources and sanitation research, thanks to the interaction with technology functions of private sector companies and universities. The objective is to make available to the water and waste industry technicians prepared and qualified to operate those services with excellence.

Corporate Governance



GRI 4.1

Expansion of Corporate Governance is a constant challenge for a Company that was the first state-controlled company in Brazil to undertake, in April 2002, the BM&FBovespa's Novo Mercado and simultaneously the Company's shares were listed in the New York Stock Exchange (NYSE).

Engagement of Stakeholders

The purpose is to improve the relations with the different socio-environmental and economic players, linked to the company's activities, to gather inputs for the 2009 Sustainability Report. We cover below the main improvement considerations:

- i. we conducted two, and not only one, stakeholders involvement panels, covering social responsibility and environmental responsibility separately, held in October and November 2009, respectively. This created increased synergy in discussion because of the higher level of familiarity of the participants with the topics covered. It also resulted in having more than twice the participants, which reached a total of 214 people, against 99 in prior year. The representativeness was high, with a significant presence of 62 directors from different entities.
- ii. the events were organized before the issuance of the document, which gave us more time to respond, not only to the topics in the agenda but also to open other channels. The highlight was one of the suggestions to use the monthly gatherings with community leaders to discuss the report.
- iii. we opted for a less formal system, since we understood that the dynamics of small workgroups with invited people/entities could restrict the discussions to a body of experts, instead of opening the discussion of any topic to a broad audience, including those not so familiarized with this type of document, which could multiply its dissemination and allow people to read the report in a more knowledgeable way, once issued. Therefore, we gave up capturing only responses of a more technical nature to promote a more didactic discussion of key issues, such as why issuing



the report, its significance, and the importance of having society participating not only in the report itself but also in defining priorities of projects. This meant extending the invitation for the two events to a broader audience, including 600 members of NGOs, 250 representatives of teaching institutions, 540 representatives of public agencies, 630 media representatives, 280 representatives of industrial and professional associations, 80 representatives of banks, and 350 from companies (suppliers and service providers). Many of these people forwarded our invitation to their contacts.

- iv.** we decided to host these events in locations related to the topic covered and not in a hotel. Thus, the social responsibility event was held in a school circus maintained by Instituto Criança Cidadã (Citizen Child Institute), in a favela in São Paulo—the San Remo community—and the environmental dimension at Associação de Amigos de Taiapuêba (Taiapuêba Friends Association), which promote the environmental education and the recovery of river bank forests.
- v.** in April 2010, before the issuance of the final version of this report, we organized the 22nd sustainability hearing to launch the report and hear additional suggestions from society. A panel of personalities commented in a roundtable the environmental, social and economic dimensions, and the customer vision.

Some of the proposals included:

- listening to the customer, during the annual opinion survey, in terms of defining the priorities of company social and environmental actions. This means listening to society, not only in terms of reporting them but also in terms of designing and planning activities;
- include more sections of partnership cases and highlight activities carried out together with entities in the report. This issue increased this space and even when we cannot describe them, due to space constraints, we at least mentioned their names to increase their visibility and allow them to find other supporters/sponsors;
- for this issue we offset carbon emissions from the preparation/printing of the report, as we do for all sustainability hearings;
- create a reference list of key words to facilitate location of specific topics, which can be found on page 162.
- it was also evidenced that it is necessary to provide better training of all participants so that we can deepen discussions. We intend to make progress in this matter during 2010 by using routine meetings with different stakeholders.

Governance structure

Shareholders' Meeting

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

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

Board of Directors - **GRI 4.2 / 4.3 / 4.4**

It consists of thirteen members commissioned for two years, who may be reelected. The chairperson of the board and CEO positions are filled by two different persons, and no CEO who is also elected a board member can hold the chair. Four of our directors are independent directors, in compliance with the Novo Mercado Listing Regulations, of whom one is elected by the non-controlling shareholders. The Company's bylaws provides for the participation of one representative of the employees in the Board of Directors, with a term of office similar to the other directors.

Members of the Board of Directors

Dilma Pena

Chairwoman of the Board of Directors since January 2007. Master in Public Administration from Fundação Getulio Vargas (FGV/EAESP) and graduate in Geography from the University of Brasília, she started her career as a federal public servant, in 1976, as planning and survey technician at Instituto de Pesquisa Econômica Aplicada (IPEA). She was Sanitation director at the Department of Urban Policy of the Ministry of Planning, Strategic Investments director of the Ministry of Planning, and director of the National Water Agency. While a public servant in the State of São Paulo, she held the position of Deputy State Secretary of Economy and Planning. Since January 2007, she is the São Paulo State Secretary of Sanitation and Energy and also chairs the Boards of Directors of Cesp and Emae. Dilma Pena has published several articles, papers and books on water and waste, water resources, and planning.

Gesner Oliveira

Member of the Board of Directors since July 2008 and CEO since January 2007. Member of the Boards of Directors of Companhia Energética de São Paulo (Cesp) and professor at the Economics Department of Fundação Getulio Vargas. He received the 2009 Citizenship Award granted by Pensamento Nacional das Bases Empresariais (PNBE), in the category "Environmental Businessman". Organizer of the book "The Economics of Water and Waste in Brazil" (2010). Visiting Professor of Columbia University in the USA (2006). Chairman of the Economic Defense Council in 1996-2000. Interim Secretary of Economic Monitoring of the Ministry of Finance (1995). Deputy Secretary of Economic Policy of the Ministry of Finance (1993-1995). Chairman of Instituto Tendências de Direito e Economia, partner director of Tendências Consultoria Integrada, consultant and arbitrator for the infrastructure regulation and competition protection areas. PhD in economics from the University of California/Berkeley, master in economics from the Economics Institute of Unicamp, and economics graduate from the Economics and Business Administration School of the University of São Paulo/USP.

Humberto Rodrigues da Silva

Member of the Board of Directors since January 2007. Post-graduate in municipal and urban development methodology and projects from the National School of Urban Services (Ensur). Graduate in public administration from the Business Administration School of São Paulo (FGV). He is the Deputy Chief of Staff of the São Paulo State Government.

Alexander Bialer

Independent member of the Board of Directors since April 2003, representative of non-controlling shareholders. Graduate in engineering from Instituto Tecnológico de Aeronáutica (ITA), and has an MBA/LS in systems administration from Eaes/FGV. Currently, he is also a member of the Board of Directors of Avianca-TACA, Pacific Rubiales Energy, ROMI, and ANDRITZ HYDRO Inepar. He was Business Development Officer of GE for Brazil and Latin America until he retired in 2002, and was a member of the Boards of Directors of: Coplen, CELMA, GEVISA and Dako, and other companies.

Roberto Yoshikazu Yamazaki

Member of the Board of Directors since January 2007. Graduate in business administration. He was the São Paulo State Deputy Secretary of Finance from 2006 to January 2007, and State Finance Administration Coordinator in 2003-2006. He is a Technical Advisor of the São Paulo State Department of Finance.

Manuelito Pereira Magalhães Júnior

Member of the Board of Directors since January 2007. He is graduate and post-graduate in Economics from the Economics Institute of Unicamp. He is a member of the Boards of Directors of CET/SP and Prodam/SP. He was a member of the Board of Directors da Cohab/SP. He was São Paulo Municipal Secretary of Planning (2007-2009). Currently, he is the president of the São Paulo State Metropolitan Planning Authority (Emplasa S/A).

Francisco Vidal Luna

Member of the Board of Directors since July 2007. Doctor of Economics from the Economics and Business Administration School of the University of São Paulo (USP). He was São Paulo Municipal Planning Secretary and worked in the São Paulo State Department of Finance and the Ministry of Planning. He was the CEO of Banco Inter American Express S.A. He was a member of the Board of Directors of Banco Nacional de Desenvolvimento Econômico e Social (BNDES) and Special Secretary of Economic Affairs of the Presidency of the Republic Planning Department. He is São Paulo State Secretary of Economics and Planning since January 2007.

Mário Engler Pinto Junior

Member of the Board of Directors since March 2006. Graduate in 1979 from the Law School of the University of São Paulo, where he also received his Doctor degree in Commercial Law in 2009. Practitioner Lawyer since 1979 and São Paulo State District Attorney since 1984. He held several management positions in public and private sector companies. He was an advisor to the State Government in the State Privatization Program and the Public-Private Partnership Program. He is currently the General Counsel of the State Department of Finance. He is a professor at the São Paulo Law School of Fundação Getulio Vargas, where he teaches "Contract Drafting and Strategy" and "Public Business Law".

Antero Paes de Barros Neto

Member of the Board of Directors of Sabesp from May 2007 to March 2010. Journalist and lawyer. Graduate in Law from União Pioneira de Integração Social (Upis) and post-graduate in Constitutional Law from IDP, in Cuiabá, MT. He was local councilor of Cuiabá in 1982-1986 and Constitutional Congressman in 1986-1990. He was Mato Grosso State Chief of Staff and Social Communication Secretary from January 1994 to April 1998. He was a Federal Senator from 1999 to January 2007, where he held the positions of Second Vice President and Second Secretary in the Senate's Bureau.

Jerônimo Antunes

Independent Member of the Board of Directors since April 2008 and Audit Committee Coordinator. Graduate in Business Administration and Accountancy. Master and Doctor in Controllershship and Accountancy from the University of São Paulo, where he is a professor in the Department of Accountancy and Actuary of the Economics, Business Administration and Accountancy School of the University of São Paulo (FEA-USP) since 1999. Professor in several MBA degrees at Fipecafi, FIA, and other institutions. He works as an independent auditor since 1977, and he is registered as Partner in Charge of Antunes Auditores Associados with the Brazilian Securities and Exchange Commission (CVM). He was a director at Ipecafi, Ibracon and Anefac.

Reinaldo Guerreiro

Independent Member of the Board of Directors and member of the Audit Committee since January 2007. He is a doctor in Accountancy and Controllershship, master in Accountancy and Controllershship, and graduate in Accountancy from FEA-USP. He is a professor of the Economics, Business Administration and Accountancy School of the University of São Paulo. Vice Principal of FEA-USP. He is a consultant specialized in economic management. He has worked in several economic management, costing, budget, and information systems projects in several companies.

Alberto Goldman

Member of the Board of Directors of Sabesp from April 2009 to March 2010. Graduate in Civil Engineering from the Polytechnic School of the University of São Paulo. He is currently the Governor of the State of São Paulo. He was State Vice Governor and State Development Secretary. He held several positions, both in the State Legislature and the State Executive. State representative for two terms and congressman for six terms, participating in important law-making processes. He was the Chairman of the Joint Budget Committee (2000) and the Rapporteur of the General Telecommunications Bill (1997) and other bills. We was the party leader in Congress and listed as one of the 100 most influential congressmen for fourteen consecutive times.

He was Special State Program Coordination Secretary (1987) and State Administration Secretary (1988-1990). We reorganized the São Paulo public administration. As Minister of Transportation (1992-1994) he initiated processes that revolutionized the industry, such as the takeover by the State of CBTU (current CPTM), the concession for the maintenance of the Dutra Highway, and the widening of the Régis Bittencourt and Fernão Dias highways.

Heraldo Gilberto de Oliveira

Independent Member of the Board of Directors and member of the Audit Committee since October 2009. Graduate in Business Administration and Accountancy. He has a master degree in Controllership and Accountancy from FEA-USP, and Professor of specialization and MBA courses in the Capital Markets and Investor Relations at Fipecafi – FEA-USP. He worked as independent auditor during ten years. He is a consultant and accounting and financial expert, partner of FCO Consultores Associados. He was a member of the Board of Directors and Audit Committee Coordinator of Banco Nossa Caixa S/A in 2007-2009. Member Coordinator of the Audit Committee of Banco Industrial e Comercial S/A (Bicbanco) since September 2009. He is a Director of Instituto de Executivos de Finanças de São Paulo (Ibef/SP).

Audit Committee

The Board of Directors is advised by an Audit Committee, consisting of three independent directors, of whom one is specialized in finance and is the Committee's coordinator.

In 2009, the Audit Committee worked in the revision of its chart. The new chart, approved by the Board of Directors, is available on our website. Board member Heraldo Gilberto de Oliveira is now also a member of the Audit Committee.

Jerônimo Antunes (Coordinator)

Heraldo Gilberto de Oliveira

Reinaldo Guerreiro

Supervisory Board

The supervisory board is established on permanent basis since the Company's incorporation and currently consists of five active members and the respective alternates, of which one is the representative of minority shareholders.

Member	Alternate
Atílio Gerson Bertoldi	Deraldo de Sousa M. Junior
Emília Ticami	Net Nazareno Sígolo
Jorge Michel Lepeltier (*)	Alexandre Luiz O. de Toledo
Maria de Fátima A. Ferreira	Tomás Bruginski de Paula
Sandra Maria Giannella	Vanildo Rolando Neubauer

(*) – Representative of the non-controlling shareholders

Executive Committee

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

Members of the Executive Committee

Gesner Oliveira

Member of the Board of Directors since July 2008 and CEO since January 2007. Member of the Board of Directors of Companhia Energética de São Paulo (Cesp) and professor at the Economics Department of Fundação Getulio Vargas. He received the 2009 Citizenship Award granted by Pensamento Nacional das Bases Empresariais (PNBE), in the category "Environmental Businessman". Organizer of the book "The Economics of Water and Waste in Brazil" (2010). Visiting Professor of Columbia University in the USA (2006). Chairman of the Economic Defense Council in 1996-2000. Interim Secretary of Economic Monitoring of the Ministry of Finance (1995). Deputy Secretary of Economic Policy of the Ministry of Finance (1993-1995). Chairman of Instituto Tendências de Direito e Economia, partner director of Tendências Consultoria Integrada, consultant and arbitrator for the infrastructure regulation and competition protection areas. PhD in economics from the University of California/Berkeley, master in economics from the Economics Institute of Unicamp, and economics graduate from the Economics and Business Administration School of the University of São Paulo (FEA-USP).

Marcio Saba Abud

Corporate Management Officer since January 2007. Graduate in Economics from the Economics and Business Administration School of the University of São Paulo (FEA-USP), he is highly experienced in finances and several segments of the domestic and foreign markets. From April 1987 to January 2007, he was Vice President of Banco Westlb do Brasil S/A.

Rui de Britto Álvares Affonso

Economic, Finance, and Investor Relations Officer since July 2003. PhD and master in economics from the State University of Campinas (Unicamp). Graduate in economics from the University of São Paulo (USP). Professor of the Economics Institute of the State University of Campinas (Unicamp) since 1986. He held several positions in the State Government of São Paulo.

Paulo Massato Yoshimoto

Metropolitan Officer since February 2004. Civil Engineer from the Lins School of Engineering. He joined Sabesp in 1983 and held several positions: executive assistant of the Operations Department and Superintendent of the Water Production, Maintenance, and Metropolitan Area Operational Planning and Development Departments.

Umberto Cidade Semeghini

Regional Systems Officer since January 2007. Electrical Engineer from the Industrial Engineering School (FEI). He was Planning Secretary of the Ministry of Transport and officer at Gerentec Engenharia. He had previously worked at Sabesp as Production Superintendent and Metropolitan Officer in 1986-1992.

Marcelo Salles Holanda de Freitas

Technology and Planning Officer since January 2007. Civil Engineer, with a post-graduation in water and waste from Polytechnic School of the University of São Paulo (USP). He has a specialization in Business Administration from Ibmecc. He was Sabesp's Metropolitan Area and Inland Vice President. He was project officer of Ondeo Services do Brasil, water and waste officer of Suez environmental, CEO of Águas do Amazonas, and water and waste services officer of Etep.

Management Compensation **GRI 4.5**

According to the Brazilian corporate law, the compensation paid to the members of the board of directors, to the members of the statutory audit committee, and to the executive officers is defined as a whole, by the General Shareholders' Meeting.

The compensation paid by the Company to its Board of Directors and officers totaled R\$2.6 million in 2009. An additional amount of R\$900,000, related to the bonus program, was accrued in the period from January to December 2009.

Internal audit

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

Code of Ethics and Conduct **GRI 4.8**

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

In 2009, we prepared a manual with illustrative examples to build up awareness and disseminate the Code, which was made available to our employees in several formats. In addition, we restructured the Ethics and Conduct Committee, which is responsible for ensuring the employee's commitment with the Code and the Code's continuous relevance, updating, and appropriateness, as well as guiding and suggesting the actions necessary for the companywide disclosure and dissemination of its principles.

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

Whistle-blowing Channel

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

In 2009, 172 whistle-blowing cases were registered, of which 41 percent is concluded and 59 percent is under analysis. These reports refer to:

- alleged irregularities in processes involving connections and operating water and sewage services - 37%;
- alleged inappropriate behavior, such moral harassment, discrimination, sexual harassment, and unfair treatment - 27%; **HR4**
- situations involving several administrative proceedings, such as the inappropriate use of vehicles, product inventories, tender bids, and procurement - 29%; and
- alleged irregularities in the management of construction contracts and services provided by building contractors - 7%.

In 2009, the risks related to cases of administrative irregularities, violations of the Code of Ethics and Conduct and/or alleged corruption were mapped in Business Units, using an information system, to identify the major incidents by process. In general, there was a significant decrease in the number of occurrences. This trend was stronger in processes involving suspected fraud in the commercial relationship with customers and cases of misconduct. **HR4**

- Also in 2009, the executive departments were called to expedite the necessary actions to resolve occurrences confirmed by investigations. The meetings on the use of the action plan monitoring system were attended by approximately 80 professionals, directly or indirectly involved in the matter, most of which were superintendents and managers with the task of multiplying the knowledge among their subordinates. **S02 S03**
- As a result of the accountability processes applied, the Units committed to Action Plans focused on the improvement of work processes, adjustment of internal control, and review of operating and corporate procedures. When necessary, some penalties were applied to employees. Contractors and suppliers, and we initiated proceedings for the reimbursement of amounts to Sabesp. **S04**

Relationship with independent auditors

The Company abides by the principles that maintain the independence of the external auditor: an auditor should not audit his or her own work, perform management functions; and act as an advocate for an audit client. PricewaterhouseCoopers was our independent auditor for the annual period ended December 31, 2009 and they did not provide non-audit services during this period.

Risk Management

In 2009, the implementation of companywide risk management was also consolidated, by identifying and assessing strategic risks and the main business processes of Sabesp. The project also includes the assessment of Fundação de Seguridade Social - Sabesprev's strategic risks (Sabesprev).

We are aware that good risk management is important to ensure the continuity of our activities and accomplish our mission: provide water and waste services, contributing for a better quality of life and environmental quality.

Previously, we used to perform various nonstandard risk management actions. In 2009, the process was made official and the management of strategic risks is now under the responsibility of two bodies: (i) - Risk Committee, consisting of President of SABESP, as coordinator, and a representative from each department; and (ii) - the Risk Management Center, which reports to Internal Audit. The Committee formally started its activities in January 2010.

Internal Control

In 2009, we continued testing internal controls to maintain the certification that meets the US Sarbanes-Oxley Act (SOx), since 2006. These controls cover the procedures that ensure the accuracy of accounting records; the preparation of statutory financial statements; and the proper authorization of transactions related to the purchase, use and disposal of Company assets.

Based on the assessment made, internal controls were considered effective and, therefore, we concluded that the main risks that might impact the financial statements were duly mitigated.

To improve organizational instruments and operational processes, in 2009 we ensured the continuity of performance-indicator monitoring, focusing on the identification of critical points that require action to maintain and expand revenue, reduce expenses, and optimize the management of administrative, operational, and construction processes. The Company's managers proposed Action Plans to improve internal control, which were reported to the Audit Committee and the Top Management.

Arbitration Clause

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

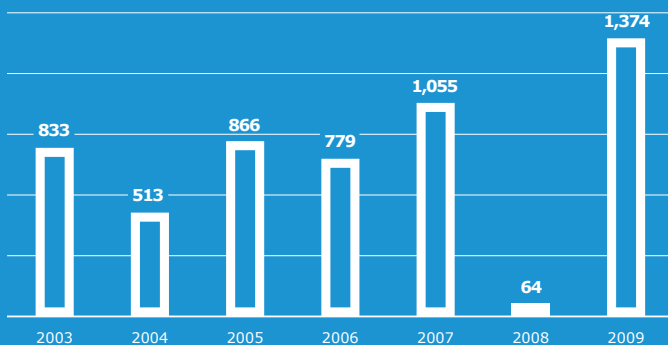
Economic and financial performance



In 2009 we posted sound results, confirming our low exposure to the international crisis that engulfed the markets in 2008-2009.

Net income for the year was R\$1.4 billion, net revenue reached R\$6.7 billion, a 6 percent increase compared to prior year, and Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) reached R\$2.7 billion, a slight drop of 3.5 percent as compared to 2008.

Table 11: Profit history



2008 net income of R\$1.0 billion decreased to R\$64 million due to the accrual of the disputed reimbursements of pension fund benefits prescribed by State Law 4819/58, totaling R\$409.1 million, and the recognition of the provision for the actuarial commitment to the beneficiaries of said Law, totaling R\$535.4 million.

EC1 - The table below summarizes the right generated and distributed by Sabesp in 2009:

Table 12: Economic value added

Component (Parent Company)	Amounts in thousands of R\$
A - Direct economic value added	7,523,818
Revenue (a)	7,523,818
B- Economic value distributed	6,092,760
Operating Costs (b)	2,114,499
Employees' salaries and benefits (c)	1,665,940
Payments to shareholders and lenders (d)	964,250
Payments to the Government (e)	1,317,218
Investments in society (f)	30,853
Economic value added (A-B)	1,431,058

Notes:

- (a) **Revenue** – 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) **Operating costs** – 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) **Employees' salaries and benefits** – Consist of salaries and related charges. Includes amounts paid to the Government (employees' charges and taxation).

- (d) **Payments to shareholders and lenders** – Consists of Interest on Capital, financial expenses (interest, fines, and other financial expenses), and inflation and exchange rate losses. Excludes retained earnings.
- (e) **Payments to the Government** – Consist of Cofins/Pasep on operating revenue and nonoperating income, tax expenses, income tax and social contribution, and income tax on remittances abroad.
- (f) **Investments in society** – 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\$90.9 million.
- (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.



Operating Revenue

Gross operating revenue reached R\$7.2 billion, a 5.8 percent increase as compared to the prior year, as a result of tariff revisions in September 2008 (5.10 percent) and September 2009 (4.43 percent), and the 2.1 percent growth of the water volume billed and the 3.2 percent increase in sewage billings.

Table 13: Gross Operating Revenue History

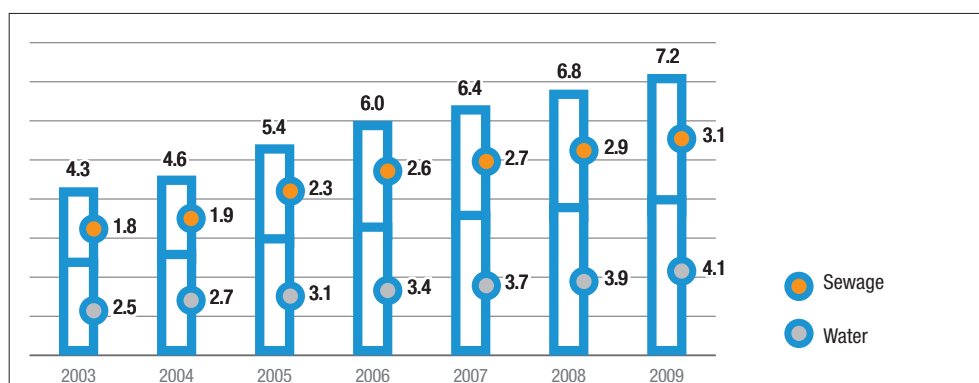


Table 14: Water & sewage volume billed by user category and by region
Water & Sewage Volume Billed⁽¹⁾ by User Category - millions of m³

	Water			Sewage			Water + Sewage		
	2008	2009	%	2008	2009	%	2008	2009	%
Residential	1,358.7	1,393.1	2.5	1,088.8	1,124.3	3.3	2,447.5	2,517.4	2.9
Commercial	154.0	155.5	1.0	141.8	143.8	1.4	295.8	299.3	1.2
Industrial	35.7	34.4	-3.6	33.9	34.8	2.7	69.6	69.2	-0.6
Public	47.1	47.0	-0.2	38.0	38.6	1.6	85.1	85.6	0.6
Total retail	1,595.5	1,630.0	2.2	1,302.5	1,341.5	3.0	2,898.0	2,971.5	2.5
Bulk	284.5	288.0	1.2	27.9	31.1	12.0	312.4	319.1	2.1
Reclaimed Water	0.2	0.8	-	-	-	-	0.2	0.8	-
Total	1,880.2	1,918.8	2.1	1,330.4	1,372.6	3.2	3,210.6	3,291.4	2.5

(1) Unaudited

Water & sewage volume billed⁽¹⁾ by region - millions of m³

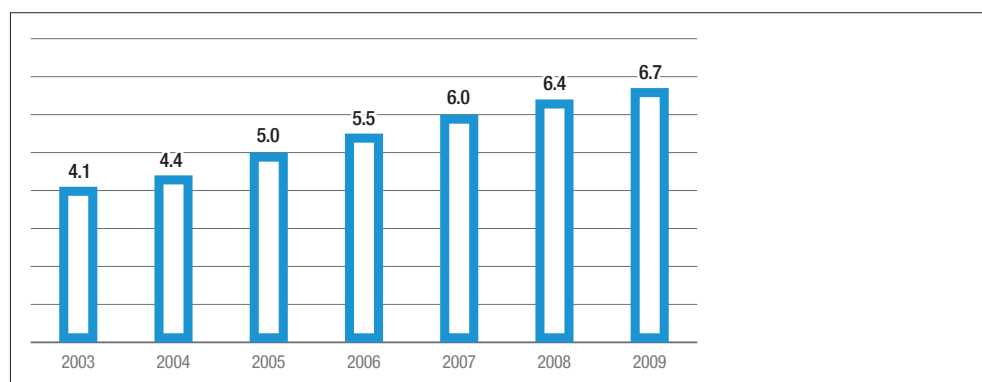
	Water			Sewage			Water + Sewage		
	2008	2009	%	2008	2009	%	2008	2009	%
Metropolitan	1,065.9	1,083.9	1.7	887.3	911.1	2.7	1,953.2	1,995.0	2.1
Regional Systems ⁽²⁾	529.6	546.1	3.1	415.2	430.4	3.7	944.8	976.5	3.4
Total retail	1,595.5	1,630.0	2.2	1,302.5	1,341.5	3.0	2,898.0	2,971.5	2.5
Bulk	284.5	288.0	1.2	27.9	31.1	11.5	312.4	319.1	2.1
Reclaimed Water	0.2	0.8	-	-	-	-	0.2	0.8	-
Total	1,880.2	1,918.8	2.1	1,330.4	1,372.6	3.2	3,210.6	3,291.4	2.5

(1) Unaudited

(2) Comprised by coastal and inland regions.

Net operating revenue reached R\$6.7 billion, a 6.0 percent increase on 2008.

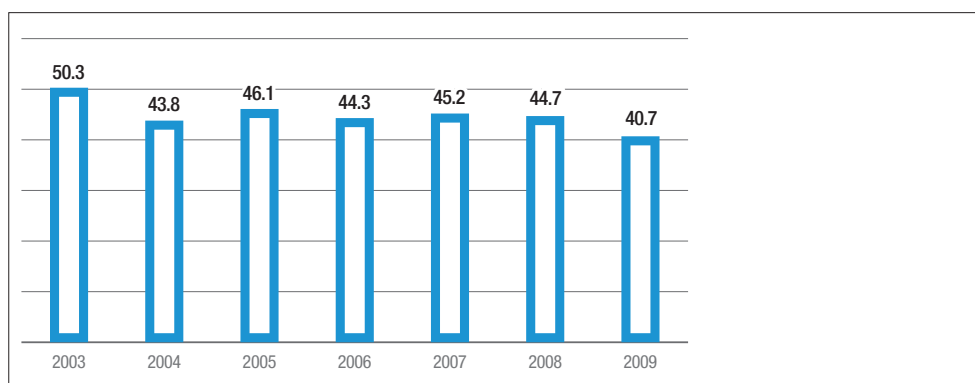
Table 15: Net operating revenue history (current billions of R\$)



Operating Income (Expenses)

Income as measured by EBITDA was R\$2.7 billion and the EBITDA margin was 40.7%. The EBITDA margin was impacted by some nonrecurring events, mainly including the accrual for termination of retirees under the TAC². If we disregard this accrual, the EBITDA margin would be 42.9 percent.

Table 16: EBITDA history



Review of indebtedness

In 2009, we incurred new debt, totaling R\$2.239 billion, and amortized R\$1.896 billion. Due to the amortizations and in particular the appreciation of the Brazilian real in relation to the US dollar, the net balance was a R\$305 million decrease in total indebtedness.

Net debt at yearend was R\$5,790.6 billion, a 7.3 percent decrease as compared to 2008. At the end of 2009, foreign currency-denominated debt was 26.6 percent of total debts, against 33.2 percent in 2008, of which 70.2 percent was owed to multilateral agencies against 69.5 percent in 2008. Despite the new borrowings that we have incurred to fund the investment program and the need to refinance debts, in 2009 the Net debt to EBITDA ratio was 2.1 times, the same ratio of 2008.

² Policy Adjustment Commitment entered into with the State Public Prosecution Office.



Barueri aeration tank

Sources of Funding

Debt securities

In December 2009, we conducted the 4th Issue of Promissory Notes, totaling R\$900 million, maturing in May 2010, whose proceeds were used to fully redeem the 3rd Issue Promissory Notes, totaling R\$600 million, and reinforce cash.

On February 22, 2010, we filed with ANDIMA (National Association of Financial and Capital Market Institutions) for prior analysis the registration of the public offering of the 11th Issue of Debentures ("11th Issue") totaling R\$900 million, in two series, where series 1 totals R\$600 million and matures in five (5) years, and series 2 totals R\$300 million and matures in three (3) years.

Borrowings and financing

We are in an advanced negotiation and closing stage of the following financing lines that will make the programs of our Multiannual Investment Plan feasible:

Inter-American Development Bank (IADB)

We are negotiating with the IADB a US\$600 million financing line for the 3rd phase of Project Tietê. Our counterpart funding will be US\$200 million, totaling an investment of US\$800 million. We expect closing the deal in the second half of 2010.

International Reconstruction and Development Bank (IRDB)

In 2009, we closed with the IRDB a financing line for the Watersheds Program, which integrates the Vida Nova Program. The Watersheds Program has the involvement of the State and several municipalities in addition to Sabesp, and its general coordinator is the State Department of Sanitation and Energy. The Program's investments amount to approximately US\$281.8 million and we will have the largest share, US\$125 million, out of which US\$100 million is financed and US\$25 million is our counterpart funding.

Japan International Cooperation Agency (Jica) ³

We are negotiating with JICA new financing lines for three programs, as summarized below:

- **Onda Limpa Program – Stage Two:** financing complementary to the agreement entered into with JICA in 2004. The estimated financing amount is approximately US\$190 million and funds will be used to perform the works and services in the Santos Metropolitan Region.
- **Pro-Billings Program:** Part of the Vida Nova Program, this program will be performed in the Billings Dam area, in São Bernardo do Campo. The estimated amount for the Program is of US\$123 million, of which US\$61.5 million is financed and US\$61.5 million is our counterpart funding. We expect closing the deal in the first half of 2010.
- **Water Loss Reduction Program – Stage Two:** The estimated amount for this stage is US\$572 million, of which US\$366 million in financing and US\$206 million is our counterpart funding. The current stage of negotiations still does not allow us to estimate when the deal will be closed.

In addition to these negotiations, we also have with JICA a financing agreement—entered into with the Japan Bank for International Cooperation (JBIC) in 2004—totaling ¥21.320 million, to perform the Onda Limpa Program, whose disbursements ended in 2009.

³ Since October 1, 2008 the Japan International Cooperation Agency (JICA) merged the Official Assistance for the Development (AOD) lending operations of the Japan Bank for International Cooperation (JBIC)

Caixa Econômica Federal (CEF)

In 2009, we entered into a financing agreement for the construction of a landfill in the municipality of São João da Boa Vista. Total investment is R\$8.5 million, of which R\$8.1 million is financed and R\$424,000 is our counterpart funding.

We are negotiating with CEF the issue of public securities (debentures) to raise funds for the Water & Waste Portfolio of the Severance pay Fund (FGTS). The funds should be used to finance part of the Investment Plan. Total issuance should reach R\$500 million and our counterpart funding will be US\$50 million, totaling an investment of US\$550 million.

National Bank for Economic and Social Development (BNDES)

In 2009, we filed with BNDES a simple debenture subscription agreement for private placement. The funds will be used for the following projects: Loss Reduction Program – Stage One, Rio Grande Water Treatment Plant, North Shore, Vale do Paraíba and Mantiqueira and Bacia do Piracicaba, Capivari, and Jundiaí. The debentures will be subscribed in three issuances, each of which amounting to R\$275.4 million, totaling R\$826.1 million. The 1st Issue was conducted in December 2009, and the 2nd and 3rd issues are scheduled for 2010 and 2011, respectively.

Early 2010, we entered into with BNDES a financing agreement for the Onda Limpa Program – Stage Two. The financing amount is approximately US\$294 million and funds will be used to perform the works and services in the Santos Metropolitan Region.

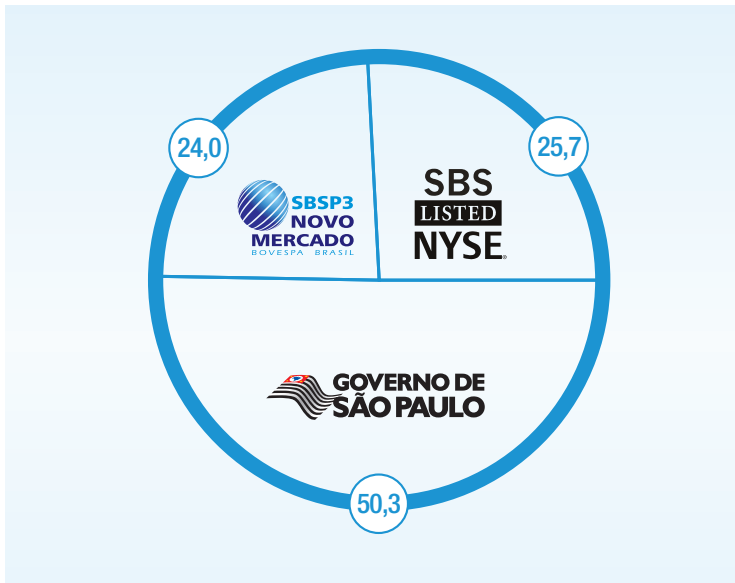
Capital Markets

In a year of recovering share prices, our share traded on BM&FBovespa closed 2009 quoted at R\$34.38, a 23.8 percent appreciation as compared to the end of 2008. The financial volume and the trading in our shares totaled R\$2.5 billion in 2009 and an average daily trading 28 percent higher than in 2008 with 1,082 trades per day on average, and our papers were traded in all trading sessions.

Our market value at the end of 2009 was of R\$7.8 billion, or 60 percent of the recorded shareholders' equity.

The quotation of our American Depositary Receipts (ADRs) appreciated by 62 percent and closed at US\$39.12, and financial volume traded on the NYSE in 2009 was US\$2.5 billion.

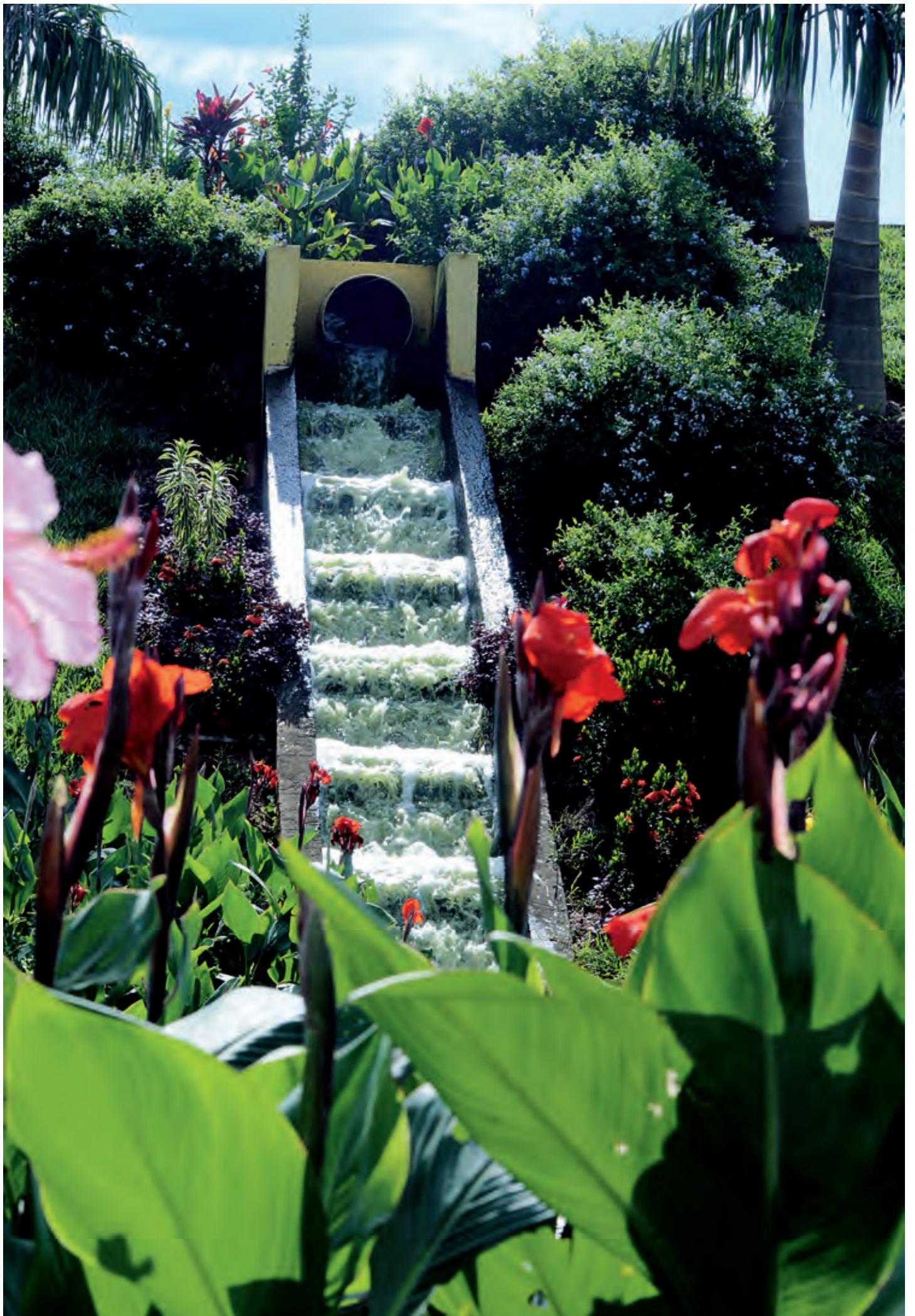
Table 17: Capital Structure on Dec 31, 2009 (%)



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

Dividends

In 2008, we paid R\$296.2 million in dividends as interest on capital, corresponding to R\$1.30 per common share. As regards 2009, the Board of Directors approved the payment of interest on capital totaling R\$394.2 million, or R\$1.73 per common share, to be paid within up to sixty days after the Annual Shareholders' Meeting, which will approve the 2009 accounts.



Environment

it is Sabesp's
raison-d'être

Environmental Policy

Our new Environmental Policy, in effect since January 2008, sets out the guidelines of Sabesp's environmental management. An extract of the policy is available on the internet (www.sabesp.com.br, under "Sustentabilidade").



Ponte Nova dam in the High Alto Tietê System

Main Accomplishments

In 2009, we made significant progress in environmental management to permeate all activities and departments of the organization and make a variable to be considered in all decisions made.

In April 2007, we started at Sabesp a change process to align the organizational structure, with a strong emphasis of the environmental issues. The Environment function was allocated to the Technology, Projects and Environment Executive Department, where the Environmental Management Superintendency was created, consisting of the following departments and coordinating offices:

- Environmental Control and Monitoring Department – consisting of the environmental monitoring and control, management, and environmental risks coordinating offices;
- Technical and Environmental Development Department – consisting of the environmental studies, education, and environmental development coordinating offices;
- Water Resources Management Department – consisting of the institutional water resources management, and special water resources programs coordinating offices;
- Environmental Planning and Management Department – consisting of the environmental assessment and procedures, and environmental information management coordinating offices;
- Environmental Communication Coordinating Office;
- Legal Assistance Coordinating Office.

We also created, at corporate level, an Environmental Legal department subordinated to the Legal Superintendency. The Environment Committee is in operation since 2007, with representatives from all executive departments for the decision-making and forwarding of strategic matters.

To have in place an integrated operation line in the company, to manage environmental demands, which are specific to each region of operation of Sabesp, beginning 2007, we implemented 20 “Environmental Management Centers” (NGAs) in the Business Units (BUs), which report to the Environmental Management Superintendency.

The NGAs were designed to act close to daily activities and, therefore, support decision-making at local level, expedite information flow, and help the even organization-wide dissemination of guidelines. Additionally, they are a key interchange network for the continuous improvement of environmental performance.



Aerial view of the Paiva Castro dam in the Cantareira System

During 2009, we invested in the qualification of the 31-professional team of the NGAs using courses, lectures, seminars, and technical visits. We covered topics like enforced legislation—civil proceedings, environmental civil class actions, and Policy Adjustment Commitment (TAC)—corporate writing, valuation of possible environmental damages, environmental licensing in the State of São Paulo, and environmental expert work, totaling 5,615 hours (including 672 hours of outside courses and 4,943 of in-house courses).

The different environmental actions and programs are developed by the decentralized Business Units, which are also responsible for the implementation of the Environmental Policy.

Beginning April 2007, we invested in the qualification of a team professionals involved in environmental management using training courses, lectures, seminars, and technical visits. These covered topics like enforced legislation, corporate writing, valuation of possible environmental damages, environmental licensing, and environmental expert work, totaling 6,500 hours.

Corporate Program for the Regularization of Water Resources Use Permits

The program estimates the companywide regularization of the use permits, including regulating dams, level increasing dams, river intakes, wells, and discharges of existing effluents. The ongoing program focuses on the High Tietê water resources management units (UGRHIs), comprising the isolated systems of the São Paulo metropolitan area. Another work front comprises the Vale do Paraíba, North Shore and Mantiqueira UGRHIs. The Piracicaba/Capivari/Jundiaí and Santos Lowlands UGRHIs were included in contracts prior to 2008. The contracts for studies related to the other UGRHIs are at their completion stage, and will complete regularization in the State, scheduled to be completed by the end of 2011. Permits for new projects are being obtained during the building stage.

Participation in Water Resources Boards

Currently, approximately 150 SABESP employees participate directly in two federal committees, 21 state committees, and 5 statewide subcommittees. To manage this representation we created corporate guidelines to appoint our representatives and the performance of their activity. We also promoted events and meetings to interchange information, leveling the knowledge and guidance for corporate alignment of our Business Units' representatives. In the first half of 2009, we replaced the members of the committees for the 2009-2011 term.

One of the topics discussed in committees and subcommittees is the watersheds protection law



We are also members of the National Water Resources Council (CNRH), by filling seats of the National Association of State Water & Waste Utilities (AESBE) and two technical panels. Our employees have an active involvement in the seven technical panels of the State Water Resources Council (CRH), as representatives of the State Department of Sanitation and Energy (SSE). We participate in the plenary session of this Council as representatives of Aesbe.

Follow-up of Collections for Water Use

We created a workgroup in March 2009 to follow up the collection process for the use of water resources. The workgroup has representatives from the Operating, Legal, Finance, and Integrated Planning functions and is coordinated by the Environmental Management function. We prepared guidance to establish the general guidelines and principles for the actions of the representatives at the committees, especially on topics such as implementation of collection and the collection of these funds for use in new projects.

In addition to the Paraíba do Sul and Piracicaba, Capivari and Jundiá river basins, where we already pay for the use of water, we are implementing collection in the Sorocaba and Mid Tietê basins. In December 2009, we approved proposals for collection in four other basins in the State, as follows: Low Tietê, starting 2010, and High Tietê, Santos Lowlands, and Tietê–Jacaré, starting 2011.

Classification of the Bodies of Water

We are preparing the tender notice for the engagement of consulting services to study and assess the classification of the bodies of water, using quality modeling tools and their application to a pilot basin. This study will permit assessing the impacts of the classification process and, based on the Juqueri river pilot hydrographic basin, located in the Far North of the São Paulo Metropolitan area, define a methodology to be used in the other basins. This work will also provide inputs for our participation in the hydrographic basin committees during the classification process, which will revise the current classification, dated 1977 (State Decree 10755/77).

We conducted two seminars on the classification of the bodies of water as part of a project called “Environmental Management Conferences Cycle”, addressed below. Representatives from different segments of society participated in these conferences, such as representatives of basin committees, municipal governments, universities, public prosecution office, non-governmental organizations, licensing agencies, and subject matter experts.

Sabesp Environmental Education Program (PEA)

We conduct environmental and sanitation education activities for more than 20 years and, therefore, they are already part of our values, used in system operations and communication processes. However, since the enactment of Federal Law 9795/99, which creates the National Environmental Education Policy, and more recently the enactment of State Law 12780/07, which creates the São Paulo State Environmental Education Policy, we took environmental education as a key issue of our activities, together with the sanitation, water resources and environmental policies.



View of the Guaraú WTP

The PEA, a corporate, general guidance program, was developed to meet these goals. Some of the main initiatives developed are the corporate procedure, the methodology and the mechanisms for the management of a set of ongoing Environmental Education actions and projects.

PEA was launched in October 2009 in a large event attended by over 500 people, including several industry leads and experts, invited by us. To advance the qualification process, in 2009 we conducted 2,961 hours of in-class Environmental Education courses and more than 950 employees have already attended Environmental Education distance-learning courses offered by Sabesp's Corporate University, totaling 10,470 class/hours.

Sabesp 3Rs Program

The goal of the Sabesp 3Rs Program, launched in April 2008, is go beyond the implementation of selective waste collection in all units and was created according to the 3Rs principle: reduce, reuse, and recycle materials, to minimize waste generated by our administrative activities.

In addition to the initiatives in several units, the main achievements in 2009 was the refurbishment of the waster and compost center and the implementation of a voluntary delivery post (PEV) and points for the selective disposal of waste in the Ponte Pequena administration center, in São Paulo, where approximately 1,000 employees work. The list of separable recyclables was extended to include plastic, metals, glass, and used frying oil.

The program implementation and maintenance guidance was set out in a corporate policy issued in September 2009, covering 16 different types of waste. In 2010, Sabesp 3Rs Program will be extended to the entire organization, with the support of 80 future multipliers, to be trained and qualified for such activity, representing the 40 superintendencies and business units. Concurrently, we are preparing a distance learning course of 16 class/hours, scheduled to be launched in the first half of 2010 and to be conducted by Sabesp Corporate University.



Selective collection in the East Metropolitan Area Business Unit

We should highlight the work developed at the East Metropolitan Area Business Unit, which in 2009 collected 23.75 tonnes of 6 types of recyclables, of which 13.36 tonnes were internally generated and 10.39 tonnes were brought by employees and the community. From this total, 7.92 tonnes were auctioned and 15.83 tonnes were donated to the cooperative Vitória da Penha, which supports 50 families.

Climate Changes and Greenhouse Gas Emissions Management

In recent years, the climate change topic is part of the world's policy and economic, with far-reaching implications of the lives of the companies, demanding innovation and new scientific and technologic knowledge to overcome this huge challenge for mankind. Climate changes can impact our business in several ways:

- changes in the rainfall regime;
- higher evaporation from dams;
- higher consumption caused by temperature (similar to summer seasonality);
- increase in the sea level and change in sea behavior close to shore, potentially affecting the operation of the outfalls in the long run.

EN16 We are taking proactive actions, and we prepared our first inventory of greenhouse gas emissions taken in 2008 (FY2007). Based on this inventory, we were able to start the design of an emissions management program and thus participate in the global effort to stabilize and even reverse greenhouse gas concentrations in the atmosphere. Approximately 92 percent of our direct and indirect emissions arise from the collection and treatment of wastewater and 3.66 percent arise from the consumption of electric power. As the growth of these emissions is estimated for the medium term, we scheduled for 2010 inventories for FY2008 and FY2009 and the completion of the corporate emissions management program, which aims at improving the methodology for this important management tool.

Concurrently, we are preparing feasibility studies capable of reducing the emissions of greenhouse gases and generating carbon credits. A special effort is being focused on the reduction of electricity consumption, which causes indirect emissions due to the use of thermal power plants in the energy mix. Sabesp is the largest individual electricity consumer in São Paulo, accounting for 1.8% of total power, and thus we have a special responsibility in this field. In 2009, consumption per cubic meter of water dropped 2.3 percent, mostly due to the loss reduction program, a topic addressed in a special section of this report.



Pacto Global
Rede Brasileira

Transparency

As part of this work, we maintained our participation in the Carbon Disclosure Project (CDP) for the fourth consecutive year. The CDP report is prepared annually based on inquiries to the largest world companies, using a questionnaire that allows the companies to report relevant information on their exposure to potential risks and opportunities related to climate changes. Another purpose of CDP is to include this topic in the companies' investment decision-making (<http://www.cdprojetoct.net/>). In 2009, more than 3,000 companies participated of the CDP, 62 of which are Brazilian.

Seal the Deal - manifestation for COP-15

GRI 4.12 Sabesp is signatory of the United Nations Global Compact initiative since 2006 and participated in the Seal the Deal, a campaign to raise awareness of world leaders gathered at the COP-15, in Copenhagen, to set the ambitious goals, through the testimonials of CEs from all over the world. Twelve Brazilian companies sent messages in this sense, adding to a total of 148 signatories from all over the world (see www.unglobalcompact.org/Issues/Environment/Seal_the_Deal).

We also conducted a lecture on the carbon inventory, the first in the industry, and on the initiatives to generate own power (Small Hydropower and Thermal Power Plants) in a COP-15 topic meeting, as part of the Brazilian delegation and the group organized by organized sustainable Plant in April.

EN 18 / EN 29 Fleet renewed with flex-fuel cars

In 2009, we replaced the 4,800-vehicle service fleet by flex-fuel cars, and required that alcohol be used as fuel. The conversion generated savings of 1.2 million liters of fuel per year, due to the higher performance of more modern engines (overall average: 6.18 km/l), and the rationalization of the number of cars, as 1,605 company owned cars were decommissioned and 1,442 were leased.

Maintenance was also streamlined, as the contract contains clauses related to service agility. The share of alcohol in the volume of fuel purchased, considering the entire fleet, increased from 17 to 28 percent. Considering the decrease in gasoline consumption and the increase in alcohol consumption, and the related average emission factors (1.81 and 0.22kg CO₂-e/l), there was an annual reduction of 1,206 t of CO₂-e in emissions.

EN 18 Pioneering use of solar energy in water and waste services

Sabesp installed a solar heater in the Taubaté-Tremembé sewage treatment plant to heat up to 55°C the washing water of two centrifugal machines and the thickener, responsible for the dewatering at 20 percent of solids of the 10 to 12 tonnes of sludge produced on a daily basis. This is an innovation in line with sustainability as it avoids the consumption of approximately 120kWh/month of electric power. Solar energy is the cleanest alternative power source since it does not generate direct greenhouse gas emissions, or waste during use. Note also that we use reclaimed water in washing, obtained by polishing of the final plant effluent.



Solar energy collectors of the Taubaté-Tremembé STP

The sludge contains vegetal and animal grease, difficult to be removed from the equipment, which must be washed on a daily basis during approximately 30 minutes. The hot water also eliminates the use of chemicals and, therefore, brings an additional environmental advantage. It also avoids possible damages to rubber components by the chemicals used in the detergents. The heater has a 1,800 liters per hour capacity and has 15 two-square meter collectors each and a 2,000-liter boiler pressurized at 2.5 kgf/cm², installed in the rooftop of the solid waste treatment building.

Accounting and Environmental Balance Sheet

In July 2009, we initiated the studies commissioned to Business Administration, Accounting and Economics Research and Development Foundation (Fundace, linked to FEA-USP – Ribeirão Preto) for the development of a conceptual Environmental Balance Sheet model. This is another important environmental management tool, whose purpose is to improve the financial statements on Sabesp relationships with the environment through the measurement of its impacts on our financial position and the economic and financial performance.

This information will allow stating the Organization's environmental management capacity, benchmarking our environmental performance with other companies over time, and perceiving the level of exposure to risk of the financial players and potential business partners.

ISO 14001

One of our corporate goals is to obtain the ISO 14001 certification. Our objective is to certify, by December 2010, 65 operating units that include the water and sewage treatment plants. In 2009, we implemented the Environmental Management System (SGA) in 26 operating units, with the involvement of the Inland, Coastal and São Paulo metropolitan area (RMSP) business units. The SGA documentation was prepared based on the revision, adaptation and creation of new procedures, totaling six corporate procedures. To date, 920 employees were offered training opportunities (10,328 hours) and we made a concentrated effort to ensure full legal and regulatory compliance of the plants selected during this stage. ISO 14001 is a tool that will permit a better control of the possible environmental impacts arising from our activities, products and services. It is also an incentive to provide environmentally sustainable sanitation services, and inputs for the change in the environmental culture, creating cost cutting opportunities through better performance, with ambitious environmental goals and targets.

Cycle of Environmental Management Conferences

This is an initiative created in October 2008 to promote the exchange of experiences and disseminate knowledge and know-how on the most significant environmental issues that we are currently approaching. The events are part of an environmental management strategy that seeks a closer relationship with society in favor of the environment. We held nine conferences gathering approximately 1,700 participants from SABESP and guest attendants, which covered topics like climate change and carbon credits, water resource management, reclassification of bodies of water, monitoring and control of aquatic macrophytes, river bank reforestation, payment for environmental services, and environmental education.

Economic Valuation of Possible Environmental Damages

In March 2009, we completed the studies commissioned to the Federal University of Paraná Foundation (Funpar), whose purpose was to make available to Sabesp different economic valuation methodologies of possible environmental damages, focused on assisting the Company in finding solutions for lawsuits. We conducted an intensive 36-hour course, attended 40 people, to train employees in the use of the model, consisting of presentations, group activities, and hands-on workshops.



Pedro Beicht dam in the Alto Cotia System

Environmental Information System

To provide inputs to the monitoring of environmental issues, we developed and implemented in 2009 an environmental information system, on an emergency and short-term basis, which includes the Environmental Licensing and Water Use Concession Modules, Policy Adjustment Commitments (TACs) and Court Settlements, Environmental Lawsuits, and Environmental Inquiries. We have issued a tender notice for the engagement of services for the development of an Environmental Management Corporate Information System (Siga). Siga will replace the current system and include the existing Institutional Representation and Environmental Management Policies modules. The agreement should be initiated in 2010.

Employees participate of an intensive course to qualified



Município Verde Azul (Green Blue Municipality)

To conquer the "Município Verde Azul", granted by the State Environment Department, a city must be rated above 80 in a scale from 0 to 100. The rating criteria are: treated sewage, minimum waste, reforestation of river banks, urban forestation, environmental education, sustainable housing, water use, air pollution, environmental framework, and have an environment board.

The water and sewage systems of approximately 62 percent of the cities that were awarded the green Blue Seal in 2009 are operated by Sabesp (104 of the 168 certified cities, from 570 assessed). The purpose of this initiative is to pay homage to the cities with the best environmental protection and awareness building practices. Sewage treatment is one of the analyzed criteria.

In the first edition of the award, held in 2008, 44 of the 332 cities assessed conquered the award 28 of them (63.6%) received services from Sabesp.

Good Environmental Practices



Throughout 2009, we developed several partnerships with the community and NGOs to the benefit of the environment.

EN 18 Carbon Offset of the Sustainability Rep

The carbon emissions, direct and indirect, estimated at 12.8 tonnes of CO₂-e, resulting from the preparation and printing of this report were offset by planting 81 young Atlantic forest trees. In addition, because we opted to use recycled paper, emissions were down by 3.3 tonnes of CO₂e as compared to what would be issued had we used white paper.





Jaguari nursery, in Vargem

One Million Trees in Cantareira

EN13 Conducted in association with the NGOs The Nature Conservancy (TNC) and Instituto de Pesquisas Ecológicas (IPÊ) in three municipalities in the Bragança Paulista region, the objective of the project “One Million Trees in Cantareira” is the recovery of the river bank forest around five dams of the Cantareira producing system, maintaining the quality of the watersheds responsible for 50 percent of the water consumed in the São Paulo metro area. This initiative, launched in March 2008, is intended also to involve the community in similar preservation and remediation projects using native vegetation, exploiting the conditions for foresting and eco-tourism.

These partnerships prescribed the plantation of trees of the Atlantic forest and the cerrado savannah biomes, in approximately 1,000 hectares on the margins of the Jaguari-Jacaré, Cachoeira, Atibainha and Paiva Castro dams. In addition to the partnerships with entities and businesses, we have the support of the State Environment Department and the local municipal governments.

Throughout 2009, 522,000 native seedlings were planted in 313 hectares, of which 21 hectares (35,000 seedlings) were planted by TNC on the banks of the Cachoeira dams, in the municipality of Piracaia, sponsored by DOW Brasil. The IPÊ (Ecological Research institute) planted, with the support of the National Environment Fund, Banco Itaú and Grupo Bimbo, recuperated 24 ha (40,000 seedlings) in the Atibainha dam preservation areas, Nazaré Paulista, and in February 2009 entered into a contract amendment for the plantation of another 18 hectares.



In 2009, the company Desenvolvimento Rodoviário S/A (Dersa) joined the program with a plan to plant 550 hectares along the Cachoeira river, in Piracaia, and so far 268 hectares (447,000 seedlings) have been planted.

Sabesp makes the firebreaks and fencing, and provides the seedlings of 60 species from its nursery in Jaguari (Vargem), which produces 500,000 units/year, and participates in the activities supporting the publicizing of the initiative.

The areas chosen favor the formation of ecologic corridors, linking existing isolated forests and promoting natural regeneration in degrading areas. The program involves an environmental education component, where we discuss the topic with the neighboring communities and the region schools, promoting the plantation of legal, adjacent reserves in neighboring properties. It also has a social side, as most of the labor used in plantations are farmers from the region itself.

Revitalization of Springs

EN13 SABESP and the City of São José dos Campos entered into in September 2009 an agreement under which we join the Spring Revitalization Program, formalizing a partnership effective since 2006, a period during which we recovered the preservation areas around 38 springs (32,000 trees planted) in the urban area.

We will donate 18 educational water analysis kits during one year (parameters: pH, total coliforms, color and temperature) to be used by students to monitor water quality at the springs. This program involves 600 students who act as multipliers of the actions and knowledge acquires in 28 schools, 1 Fundhas (Hélio Augusto de Souza Foundation) unit and an NGO (Brasil Sokai Gakai Internacional – BSGI), reaching 5,000 youngsters. We will also make supplementary collections and analyses in our labs. This activity is disclosed by the Water Environment Federation and International Water Association (IWA) networks, through the World Water Monitoring Day. The project was one of the three front runners of the 2008 Rational Water Use Preservation Award of the National Water Agency (ANA).



Environmental Education at the Vista Verde spring, São José dos Campos

Plantation and Management Guidance

The objective of the preparation of the guidance “Plantation and Maintenance of Native Trees” was to ensure the success of the reforestation for environmental offsets. As for the guidance “Management of Bird Nesting in Sabesp Facilities” presents preventive recommendations regarding the bird nesting in electricity transformers that may result in systems downtimes and whose inappropriate management could violate the Environmental Crimes Law. We are also sticking pictures of raptor birds in window panes to avoid small birds hitting them.

Sustainable Procurement

Sabesp pioneered the introduction of criteria to reduce the environmental impacts throughout the supply chain, using its influence (R\$2.07 billion in purchases in 2009 and 2,159 direct suppliers) to encourage the production of environmentally friendly products and services.

Inventory Optimization Program

The Corporate Management Department developed this program to improve the management of our materials and equipment inventories.

In September 2008, a computer system was implemented to assess, on a daily basis, the balance of materials in the different storerooms. The items whose balances have no turnover during more than six months are automatically transferred to the available inventory and can be used by other units. These materials are locked out for purchase while the inventory balance is positive.

This action resulted in a 44.1 percent decrease in purchases, when comparing December 2009 figures with December 2007 figures. Thus, we couple decrease in costs with lower impact on natural resources.

Green IT

In August 2009, we issued a tender notice for the purchase of IT equipment which had to comply with international safety and environmental standards. These standards ban the use of heavy metals, such as lead, cadmium and mercury in computer and accessories components. This was achieved by including the following clause in the tender notice:

“the equipment must be accompanied with a Compliance Certificate, issued by an agency accredited by INMETRO or a similar international document, proving that the computer and the monitor comply with the IEC 60950 (Safety of Information Technology Equipment including Electrical Business Equipment) standard, to ensure user safety against electrical accidents and combustion of electric materials, and a RoHS (European Union Restriction of Hazardous Substances) certificate, so that materials and waste of such equipment do not damage the environment.”

Asbestos Suppression

In compliance with State Law 12684/07, we extended the banning of asbestos in all materials/equipment used in our constructions, by including such restriction in purchase contracts. We had already banned asbestos in 2005 in the specifications of the direct purchase of items that in the past were made with this fiber, such as roof tiles, water tanks, gaskets, etc.

New contract clauses

In December, the Tender Notices Committee approved adjustments to the master clause applicable to all construction and service agreements banning asbestos from materials purchased by building contractors and used in construction sites. It also introduces the mandatory compliance with the National Environment Council (Conama) on the appropriate disposal of rubble, by giving preference to recycling, the removal for reprocessing of used lubricant oil, and the compliance with the labor specialization requirements and registration of cooling equipment maintenance services. This measure was intended to avoid emissions of gases that deplete the ozone layer.



Poço Preto Sourcing–Rio Claro System

EN25 Protection of Biodiversity

The river bank forest recovery actions are part of a wider range of initiatives that favor biodiversity. We have been supporting the studies of the USP Zoology Institute (focuses on birds and bats) and the Biology Institute of the University of Mogi das Cruzes (focused on fish and ants) in the Morro Grande and Rio Claro reserves, respectively, and maintain the Idges of both professors and students. In 2009, we conducted studies on the fish (fries) repopulation of the Claro river, which are already reproducing in a natural environment. In particular, we are reintroducing the tabarana fish (*Salminus hilarii*), virtually extinct in this river basin. Another fish repopulation action was conducted in October 2009, in the Pardo river, in Santa Cruz do Rio Pardo, in association with Duke Energy. We released 100,000 fries of native species: pacu-guaçu (*Piaractus mesopotamicus*) and curimatá (*Prochilodus scrofa*). We also conducted research on the diversity of algae species in the Guarapiranga dam and macrophytes (floating vegetation that can prevent navigation and water sports).



Parque Continental brook

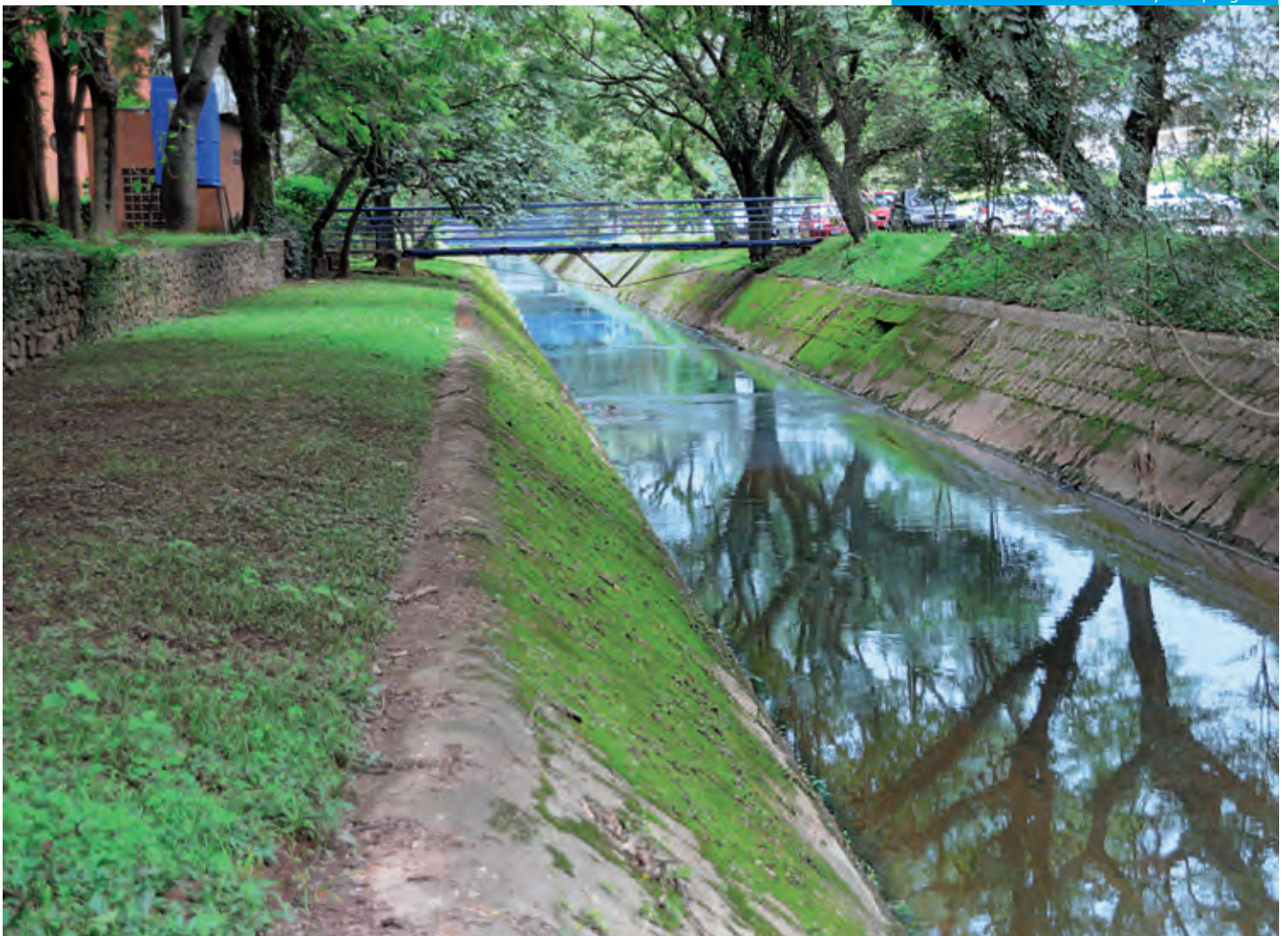
Olho-d'Água (Water Spring)

EN13 The Olho-d'Água project was created in 2006 by the NGO Associação de Amigos de Taiapuêba (Taiapuêba Friends Association) (SAT), in association with Sabesp, for the protection of the areas around the Jundiá dam. Eight thousand young trees have already been planted, using seedlings produced in SAT's own nursery, and we are monitoring 12 water springs as part of the environmental education practices with municipal and state schools and the Curupira group, with 80 boy scouts, headquartered in the Mogi das Cruzes district. Note that the 20th sustainability hearing, covering the environmental dimension of the sustainability report, was held in SAT facilities, consisting of buildings lent by us under free lease in January 2000, which house a library, a daycare center, and centers to make handcrafts using recyclables, attended by more than 460 children and 35 senior citizens.

Córrego Limpo (Clean Brook)

EN13 The objective of this program is to decontaminate 100 brooks in the state capital in association with the City of São Paulo, as described in the Section Structuring Programs hereof, and basically depends on the involvement of the neighboring populations. In December 2009, the Brazilian Analysis and Planning Center (Cebap) completed the study to look for and point out the local leads that can act as partners and ensure that garbage and rubble is not disposed on in the brook beds. Their work is also important to see that the margins are forested and, when possible, for the City to build linear parks. The program also generates indirect income by increasing the value of properties by up to 30 percent and increasing their liquidity. Our effort in involving the community will be led by a network of 43 community agents of the "Our Agent" program in the state capital, who develop environmental and sanitation education work, and resolve commercial issues.

USP brook was also benefits by the program





Abraço Verde (Green Hug)

The purpose of this project is to plant trees on the sidewalks of approximately 4,000 Sabesp facilities, when feasible. The project was launched in September 2008. In 2009, the program was launched in 13 of the 16 BUs, in symbolic plantation ceremonies during events encouraging the commitment with management goals. Several of these events were attended by invitees, such as students of neighboring schools, boy scouts, and authorities such as local mayors.

Green Hug promotes relationships with neighboring communities

ABC STP

In June, we started to plant young trees around the ABC STP. This action was carried out together with the São Paulo Municipal Parks and Environment Department (SVMA), which donated 94 seedlings and involved 54 children from two daycare centers of the Municipal Department of Protection and Support of Urban Communities (SDA), located in Heliópolis. We intend to extend the plantations inside the facilities with more 1,320 seedlings, totaling a green area of 33,000 square meters, and cede the slopes for leisure area.

We are negotiating with the Ipiranga borough council to obtain a permit to use the ABC STP area, with approximately 49,000 square meters, to build social facilities for the Heliópolis community.



Capão Bonito STP

We planted 350 young trees in April, along the 357-meter outer limits of the Capão Bonito STP. The event was attended by the mayor and 240 children of the Elias Jorge Daniel municipal school, in Jardim Aparecida, and graffiti artists, who painted 25 panels in the wall referring to environmental topics and characters of Sabesp Children's Club.

PROL – Recycling Frying Oil Program

The program was launched in several cities during 2009, through partnerships with the cities and local NGOs, thus obtaining broad media coverage.



Table 18: PROL Partners

Cities	Partners
Auriflama	Caritas and Rotary Club
Avaré	City Government and Jurumirim Dam Protection Association (Aderj)
Lins	Bertin/JBS, Ciesp, CBH - TB - Tietê Batalha, Daee, Empresa Óleo e Óleo, City Government, Amigão Supermarkets, and Brasbiodiesel Plant
Itapeva	Coamari and City Government
Jales and region	Cetesb, Daee, Ciesp, State Environment Department, City Government, APAS (São Paulo Supermarket Association) Óleo e Óleo Firm, Sacra – (Alta Araraquara Region Welfare and Cultural Society), Cati, Jales Bishopric, and Rotary Club
Monte Alto	Municipal Development Agency
Osasco	City Government
Presidente Prudente	São Paulo Rotary Club, Banco do Brasil, Adventist School, Cooperlix, Ciesp, Unesp, Unoeste, Prudenco and City Government
Registro	Commercial and Industrial Association (Aciar), Vale do Ribeira Sustainable Development and Citizenship Institute (Idesc), NGO Cidadão Catador (Citizen Garbage Collectors), 14th military Policy Battalion, Rotary Club, and the Registro City Government
São Paulo (Downtown)	Cerqueira César District Friends and Residents Society (Samorcc) and NGO Trevo
São Paulo (North)	Dajac
São Paulo (West)	USP (Butantã campus) – in progress

Approximately 50 Sabesp branches provide containers to receive PET bottles with oil brought by customers. We also made 5,000 A3 posters made with recycled paper to publicize the initiative. Information available on our website (www.sabesp.com.br – “Sustainability” / “Community Partnerships” page).

Partnerships to increase the collection of used frying oil

In July 2009, the North Metropolitan Area Business Unit closed a deal with Dajac for the collection of used frying oil in 150 Eco-points in four districts of the state capital, six of which within Sabesp facilities. We collect 30,000 liters per month.

In April 2009, the Low Tietê and Grande Business Unit launched in Lins, at the Amigão supermarket, a campaign to collect used vegetal oil.

We acquired for distribution 28,000 recycled plastic funnels to facilitate bottling in PET bottles to be brought by the customer to the supermarket.

Under this promotion, a person can exchange four liters of used vegetal oil for on 900 ml soy oil bottle and also gets a funnel. In 2009, we collected 35,000 liters in Lins.





"Planeta no Parque" event at Ibirapuera, São Paulo

Sustainable Planet

The Editora Abril Initiative, which gathers companies that include Sabesp, Banco Real/Santander, CPFL Energia, Bunge and Petrobras, which sponsor the Sustainable Planet project, is a multimedia project that reaches more than 13 million readers all over Brazil. We use this tool to disseminate our environmental sanitation culture.

In general, this initiative divulges innovative projects and ideas to build a better society. This way, tips on how to face global warming and other sustainability challenges are disseminated in 35 magazines of Editora April and in the project's website www.planetasustentavel.abril.com.br. This guidance, focused on the public in general, contributes to disseminating knowledge on sustainability, and raises the community's awareness.



Sustainability Hearings

We conducted seven hearing on the following topics:

Table 19: 2009 Sustainability hearings

#	Month	Topic
14	February	Sustainability Reports
15	March	Sustainable Procurement
16	April	Organic Agriculture
17	June	Launching of the 2008 Sustainability Report
18	August	Volunteer Programs
19	October	SR Social Responsibility
20	November	SR Environmental Dimension

We should emphasize that all hearing were carbon offset through a partnership with Iniciativa Verde, which planted 48 native fragrance young trees, offsetting the 7.45 tonnes of CO₂-e related to the organization of the events.

The last two hearings were used as panels to commit stakeholders with the social and environmental dimensions of the sustainability report, and were conducted outside Sabesp, in the facilities of partner organizations Instituto Criança Cidadã (ICC) and Associação de Amigos de Taiapuêba (SAT), respectively.





Launching of the first seedlings of the 1 Million Trees in Cantareira program with IPÊ, Nazaré Paulista

Perception survey of socio-environmental responsibility

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

Sabesp is a socially responsible company.

Sabesp is an environmentally responsible company.

Sabesp's employees are committed to actions focused on the environment.

Sabesp's employees are committed to actions focused on the social promotion.

The results of the 2009 survey, commissioned to Mark, for the first two questions were positive, reaching 66 and 71 percent, respectively. For the last two questions, however, the results were only 44 and 41 percent. One of the actions that should improve these score is the creation of a structured volunteer program to consolidate, foster and disseminate volunteer actions of our employees.

Survey to point out priority areas for socio-environmental investments

In 2009, we decided to add to the annual customer satisfaction survey, referred to above, questions to determine in which priority areas (1 to 5 score) customers think Sabesp should focus its socio-environmental investments. This information will be used as inputs for future actions to support/sponsor projects, in the volunteer program and other initiatives. The results of the survey are summarized in the tables below.

Note: the data also allow us to make a certain comparison with the materiality matrix presented in section "Report Parameters". We noted that some of the areas listed as priorities by customers, such as rational use of water, waste recycling, and environmental education also received a high score in the survey with NGOs and associations to assemble the matrix.

Table 20: Priorities proposed by customers for investments in social responsibility

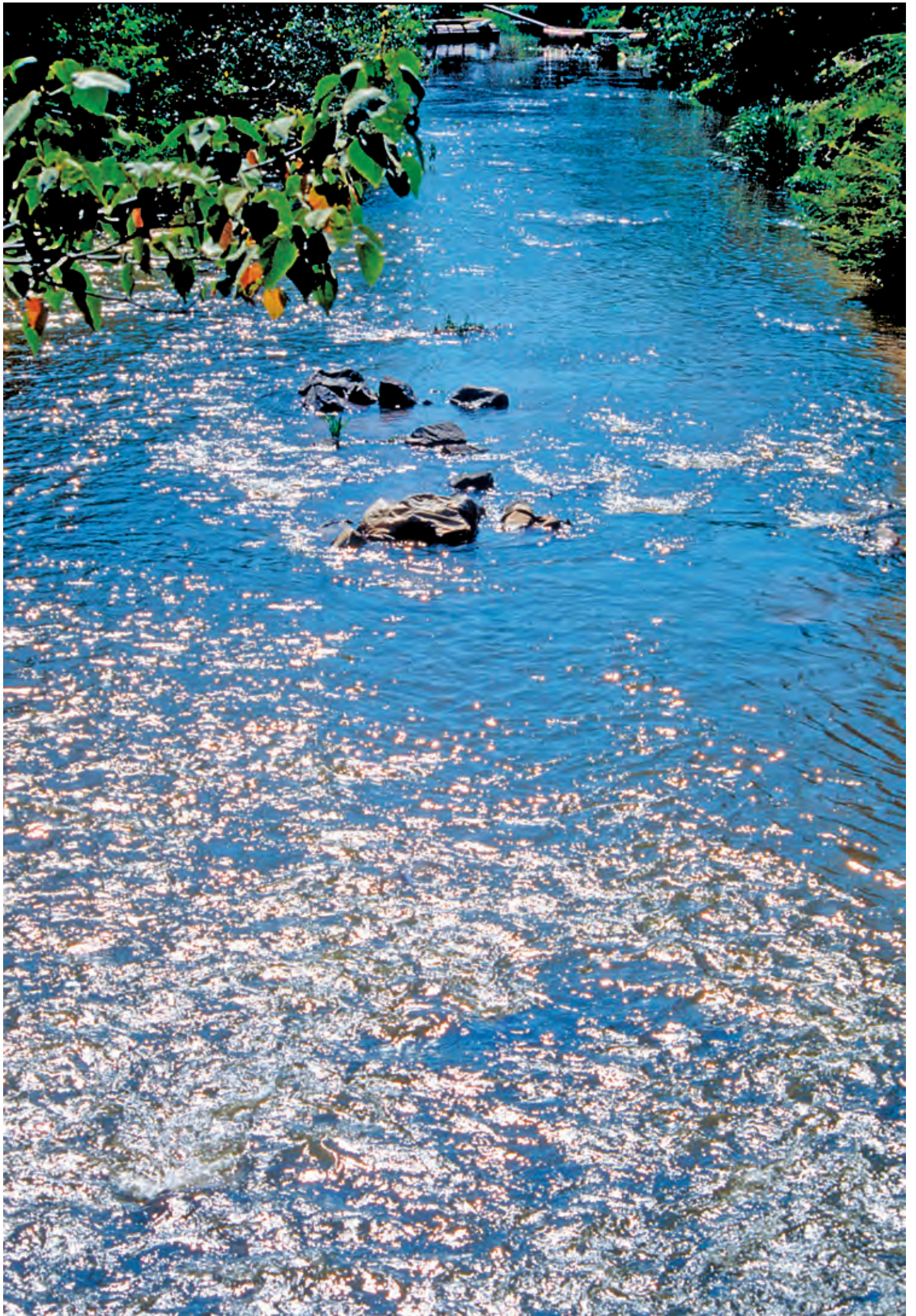
Area for investment	Sabesp	Executive committee		ROL	
		Metropolitan	Regional Systems	Special (large customers)	Common
Arts	1.96	1.89	2.07	1.82	1.96
Culture	3.1	3.17	3	3.05	3.1
Education	4.35	4.43	4.23	4.33	4.35
Charities	2.35	2.3	2.42	2.91	2.35
Sports	3.25	3.23	3.29	2.92	3.25

Note: The scores are weighted averages of 1 to 5

Table 21: Priorities proposed by customers for investments in environmental actions

Area for investment	Sabesp	Executive committee		ROL	
		Metropolitan	Regional Systems	Special (large customers)	Common
Environmental Education	3.62	3.64	3.59	3.74	3.62
Technical events on sanitation	2.31	2.24	2.41	1.94	2.31
Recycling (e.g.: frying oil)	3.08	3.1	3.06	3.13	3.08
Tree plantation in water sources (watersheds)	2.94	3	2.84	3.23	2.94
Rational water use	3.06	3.02	3.12	2.96	3.06

Note: The scores are weighted averages of 1 to 5





Social Responsibility

is our commitment
to society



Jacaréí dam

Social responsibility is our commitment to society. The most significant progresses in 2009 in this field have impacted our relations with stakeholders, our employees, and quality management. To achieve this, many partnerships and studies were made, in a transparent management, guided by our Code of Ethics and Conduct, in our search for sustainable development and improvement of quality of living. The living examples are the many voluntary adoption of international guidelines, like the UN Global Pact (since 2006), which gathers several world corporate segments aligning their activities to the following principles: human rights, right to employment, environmental protection, and the fight against corruption. We report our achievements through a Communication on Progress (COP). Sending a COP is one of the conditions for organizations to remain active in the Pact. Sabesp supports and encourages the weight United Nations objectives, to be achieved by the countries by 2015. These goals were presented in the Declaration of the Millennium to prioritize the resolution of core challenges for world development.

Our Corporate Volunteers Program, implemented in 2009, is integrated with our overall effort to achieve the eight objectives of the millennium development goals, which will be the background to mobilize and attract volunteer for the Day of the Millennium, to be held in 2010.

Sabesp's contribution to the eight objectives of the Millennium Development Goals



Projects focused on the poor communities that alleviate hunger and misery. For example: Mãos Solidárias (Solidarity Hands) and Hortas Comunitárias (Community Gardens).



Projects to enhance education, for example: Educar Leste (East Educate), facilitating the access to university, and Ensinando a Pescar (Teaching How to Fish), which trains plumbers.



Non-discriminatory practices, for example, public competitive recruitment process, which create equal job opportunities for male and female professionals.



We have in place several Sanitation and Environmental Education projects, contributing to the improvement of hygiene and health conditions, and to decrease infant mortality. For example: Clubinho, PURA, Sabesp teaches, and showroom.



To improve maternal health, we offer our female employees the Baby and Prenatal Care Guide. In addition we grant healthcare benefits through Sabesprev, which provides medical care to pregnant women.



We promote campaigns for the prevention and eradication of AIDS and, through the healthcare plan with Sabesprev, offer medical support to our employees and their dependents.



Through our Environmental Policy, we ensure that the respect for the environment and sponsor several environmental projects and actions, such as: Clean Brook, Clean Wave, Frying Oil Recycling Program (PROL), Environmental Education Program (PEA), and Keeping an Eye on the Atlantic Forest.

In the environmental sustainability field, the UN established as a goal for 2015 to reduce by half the number of people without access to drinking water and basic sanitation services. We will go beyond that, fast pacing towards the provision of universal of services in the municipalities where we operate.



We also have institutional support for the sustainable development in association with NGOs, Cities Governments, schools, and other segments where we operate. This has resulted in, for example, to the sustainability hearings and the cosponsoring of the Instituto Criança Cidadã (Child Citizen Institute).

We report below the major actions and activities developed in the Social Responsibility field, which confirm our commitment to society sustainability and development.

Relations with Stakeholders



GRI 4.14 / 4.15 / 4.16 / 4.17 The way we relate with our different stakeholders is the expression of what we believe in. A relationship can only be sustainable when it holds the right ethical and transparency principles with its different stakeholders.

Customer Relations

In order to improve the satisfaction rate of our customers and create a new form of relationship, as well as expediting user service, we expanded our Call Center in the São Paulo Metropolitan region and the Bragança Paulista region, increasing its capacity by 70 percent, 100 to 170 service stations. We also initiated the web-based, online customer support through our website, where we offer all the services available at the call center.

Call center for Inland and Coastal Cities

As part of our commitment to our customers, we opened, in 2009, the Call Center for the customers of the Regional Systems Department, which provides standardized customer service to 327 inland and coastal cities. Located in Itapetininga, the call center has capacity for 20,000 calls per day and we estimate it will benefit approximately 10 million people. The Call Center will also grant increased operating control, streamline costs, and contribute to job creation and income generation in the region where it is located.



New Call center for Inland and Coastal Cities

Services are offered to 29 cities of the São Paulo Metropolitan area and eight in the Bragança Paulista region, covering about 16 million people. With the 70 new attendants, we expect that 80 percent of the calls will be answered within less than one minute. In addition, the call center also started to offer a communication channel for the hearing impaired.

The concern to serve well our customers, led us to look for excellence in service provision. Since 2006, we have obtained the ISO 9001:2000 certification for the Metropolitan Department Call Center. Another result of our commitment was obtained two years later, when we became the first state-owned company with an own call center, to conquer the Probare (Brazilian Relationship Industry Self-regulation Program) Ethics and Maturity Profile Seal. This seal was renewed in 2009, with a higher scoring for the Maturity Profile.

We tried to achieve excellence in services to customers

Probare is an initiative of three entities representing the Brazilian relationship market: Brazilian Direct Marketing Association (Abemd), Brazilian Company Customer Relations Association (Abrarec), and Brazilian Teleservices Association (ABT), which identified the need to set self-regulation parameters for the industry to consolidate and improve customer services.



Ombudsman Office

The Ombudsman Office is a qualified, second-level escalation consumer service channel for the mediation of conflicts between the Company and its customers. In 2009, the Ombudsman Office received 68,500 calls and complaints, a considerably positive result as it reflects a 7.53 percent decrease in the number of complaints made. From the first to the second half of 2009, the number of calls decreased even further, by 17 percent. The analysis of these figures allows us to highlight the significant 7.77 percent reduction in the number of calls to the Ombudsman Office that are considered substantiated complaints. These results were considered groundbreaking as it was the first time we recorded a drop in these indicators, which noticeably highlights the improvement of our customer service.

The start of the migration from a self-regulated environment to a regulated environment, with the creation of the São Paulo State Sanitation and Power Regulatory Agency (ARSESP), pursuant to Decree 52455, of December 7, 2007, suggests a period of adjustment, with still unmeasured impacts on service to our customers.

In association with the Judiciary Branch, the Ombudsman Office is developing the JEC/Digital (a digital special court), which offers a differentiated customer service in the Special Civil Courts system by seeking customer-friendly resolutions for customer complaints, thus avoiding litigation.

In 2009, the JEC/Digital served 513 customers, with 568 hearings scheduled up to December 2009, and 78 percent of settlements in conciliation stage. As compared to prior year, there was a 30 percent decrease in the number of complaints filed with JEC, and a 21 percent decrease in the number of hearings. Settlements in conciliation stage also dropped 12 percent.

The Ombudsman Office follows up all complaints registered by Procon (consumer protection agency). In 2009, we received 1,568 CIPs (Preliminary Information letters) from the Procon located in the State capital and 756 from municipal Procon, resulting in 2,324 customers served in the preliminary analysis stages.

A good result as regards Procon complaints was the 10 percent decrease in the total number of substantiated complaints (FAs): they totaled only 179 in 2009, over 197 in 2008. If we adopt the proportionality criterion, this represents a 36 percent decrease. This result shows that we have fully adopted the system of handling and prioritizing complaints sent by the consumer protection agency.

Water bill – risk mitigation

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

PR3 However, it is worth emphasizing that we disclose water quality parameters in the monthly water and/or sewage bill, in compliance with Presidential Decree 5440/05 and Ministry of Health Administrative Rule 518/04. The Administrative Rule establishes that the water produced and distributed for human consumption must be controlled. Legislation also defines the minimum quantity and frequency with which water samples must be collected, as well as the parameters and limits permitted. The Decree establishes how data must be disclosed. In addition to the monthly bill, the customer also receives a report with all information on the water supplied in his or her property and may refer to our website (www.sabesp.com.br) to obtain the following water parameters: turbidity, chlorine, fluorine, total coliforms, and thermotolerant coliforms. Such parameters result from the analysis of water quality from the source to the consumption points, and sanitation control centers strategically located throughout the São Paulo Metropolitan Area and the inland coastal regions. The information on water quality is available on our website. Our website also includes the Virtual Branch service, in which the customer may obtain a copy of the bill, make payments, request and track services, consult monthly consumption, or check the readings schedule of his or her property.

2009 Satisfaction Survey

PR5 The 2009 survey shows a satisfaction of 76 percent with the Company, with a one percent margin of error. The Customer Satisfaction indicator is calculated based on the assessment of the General Satisfaction with Sabesp. This assessment is made after exploring customer satisfaction with piped water, sewage collection, and general service (provision of services). The survey interviewed 7,440 customers of all consumption categories and sizes, in the region where we operate, within the geographic area of the State of São Paulo.

Investor Relations

Despite the global crisis that engulfed the markets in 2008 and 2009, we continued to attract market analysts (sell side) and, as a result, investors, resulting in a number of coverages that jumped from 11 in 2008 to 17 in 2009.

In order to keep our shareholders and investors always informed on our operations, strategies, and results, we adopted a consistent, clear and reliable communication policy with our shareholders, market analysts, financial institutions, rating agencies, and regulators. In addition to the public meeting and the traditional results conference calls, we held a meeting between the analysts and the Chairman of the São Paulo State Sanitation and Power Regulatory Agency (ARSESP).



Transparent communication helped increasing the number of shareholders

For purposes of ensuring more transparency and facilitating the access to information about SABESP, we have expanded information availability on the investor relations website and used mailing lists as a communication tool. Because of the increased transparency, there was a 34 percent increase in the number of individual shareholders in 2009 as compared to 2008.

Supplier Relations

The regulatory framework of the basic sanitation industry (Law 11445/07) places us in an environment in which business practices should take into consideration the provisions set forth in the competition protection legislation, in particular Law 8884/1994. Sabesp widely disclosed its procurement plan to the market in order to encourage competition among suppliers. We designed our "Competition Guidelines for Public Procurement Processes", which establishes the general guidelines to expand the portfolio of suppliers and encourage competition. Furthermore, it covers the authorizations in public biddings and the potential imposition of barriers to the entry of competitors in the market. Another initiative adopted by Sabesp was the execution of the technical cooperation agreement with the competition defense agencies: Department of Economic Monitoring (SEAE) and Department of Economic Law (SDE), which provides for the exchanged of information, technical assistance, and preparation of analyses and studies in the competition and economic regulation areas, related to the water and water industry. Note also that in 2009 we conducted 870 e-procurement processes, totaling R\$1.15 billion, representing savings of R\$116 million. One of the obligations prescribed to maintain the Abrinq Seal is the adopting contractual clauses with suppliers in favor of children's rights protection. **HR6** and **HR7**



Tobacco-Free Environment Gold Seal

We were the first state-owned company and the second company in general to receive to receive this seal. To help those interested quit smoking, we paid, through the Employee Recovery and Care Program (PARE), the result of which are very positive, for the treatment of 559 employees, of whom 177 actually quit smoking.

Relationship with Employees

In 2009, the scenario which we faced required continuous adaptations and adjustments to our corporate processes, and it was necessary to adopt people management practice that would favor the overcoming of the many challenges faced by us. In view of this countless challenges, Sabesp's people management is aligned with our business strategy, and is based on organizational values and principles.

Human Capital Indicators

Our headcount consists of 15,103 employees with employment contracts governed by the Labor Code (CLT), 931 interns, and 468 young apprentices, and as regards the latter, we contribute to their development as citizens, their professional qualification, and insertion in the formal labor market, by creating job training opportunities. Note that we do not subcontract outside services and contract services as needed. We also count on a workforce of approximately 7,106 service providers included in these agreements. Our personnel is comprised of 81 percent male and 19 percent female employees, with an average period of 17.6 years working at Sabesp, and 69.9% of our employees are over 40 years old. Note that 18.1 percent of our employees completed elementary school, 47.4 percent graduated from high school, and 34.5 percent are college graduates. The distribution of the employees by ethnic group is 12,822 Whites, 1,998 Multiracial/Blacks, 260 Asians, 2 Amerindians, and 23 undeclared. We comply with Decree 3298 of 1999, which requires the allocation of 5 percent of the positions offered through public selection processes to physically disabled individuals. **LA1**

Table 22: LA13 Headcount distribution by position, gender and race

Ano	Managers				College students				Adm./Technical				Operational			
	Male		Female		Male		Female		Male		Female		Male		Female	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
White	429	415	115	117	1,620	1,522	873	873	4,264	3,945	1,583	1,464	5,145	4,463	82	58
Black and Multiracial	20	17	6	4	132	130	88	88	667	609	203	188	1,105	944	29	21
Asians	14	16	1	1	86	83	52	52	46	48	52	46	13	12	0	-
Amerindians	0	-	0	-	0	-	0	-	1	2	0	-	0	-	0	-
Undeclared	0	-	0	-	3	3	0	-	5	5	2	2	13	11	0	-
Total	463	448	122	122	1,841	1,738	1,013	1,013	4,983	4,609	1,840	1,700	6,276	5,430	111	79

Table 23: LA1 Number of employees by region

Region	2008	2009
1 (RMSP, S.J. Campos, Santos)	11,830	10,397
2 (Regional Systems - except S.J. Campos and Santos)	4,819	4,706
Total	16,649	15,103

Table 24: LA13 Headcount distribution by gender and race

	Male			Female			Total		
	Dec 08	Dec 09	% change	Dec 08	Dec 09	% change	Dec 08	Dec 09	% change
White	11,458	10,345	-9.7	2,653	2,477	-6.6	14,111	12,822	-9.1
Black and Multiracial	1,924	1,700	-11.6	326	298	-8.6	2,250	1,998	-11.2
Asians	159	159	0	105	101	-3.8	264	260	-1.5
Amerindians	1	2	100	-	-	-	1	2	-
Undeclared	21	19	-9.5	2	2	0	23	21	-8.7
Total	13,563	12,225	-9.9	3,086	2,878	-6.7	16,649	15,103	-9.3

Table 25: LA13 Employee profiles by age, length of service, education, working hours, management, and gender

Age	Male	Female	Total
18-30 y/o	504	199	703
31-40 y/o	3,049	800	3,849
41-50 y/o	4,521	1,185	5,706
Over 50 y/o	4,151	694	4,845
Average age	45.8	43.8	45.4
Length of service			
Up to 3 years	402	113	515
4-10 years	1,941	460	2,401
11-20 years	5,271	1,308	6,579
Over 20 years	4,611	997	5,608
Average length	17.7	16.9	17.6
Education			
Elementary	2,673	62	2,735
High school	6,099	1,059	7,158
College	3,453	1,757	5,210
Workday			
Part-time	1,232	243	1,475
Full-time	10,993	2,635	13,628
Manager			
Non-commissioned	0	0	0
Commissioned	448	122	570
Total	448	122	570

Table 26: LA14 Standard salary comparison (in Brazilian reais)

	2008	2009
Entry level salary	727.65	718.24
Minimum wage	415	465
Ratio	75%	54%

Table 27: LA2 Total number and rate of employee turnover by age group, gender, and region

Turnover	2008	2009
Gender	%	%
Female	1	9.8
Male	1.3	13
Age	%	%
4-10 y/o	1.5	3.7
41-55 y/o	0.9	7.6
Over 55 years	2.1	47.4
Region	%	%
RMSP	1.3	12.8
Inland and coast	1.1	11.2
Total	1.3	12.3

Table 28: EC5 Percentage of local lower salary compared to minimum wage

	Region1 RMSP	Region 2 Inland and coast
Entry level salary	861.87	718.24
Minimum wage Dec 2009	465	465
Ratio	85%	54%

LA3 Sabesp believes that a good work environment reflects in the quality of services provided. Thus, we structured a benefit package that goes way beyond those required by law, to provide the employees and their dependents security and comfort that will meet their basic needs. The benefits granted are granted to all employees, regardless of their working hours, level or category, except for underage apprentices, whose benefits are governed by specific regulations.

The main benefits granted are as follows: regular and special (for employees with physically and or mentally disabled children) childcare allowance, electronic benefits and meal card, childcare center, basket of food staples, salary premium (for employees on sick or accident leave paid by social security), drugstore, meals/snacks (in case of extraordinary service), supermarket, meal ticket, and transportation ticket. We also subsidize healthcare and pension fund benefits, through Sabesprev.

People Management

Our people management policy reflects our commitment to responsible operations and assuring the upholding of human rights in our relations with our internal stakeholders. These assumptions were put into practice as shown below.

The collective bargaining process is an important tool used in Sabesp's participative management. 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.

LA4 We negotiate with trade unions because we consider this is a way to reach consensus between the employees' wishes and our capacity to meet them. The mission that guides this relationship seeks to establish permanent dialogue and interaction with trade union representatives, by listening to complaints, clarifying doubts, and facilitating a relationship based on transparency, respect, and proactive action from the parties. The collective bargaining agreement currently in force is applicable to all active employees. The collective bargaining process for 2009-2010, which is a major participative management tool, was completed in May and involved the main trade unions that represent our employees, resulting in the Collective Labor Agreement. In 2009, there were not situations in which this right to freedom of association and negotiation were at risk. **HR5**

EC3 In 2009, our contributions to the Sabesprev pension plan amounted to 2.1 percent of monthly payroll, thus ensuring our employees the possibility of enjoying pension benefits supplementary to the benefits granted by the National Institute of Social Security. As a way to resolve its current actuarial deficit, in September 2009, Sabesprev sent to the National Pension Plan Authority ("Previc") a proposal for the creation of a new defined contribution pension plan, with the grant of an 11.9 percent contribution, as a form to encourage migration to the new plan. Thus, we will assume 60 percent of the plan's deficit and the participants and beneficiaries will fund the remaining 40

percent. After approval, employees and retirees/survivors will have 120 days to join the new plan, and during this period we will launch a publicity and clarification campaign, which will even have a simulator so that everyone can make informed decisions.

LA12 Changes in personnel, involving promotions, transfers and assignment of employees to their positions, are part of the people management model adopted, and are crucial to grant us the independence, flexibility and agility required to meet the employees' career expectations, which result in modern and efficient service to our customers. In 2009, changes totaled 4,463.

The Profit Sharing Plan (PPR), prepared with the involvement of all Business Units and Superintendencies, recognizes the efforts of our employees to attain the goals and indicators set out in the Corporate Strategic Planning. This program was structured using indicators that comprise the business dimension, whose goals are corporate goals that and have a weight of 50 percent, and required a companywide effort to be accomplished. The goals that represent the departmental dimension are divided into two groups, one for the back-office and the other for the front-office, with a weight of 50 percent each. Payment of up to one base salary is contingent to the attainment of these goals.



**Profit Sharing Plan
recognizes employees
efforts**

The Employee and Entrepreneurship Support Program (PAEE) was created in 2009 for the purpose of supporting our retired employees in their search for new job opportunities. When a retiree is terminated, we offer him or her outplacement assistance through this program. Several actions were initiated to provide support during this transition phase in a retiree's life, including, the association with businesses and suppliers to create job opportunities (for example: outplacement of 45 retirees in monitoring actions and at the GB2 consortium, which manages the Clean Wave Program). **LA11**



Sabesp Corporate University (UES)

Sabesp Corporate University (UES) and the decentralized human resources functions prepared the Qualification and Development Plan, which in 2009 focused on contributing to the dissemination of the corporate sustainability vision to attain our strategic objectives and foster professional development. It steers efforts to technical, operating, and occupational safety and health demands, covering our different operating segments. The balance for 2009 achievements in companywide in-class and distance training and development includes 123,572 attendances, reaching an average of 68 hours of training per capita, and an investment of R\$8 million. The teaching programs comprised a set of corporate subjects with a direct relationship with our strategies and goals, including: Value Added Management (VAM), Quality Management, Environmental Management System - ISO 14001, Environmental Training, Occupational Health and Safety, etc. It also permitted the involvement of employees in technical events directly related to our business, including: the Water Meter Summit, which was focused on strategies to implement water metering, demand management and metering technologies, River Water Quality Studies and Modeling, and the National Congress of Best Executive Practices and Techniques for the Water & Waste Industry. We also conduct training courses and dissemination actions in the concept of sustainability. In particular, we emphasize topics related ethics and social responsibility, which include human rights contents focused on the environment and financial considerations. The programs developed during the training program comprise in-class courses and distance learning, such as Code of Ethics, Moral Harassment, Diversity, voluntary involvement, such Global Pact, Cleaner Production, Eight Objectives of the Millennium Development Goals, preparation of socio-environmental projects, volunteer work projects, financial mathematics, etc. In 2009, we accounted for 24,593 hours of social responsibility training, with the attendance of 3,297 employees. In addition, there were occupational hygiene, safety and medicine activities, which also focused on human rights considerations, creating 63,709 opportunities, totaling 210,999 hours. **HR3** and **HR8**

Table 29: LA10 Average working hours by position

Position	Average
Adm./Technical	63.9
Apprentices	23.4
Interns	63.9
Managers	116.1
Operational	40.2
College students	88.8
Total	60.5

The **Distance Learning (EAD)** is another branch of the University and consists of 350 virtual courses available that create agility and expansion of professional development, at a reduced cost because of the gain in scale, which recorded 12,274 accesses. Some of these courses created in 2009 refer to strategic areas for Sabesp, which contributed to the fast dissemination of topics important for our business. Examples of these courses: Regulatory Affairs; Environmental Licensing; Millennium Development Goals; Global Pact; Sustainability Management, and Knowledge Management.

In 2009, we also intensified the implementation of Knowledge Management practices to cope with a possible knowledge evasion in view of the retirement of employees. These practices include: 675 worked posted on the Knowledge Base; 500 résumés registered in the Specialties Base, 80 Travel and outside events reports; 1,150 messages posted in virtual communities; 300 entries with Sabesp wiki; 10 corporate blogs, 1,718 work instructions in the Electronic Document Management (Gedoc); 20 videos of testimonials of “storyteller” employees, and 25 virtual spaces created.



Construction of the Itaquera water lift station

Occupational safety and health

PR1 The Occupational Safety and Health Policy, revised in 2009, sets out the guidelines, concepts, and responsibilities to preserve and protect the life and good health of employees, apprentices, interns, visitors, service providers, and also the environment.

The guidelines that steer u safety policy are as follows: responsibility for the safety of everyone; performance related to safety and health always coupled with and enhanced by the development of all processes; work facilities and environments, including of service providers, to protect their health; and comfort and efficient performance.

The number of occupational accidents resulting in leave of absence dropped by 33 percent as compared to 2008, as a result of the development of several educational and prevention programs that embed the values of a safety and working conditions improvement culture.

Table 30: LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region

Occupational safety and health indicators by region	RMSP		Inland and coast		Total - Sabesp	
	2008	2009	2008	2009	2008	2009
Frequency rate (TF)	6.44	4.77	8.30	5.38	7.20	5.04
Severity Rate (TG)	217	414	279	220	242	230
Days lost and deducted	3,766	6,764	3,534	2,656	7,300	9,423
Occupational disease	0	1	4	0	4	1
Absenteeism	5.3%	4.7%	6.4%	6.1%	5.7%	5.3
Deaths in general	16	24	15	18	31	42
Work-related deaths	0	0	0	0	0	0

The Safety and Health Policy was revised in 2009 and we intensified the application of the risk analysis methodology, based on the current OHSAS 18001:2007 standard, with in-class training and distance learning (EAD), and the enhancement of the environmental risk prevention programs (PPRA).

In complement of awareness building among employees and service providers, we have implemented and applying the Prevention Minute since 2003, which permits a brief discussion of occupational safety and health issues arising from daily affairs. We disclosed more than 35 topics on work accident prevention, with 20,536 participations by our employees. Safety in activities involving severe accidents is discussed in structured routine meetings.

Safety is discussed in structured, routine meetings at the company



Dengue prevention is being covered every year for the elimination of mosquito breeding places and general guidance on the disease and required care. We are part of the State Committee against Dengue, coordinated by the Endemic Diseases Control Superintendency (SUCEN). During the H1N1 flu outbreak, we maintained educational actions on hygiene and containment, according to the recommendation of the public health agencies.

LA6 Ergonomics was a mandatory topic in all the 52 Sipat (Internal Work Accident Prevention Week), which was attended by 17,000 people. This preventive event is held in the entire Company in August and is a way to value the safety and health actions. Its organization involves the 180 CIPAs (Internal Accident Prevention Committees) and their 1,350 members. To respond to potential emergency situations, we have 300 Emergency Brigades, gathering 2,400 trained employee. We periodically conduct emergency drills at our facilities. In 2009, 700 members of the brigades attended review courses. We purchased defibrillators for both administration complexes in the state capital. We created the Brigade Committee, with representatives for the entire Company, which

discusses the emergency conditions and participates in outside entities and companies, such as the Fire Department, State Policy air patrol, and Carbocloro.

LA6 The Specialized Occupational Safety and Health Engineering Service (SESMT), consisting of 96 professionals (14 Occupational Doctors, 20 Occupational Safety Engineers, 1 Occupational Nurse, and 9 Occupational Assistant Nurses), advises management on occupational safety and health issues, together with the CIPAs and the Emergency Brigades, which represent 25 percent of our headcount.

PR2 Willful misconduct verified by the Specialized Occupational Safety and Health Engineering S, the Internal Accident Prevention Committee (CIPA), internal and external audits, and inspections of outsourced services are discussed with and contribute to the safety of the employees and the population. The Occupational Safety and Health Management System is certified by the OHSAS 18001 standard since June 2006, and encompasses 100 locations within the services and digging and confined space works carried out in public ways scope. In 2009, Sabesp was recertified, with the updating of the 2007 version of the standard. We created a specific communication channel for outside stakeholders, covering occupational safety and health issues, available on our webpage.

Quality of Life - Viver Feliz (Live Happy) Program

In order to improve the quality of living of our employees, we created, together with the SABESP Association, the Quality of Life Program - Live Happy, whose main objective is to encourage employees and their families to make behavior changes that have a positive influence on their lives, such as engaging in physical and cultural activities that contribute to their wellbeing. In 2009, we retained an expert consultant to conduct a survey on our employees' life style to identify the most critical issues - which will be addressed in 2010. We expect to be able to make a diagnosis of the main needs and design actions and build indicators focused on obtaining more effective results on the adoption of healthy habits.

Creativity Award

In 2009, we granted the “1st SABESP Creativity Award” whose objective is to encourage generation of ideas, stimulating creativity and adopting actions that generate results for the company. We recognized 64 good ideas of 55 Company employees from several units.

The award was created in 2008 to encourage innovative ideas for the implementation of ideas with results and driving an organizational culture that values creative thinking, and recorded 730 projects running for awards ranging from R\$1,000 to R\$10,000. These ideas were assessed by a Technical Committee formed by internal and outside members, and a Judging Committee, formed by professionals from Fundação da Unicamp (Funcamp), which considered the feasibility and originality of the projects in four categories: Improvement, New Products, Technology, and Work Environment.

These and the other ideas were shared with the entire Sabesp community through the knowledge Management Program, which issued a document summarizing the prized ideas and their creators, and created a blog, a library of ideas, and a discussion forum on our intranet. The objective of all these divulging tools is to facilitate the dissemination and implementation of innovation at the company

Life Achievement Award

The **Life Achievement Award** is an employee appreciation and recognition program, held since 1998, and is one of the most important events at the Company's in the year. The 2009 event paid homage to 2,500 employees who completed 10, 15, 20, 25, 30 and 35 years at Sabesp.



Celebration Dates

In order to promote the social integration of employees through their activities that value the employees who provide services at the Company and encourage sustainable actions, in 2009 we publicized in internal media celebration dates, such as the International Day Against Violence, the Secretaries' Day, the Plumbers' Day, the World Car Free Day, International Volunteer Day, Day Against Pollution, International Women's Day, Black Awareness Day, etc.

Diversity at Sabesp

SABESP was recognized with the São Paulo Diversity Seal, for our commitment with the structuring of the inclusion program that we are developing. We set out in our Code of Ethics the diversity-related values and conducts, encompassing: non-discrimination, respect for people, and eradicate moral or sexual harassment. We are also developing several Human Resources practices that promote equality of opportunity and treatment. We have a census that monitors ethnic, gender, age, and disability issues, whose data is published herein.

In 2009, we had a partnership with the Association for the Appreciation and Promotion of the Disabled (AVAPE), under which we offer social inclusion opportunities to 22 physically disabled professionals. We should also highlight Sabesp of São José dos Campos, which support the local government in the conduction of a census to determine the number of disabled people in the city to facilitate the planning of the improvements oriented to this part of the population. The planned actions include publicizing the census in the water bills and delivery, by the meter reader, of a brief questionnaire while the meter is read, so that our employee can bring back the filled questionnaire when he or she comes

back for another reading. In exchange, we have our logo printed in all advertising material being created.

Code of Ethics explains
diversity-related values
and conducts



Communication

In 2009, communication at Sabesp was focused on the awakening of society to the importance of environmental sanitation. Two of the campaigns that should be highlighted are the expense reports of the actions performed by the Company since 2007 and the balance of the works carried out since then, which resulted in a significant evolution of the statewide sewage collection and treatment, to ensure the state has universal services by 2018.

The regional balances of the Company's actions were also used in the campaigns for the renewal of the contracts with different Cities, mostly inland: Itapetininga, Presidente Prudente, Botucatu, Piraju, Tatuí, Boituva, Santos, Assis, Franca, Itatiba, Taubaté, Santa Cruz do Rio Pardo, Bragança Paulista, and Lins. In many of these cities, the role of the press was crucial for the organization of press conferences to disclose the expense reports.

The "CEU e Água" (CEU and Water) project had a social and sports concern. In association with Esporte Clube Pinheiros and with the support of City of São Paulo, we launched the program with the participation of Olympic swimmers Cesar Cielo and Poliana Okimoto. The program consists of offering 4,200 children from 44 Unified Education centers (CEUs), of São Paulo, the opportunity to be selected in swimming competitions and be sponsored to train and compete at national and international level.

During the summer, we conducted a campaign to publicize the largest sanitation program in eh Brazilian cost, the "Clean Wave" program. We installed two helium gas balloons on beaches, one in the Santos Lowlands and the other in the North Shore. People could ride the balloons in exchange for empty PET bottles and cooking oil and watch the beautiful view of the coastline from above.

We also conducted a "Seminar for Journalists" to pass on basic notions of sanitation journalists from different types of media from not only the São Paulo Metropolitan area, but also from inland and coastal cities.

In a year with so many investments and accomplishments, communication had crucial role for the awareness building process, thus including society in the actions, so that they become sustainable.



César Cielo and Poliana Okimoto with children of "CEU e Água"

Social Programs



Community Relations

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



Children in a tour at the Alto Cotia WTP

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

- The socio-environmental work is performed in conformity with the following criteria:
- Preparation of specific projects to develop a series of informational, educational and social promotion activities;
- Conduct a socio-environmental mapping to identify the characteristics of the project jurisdiction, and the demands and impacts generated by the project and the local potentialities to create partnerships;
- Status diagnosis of waterborne diseases to monitor the impacts on health before and after completing the sanitation actions, when necessary;
- Promotion of community involvement by developing several actions, such as meetings, lectures, etc.;
- Creating and/or strengthening of the partnerships to implement and fully develop participative work;
- Proposal for social mobilization and environmental education actions that involve the beneficial community, encouraging the development of sustainable social technologies.



Community work during Children's Day in East End, São Paulo



“Our Agent”

SO1 The mission of program is to get Sabesp closer to society, especially in lower-income communities, through partnership with the community's different segments (organized society, public institutions, businesses and population in general) to improve the quality of living.

The “Our Agent” program creates a synergy and partnerships necessary to ensure the actions in favor of the environment, the water and the watershed are in fact perceived and understood by the population. With the training of community agents, this communication with the inhabitants on the sanitation actions gains the special format and characteristics capable of getting across the social fabric. In São Paulo, we have approximately 50 agents that speak the communities' language and create an important communication channel between the population and Sabesp. In 2009, the program served a population of 1,310,811 people, through 15,405 technical visits, 12,000 telephone calls, 1,034 events, 680 educational lectures, and 56 meetings with community leads, resulting in the regularization of 23,246 water connections and 10,020 sewage connections.

Sabesp Corporate Volunteers Program



We use in our relationship with the outside community, a large network of volunteers, from all our units and locations, who work in social projects all over the State of São Paulo. They total more than 2,000 volunteers, who through their commitment to society and society progress have reached more than 11,000 people in 2009, in particular the neediest population and our neighboring communities. The work of the volunteers resulted in gathering and distributing more than 800 toys, the donation of 12 tonnes of food, the plantation of 3,000 young trees, and the collection of more than 10,000 liters of cooking oil.

These actions are developed in order to generate a positive impact on the population's quality of life, with qualification, rehabilitation and social inclusion to encourage people excluded from the labor market. To improve this work and

comply with the Code of Ethics in its Citizenship value, we created the Corporate Volunteers Program to attain the eight Millennium Development Goals (MDG).

We conducted several meetings with representatives from the entire Company and executives to structure the program, performed the development of a specific procedure, and trained 900 employees. We also created a volunteer work webpage where it is possible to register, divulge, monitor, and know all our volunteer work projects. It worth mentioning that this program is also extended to retired employees who work in Company facilities.

An example of volunteer work was the partnership between Sabesp and Instituto Criança Cidadã, which, in a pioneering initiative, got together to promote the Solidarity Cooking Course, to train chefs to work in high-class restaurants. The objective was to contribute to the professionalization of people and allow them to increase income of families living near the school circus. Another example is the East Educate Program, a college preparatory course offered in association with the NGO Educafro, in the facilities of the East Business Unit. Aimed at employees, employees' children and the community, 40 students attended the program in 2009, and it has benefited 440 people since it was created in 2002. Another example is the Solidarity Hands Group, formed by volunteer employees for the purpose of providing people basic things like comfort, food and care. In 2009, the actions of the group benefited more than 700 people and 26,000 people were benefited since the program started its activities.

The strength of our volunteers is also reflected in projects such as the Teaching How to Fish. The North Business Unit created this project in 2004 to teach lower income people basic plumbing, through a partnership with the Service for Industrial Training (SENAI), Grupo Tejofran, GMF Gestão de Medição e Faturamento, Enorsul Serviços em Saenamento, Instituto de Educação e Ciências Aplicadas (Neotropica), Amanco Brasil Ltda, Savic - Sociedade Amigos da Vila Constança, Programa Ação Família, Ascosif - Associação Comunitária Sitio dos Francos, and NGO Gol de Letra. Training courses are conducted in Sabesp facilities by volunteer employees with different professional backgrounds and training, in the evening, consisting of theoretical and hands-on classes. The project, whose objective is to generate income and education for the rational use of water, has already trained 550 people since its inception.





Sabesp Plant in Pinheiros, São Paulo

Winter Clothes Campaign

One of the objectives of the Winter Clothes Campaign, promoted by the São Paulo State Solidarity and Social Development Fund (FUSSESP) is to grant the benefited families and organizations a means to generate income and improve their quality of life, maintaining their focus on the family and inclusive solidarity. We participate in this campaign through the involvement of our employees and partnerships with local governments, social funds, or welfare departments. During the 2009 Winter Clothes Campaign, we gathered 3,169,889 pieces of clothing and blankets, distributed to 391 charities, and promoted 19 social inclusion and income generation actions.

Apprentice Program

We should also highlight in 2009, the annual Apprentice Program cycle, involving 500 youngsters that contributed to their development as citizens, professional qualification, and insertion in the formal labor market, by creating education and job training opportunities. The program is developed in association with SENAI – Sabesp, a crucial partnership to offer the apprentices hands-on and theoretical qualification to be able to work in administration, accounting, finance, and human resources function in any business.

Sabesp Memory

The former building of the Sabesp Museum, located in the Sabesp sewage lifting station, will serve as headquarters of the project "Water Space". The first stage of the project has already been completed and included the mapping and organization of the State of São Paulo water and sewage unit, which cover more than one hundred years. The objective of the second step is to raise funds to renovate this station, opened in 1897, which will house a cultural center, to promote cultural events and sustainable practices. This new building will be part of the "new downtown", another location to attract São Paulo inhabitants and tourists. It will be part of the state capital history tour, with very informative layout and pieces.

Program of Guided Tours of Sabesp Facilities

Sabesp reopened the doors of the Sabesp Program space, now with modern architecture, interactive and environment friendly, made in certified reforesting wood (FSC seal), and wall covered in "ecological leather". The objective of this space is to call participants' attention, guided by monitors specially trained to pass on information on water preservation and notions on respect with the environment.

Through the tour program developed by us, visitors can know the sanitation cycle by visiting the Water and Sewage Treatment Plant all over the State. In 2009, there were 1,628 tours, gathering a total of 59,926 visitors.



Estação Sabesp em Pinheiros, São Paulo



Scenes from the film "As Melhores Coisas do Mundo", sponsored by Sabesp

Social investment, tax incentive and institutional support

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

In 2008, Sabesp invested, by means of tax incentives, R\$3.3 million to the State Fund for the Rights of Children and Adolescents, through CONDECA (State Council for the Rights of Children and Adolescents), whose Mission is to "Incentive, decide and control the actions related to the Policies for the Compliance of the Rights of Children and Adolescents in the State of São Paulo".

Our Sabesp Program for Those Who Want Culture sponsors several literary, visual arts, music, dance, theater, circus, cinema, and preservation of cultural heritage projects. In 2009, we invested R\$13.5 in cultural projects using incentives under the Rouanet Act and Audiovisual Law. We also sponsored sports events and allocated R\$3.3 million to water sports such as swimming, rowing and canoeing. We launched together with the São Paulo State Government the CEU (Unified Educational Centers) and Water Olympic project to encourage children from the Paraisópolis community to start swimming and contribute to their growth as citizens. The São Paulo sails project is a SABESP partnership with the São Paulo State Department of Sports, leisure and Tourism. The objective is to create and sponsor sailing sports and leisure centers, to train students from public schools.



Ballet Stagium Circo Vox and Bossa 50 Shows sponsored by Sabesp

Prospects for 2010

The main challenge for 2010 is intensifying the Volunteers Program from an intense mobilization of the Sabesp community and promoting monthly campaigns focused on the Millennium Development Goals. We expect, with this, a large participation of the entire Company that should culminate in the Millennium Day, scheduled for Saturday, October 23, 2010. On this date, the volunteer employees will promote a project drive in the communities that will benefit from this great movement. We consider the Sabesp Volunteers Program a great opportunity through which it is possible to improve the quality of life of less favored and maintain the development of sustainable ideas and actions.

Instituto Criança Cidadã (ICC)

We are the cosponsors of ICC (Citizen Child Institute), whose mission is investing in the education and training of youngster from poor families, supporting education, culture and welfare in the São Paulo Metropolitan area. The Institute helps, free of charge, in the development of the community and the citizenship of approximately 6,000 children and adolescents, benefiting 3,500 families through 9 daycare centers, 3 school circus, 2 solidarity homes, and 1 cultural center. In 2009, we renewed our contribution for another two years, totaling a support of R\$4.8 million to ICC.



Circus School Presentation at ICC



Cycling track in the Zilda Arns Integration Park

Integration Park

EC8 The Zilda Arns Integration Park, built in the land of the Rio Claro Watermain, in the region from Sapopemba to São Mateus, is a linear, open space, integrated with the neighboring community and public institutions. Its main objectives are promoting and improving the quality of life of the neighboring population, permit a better use of our watermain land, create a green area to improve the microclimate and regulate temperature in the region, and preserve our assets. With an investment of R\$22 million, the park has cycling and walking tracks, and equipment for cultural, sports and leisure activities, bathrooms, community policy centers, and 3,000 trees. Opened in January 16, 2010, the park has a total area of approximately 224,000 square meters, which makes it the 10th largest public park of city, with 7,470 meters in length. It is one of the most complete socio-environmental parks in the city because it is the only linear one, and this long. Because it is totally integrated in a densely occupied urban area, it will benefit a population estimated in more than 250,000 people.

Victory of the life, health, and environment values with the provision of water and sewage services to Favela da Linha

EC9 The issue of whether or not installing water and sewage systems in illegally occupied areas has been a concern for a long time for us. If on the one hand there is legislation that interdicts installing these systems in illegally occupied areas, as a protection of the private property principle, on the other hand the Federal Constitution and other statutes highlight the importance of the values of respect for life, health, and the environment.

In this context, installing water and sewage systems in illegally occupied areas has not been an easy task. In the case of Favela da Linha, there was an important victory of the life, health, and environment values. As the occupation of the area is illegal (there is an acquisitive prescription proceeding in progress with Federal Courts), public investments could not have been made without proper court authorization. This authorization was only possible thanks to our partnering with the NGO Instituto Acaia, which obtained from federal courts a permit to install the systems.

After obtaining the permit, it was possible to install 397 meters of water and sewage systems, make 284 connections, and install 257 water meters (UMA), benefiting 1,005 people.

At the same time, Participação Comunitária MC and Instituto Acaia worked close with the inhabitants to clarify doubts and convince them of the importance of the new connections in terms of quality of life, health, and citizenship. Several statements from residents of Favela da Linha showed appreciation for the installation of the systems, and with the monthly bill, the residents are now able to make proof of address, which facilitates their relations with the rest of society.

In brief, it is an important precedent that will guide other similar actions toward having universal water and sewage services, especially in less favored areas, all to the benefit of environmental sanitation, quality of life, health, and the environment.

Annual Social Balance Sheet / 2009

Table 31: Annual Social Balance Sheet / 2009

Company: Cia de Saneamento Básico do Estado de São Paulo (Sabesp)

1 - Calculation basis	2009 (in thousands of reais)	2008 (in thousands of reais)
Net revenue (NR)	6,730,547	6,351,672
Operating profit (OP)	2,141,773	1,169,472
Gross payroll (GP)	1,298,346	1,240,406

2 - Internal Social Indicators	In thousands of reais			In thousands of reais		
	% on GP	% on NP		% on GP	% on NP	
Meals	100,417	7.73%	1.49%	95,241	7.68%	1.50%
Mandatory payroll taxes	117,140	9.02%	1.74%	99,686	8.04%	1.57%
Pension plan	77,712	5.99%	1.15%	70,370	5.67%	1.11%
Healthcare	96,681	7.45%	1.44%	90,156	7.27%	1.42%
Occupational safety and health	9,304	0.72%	0.14%	9,973	0.80%	0.16%
Education	434	0.03%	0.01%	825	0.07%	0.01%
Culture	892	0.07%	0.01%	801	0.06%	0.01%
Professional training and development	9,331	0.72%	0.14%	7,338	0.59%	0.12%
Daycare centers or childcare allowance	1,536	0.12%	0.02%	1,420	0.11%	0.02%
Profit sharing	45,856	3.53%	0.68%	53,732	4.33%	0.85%
Other	3,295	0.25%	0.05%	2,742	0.22%	0.04%
Total - Internal social indicators	462,598	35.63%	6.87%	432,284	34.85%	6.81%

3 - External Social Indicators	In thousands of reais			In thousands of reais		
	% on OP	% on NP		% on OP	% on NP	
Education	119	0.01%	0.00%	2,800	0.24%	0.04%
Culture	15,346	0.72%	0.23%	25,552	2.18%	0.40%
Health and sanitation	419	0.02%	0.01%	525	0.04%	0.01%
Sports	3,665	0.17%	0.05%	1,213	0.10%	0.02%
Hunger eradication and food security	0	0.00%	0.00%	0	0.00%	0.00%
Other	11,304	0.53%	0.17%	10,540	0.90%	0.17%
Total contributions to society	30,853	1.44%	0.46%	40,630	3.47%	0.64%
Taxes (excluding payroll taxes)	1,319,139	61.59%	19.60%	1,171,955	100.21%	18.45%
Total - External social indicators	1,349,992	63.03%	20.06%	1,212,585	103.69%	19.09%

4 - Environmental Indicators	In thousands of reais			In thousands of reais		
	% on OP	% on NP		% on OP	% on NP	
Investments related to Company production/operation	640	0.03%	0.01%	107	0.01%	0.00%
Investments in external programs and/or projects	31,126	1.45%	0.46%	10,064	0.86%	0.16%
Total environmental investments	31,766	1.48%	0.47%	10,171	0.87%	0.16%
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%	(x) has no goals	() meets 51 to 75%	() meets 0 to 50%
	() meets 76 to 100%			() meets 76 to 100%		

5 - Staff Indicators	2009	2008
No. of employees at end of period	15,103	16,649
No. of hires during the period	415	16
No. of outsourced employees	0	0
No. of interns	931	328
No. of employees above 45 y/o	7,783	8,875
No. of female employees	2,878	3,086
% of management positions held by female employees	21.40%	20.09%
No. of black employees	1,998	2,250
% of management positions held by black employees	3.70%	4.40%
No. of physically-disabled employees or employees with special needs	49	52

6 - Significant information on exercise of corporate citizenship	2009			2010 Goals		
Highest wage to entry level wage ratio in the Company	23			nd		
Total number of work accidents	144			136		
The social and environmental projects developed by the Company were set by:	() officers	(x) officers and middle managers	() all employees	() direção	(x) direção e gerências	() todos empregados
The safety and health standards in the work environment were set by:	(x) officers and middle managers	() all employees	() all + Cipa	(x) direção e gerências	() todos empregados	() todos + Cipa
As regards unionization freedom, the right to collective bargaining and internal representation of employees, the Company:	() does not get involved	(x) follows ILO standards	() encourages and follows ILO	() não se envolverá	(x) seguirá as normas da OIT	() incentivará e seguirá a OIT
The pension fund encompasses:	() officers	() officers and middle managers	(x) all employees	() direção	() direção e gerências	(x) todos empregados
Profit sharing encompasses:	() officers	() officers and middle managers	(x) all employees	() direção	() direção e gerências	(x) todos empregados
In the selection of suppliers, the same ethical and social and environmental responsibility standards adopted by the Company:	() are not considered	() are suggested	(x) are required	() não serão considerados	() serão sugeridos	(x) serão exigidos
As regards the involvement of employees in voluntary work programs, the Company:	() does not get involved	() supports	(x) organizes & encourages	() não se envolverá	() apoiará	(x) organizará e incentivará
Total number of complaints and criticisms from consumers:	at company Ombudsman Office 23,880	at Procon CIP 1,568	at JEC/Conc. courts 513	at company nd	at Procon nd	at courts nd
% of complaints and criticisms pursued or solved:	with company Ombudsman 99,50%	at Procon CIP 91,20%	at JEC/Conc. courts 78%	at company nd	at Procon nd	at courts nd
Wealth for distribution (in thousands of reais):	In 2009: 4,494,633			In 2008: 3,990,459		
Distribution of wealth:	30.9% government 31.8% employees 8.8% shareholders 6.7% third parties 21.8% retained			29.4% government 31.3% employees 1.6% shareholders 37.7% third parties 0% retained		

7 - Other Information

"This company does not use child or slave labor, is not involved with prostitution or sexual exploration of children or adolescents, and is not involved in corruption."

"Our company values and respects diversity both internally and externally."

Report Benchmarks

Period and limits

The data included in this report reflect particularly the achievements of Sabesp in 2009 and goals for different periods. It contains descriptions of goals for 2010 in the economic and financial, social, and environmental dimensions. It reports on operational indicators, the water treatment rate, new water connections, water losses, the sewage collection rate—involving our structuring programs. These indicators are presented for the period 2010-2018, when, as we state in our vision, we intend to be “recognized as the company that has managed to provide universal water and sewage services in our area of operation...”. Historical series for the 2004-2009 period are presented in the Indicators Panel and in the rest of the report. The historical evolution of the indicators of population served, water and sewage service rates, is presented for the period 1994-2009.

Report preparation process

GRI 3.13 This is our third sustainability built up based on the guidelines of the Global Reporting Initiative (GRI). For the economic and financial statements available on the internet, we followed the standards issued by the Brazilian Securities and Exchange Commission (CVM), the Brazilian Association of Listed Companies (Abrasca), and the transparent communication principles of the Brazilian Association of Corporate Communication (Aberje). For the corporate responsibility and sustainability aspects we used the Global Reporting Initiative (GRI) model, and for the Social Balance Sheet the Social Balance Preparation Guide of the Brazilian Institute of Social and Economic Analyses (Ibase) and the prepared by Instituto Ethos. Since 2006, we are signatories of the Global Pact, a United Nations Organization (UNO) initiative that gathers companies, workers, and civil society to promote sustainable growth and citizenship.

In the two previous year we declared level C of GRI. This year, we declare level B because of the enhancements made and the consequent higher number of benchmarks met. We have the intention of enhancing our sustainability report, by seeking, whenever possible, the verification of external appraisers.

		2002 In Accordance	C	C+	B	B+	A	A+
Optional	Self Declared							
	Third Party Checked			Report Externally Assured		Report Externally Assured		Report Externally Assured
	GRI Checked							

Materiality Matrix

In order to establish a relationship between what we construe as material, to be highlighted in the report, and the environmental and social dimensions, and what society points out as being important, we used for the first time the materiality matrix tool, presented below, separately for each dimension. The materiality matrix is a graphic way to relate a company’s vision with the society’s expectations. The ideal situation is when a cloud of dots representing each topic concentrate in the top right corner, indicating high consistency between both visions. As we can see in the matrices generated, this occurred, with a slight advantage to the social dimension.

Methodology

We opted not to include in the survey stakeholders mainly involved in the economic and financial dimension. On the other hand, this is a very technical audience, who has special opportunities to know our results throughout the year, through road-shows and conference calls. Note also that this dimension is subject matter of special guidelines issued by regulator/standard makers, such as CVM, CFC and CPC, and legislation and accounting standards that set reporting regulations. The methodology adopted to capture the positions of stakeholders involved sending a web-based questionnaire to more than 600 email addresses of NGOs and associations registered by us, to be replied only by one lead. We received 54 replies. A scoring range from 0 to 10 was defined for each topic. The topics were chosen from those considered applicable to the water and waste industry and our business environment. In addition to asking the NGO to give score what they consider important for society—scores used in the matrices—we asked them to score what they consider material for their activities. Additionally, in order to measure the level of importance actually given to a given topic, in the face of the report, we counted the number of words in the texts that focus more on each topic. The option for the web-based questionnaire was based on our expecting obtaining benefits from a larger sample of stakeholders, as these could analyze on our website, the draft, almost final, report, and the increase freedom to state one’s position, using individualized replies. This, theoretically, would compensate the lack of deeper view based on the discussions in segment groups. In effect, there were not conducted in the commitment panels organized at the end of 2009, which only had plenary sessions. We intend to resolve these methodological issues in future issues of the report.

Note: The 2009 customer satisfaction survey included, for the first time, questions to check which they think are the priority areas where we should socio-environmental activities and actions (see end of section “Environment”). We note, in a free comparison, that the rational use of water, waste recycling, and environmental education also received high scores. We made an alternative checking of the level of result consistency, and obtained the following straight-line correlation ratios:

Table 32: Sabesp to NGOs positions straight-line correlation ratios

	Sabesp position to NGOs position correlation	Sabesp position to # of words correlation
Environmental	0.87	0.68
Social	0.60	0.78

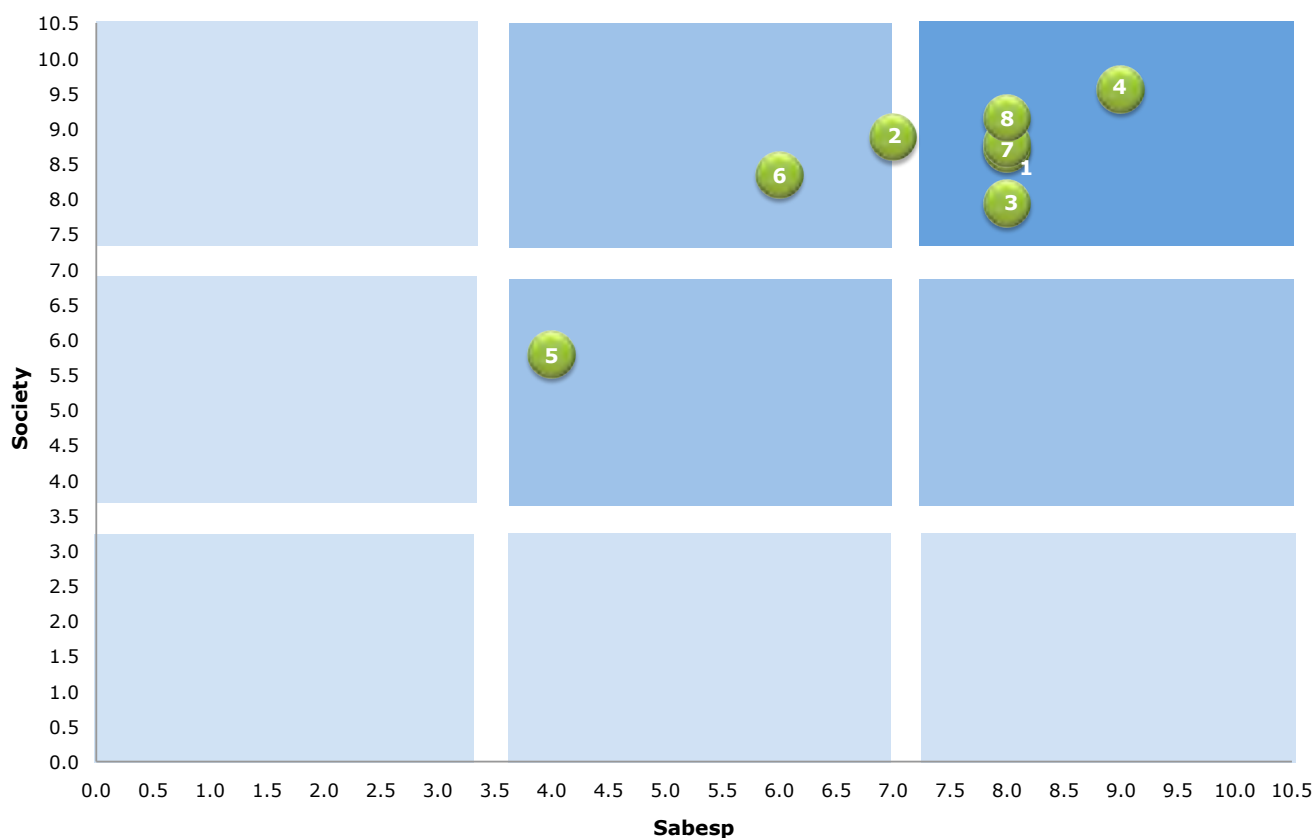
We should comment the relatively low correlation between what we consider as topics in principle more material for the report and the length of the related texts. Even though length is not a definite criterion to measure the materiality of a topic, the issue should be reviewed during the planning stage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

Environmental topics

Table 33: Average and materiality matrix tables for the environmental dimension

#	Issue	Sabesp's scores	Average score of stakeholders	Average score of civil society	Is there a topic in 2009 SR?
1	selective collection & waste recycling	8	9.00	8.70	yes (870 words)
2	Compliance with environmental legislation	7	9.29	8.87	yes (391 words)
3	Electricity consumption efficiency	8	8.37	7.93	yes (221 words)
4	Water resources management / Preservation of watersheds	9	9.59	9.56	yes (864 words)
5	Transport management (own fleet)	4	5.80	5.78	yes (105 words)
6	Air pollution and greenhouse gases	6	8.94	8.33	yes (612 words)
7	Reforestation / Biodiversity protection	8	9.37	8.78	yes (963 words)
8	Rational use of water and reclaimed water	8	9.41	9.15	yes (753 words)

* average 0 to 10 scores attributed to by 54 NGOs

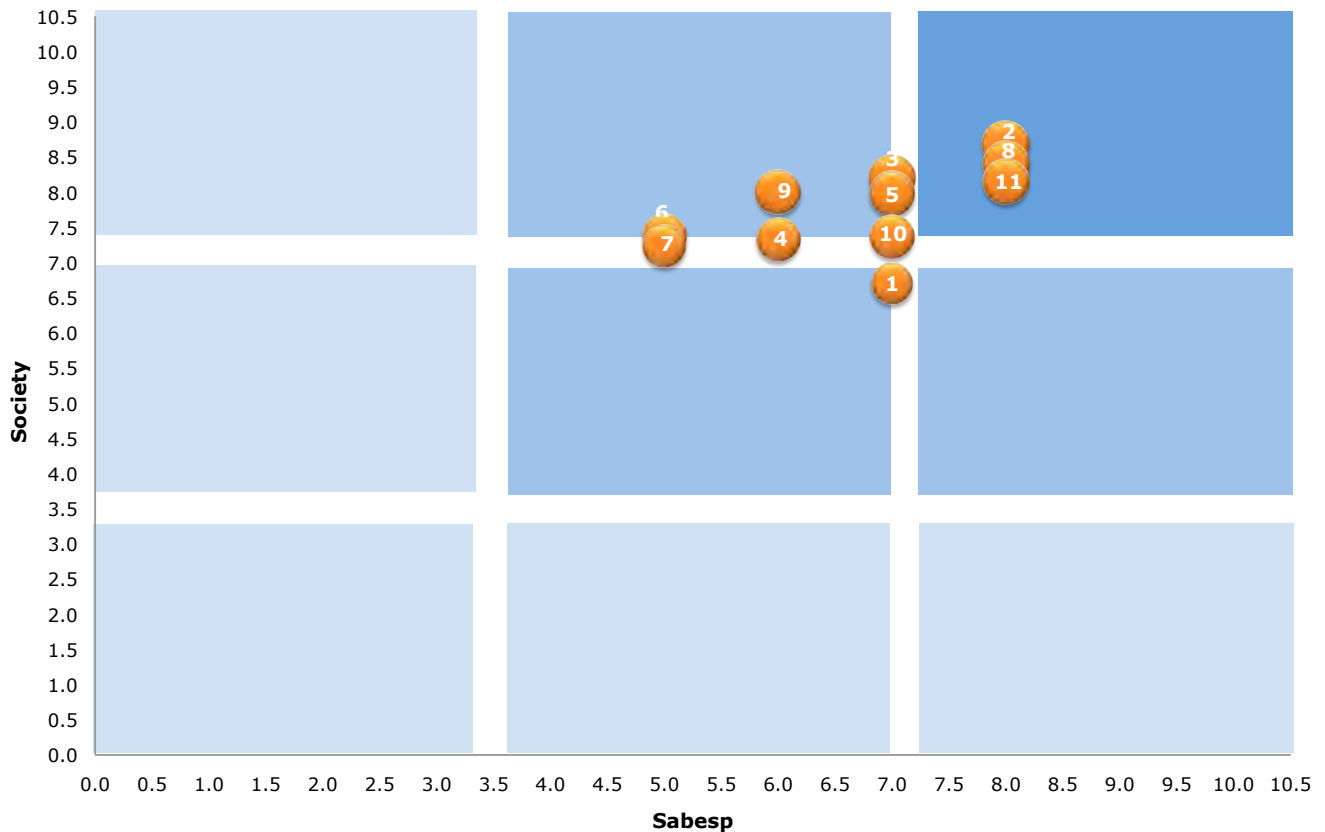


Social topics

Table 34: Average and materiality matrix tables for the social dimension

#	Issue	Sabesp's scores	Average score of stakeholders	Average score of civil society*	Is there a topic in 2009 SR?
1	Communication and marketing actions	7	6.80	6.70	yes (1284 words)
2	Sanitation and environmental training and education actions	8	8.89	8.69	yes (1117 words)
3	Pro-children and adolescents actions	7	8.80	8.20	yes (700 words)
4	Pro-culture actions	6	8.08	7.32	yes (446 words)
5	Pro-diversity and equal opportunities actions	7	8.41	7.98	yes (1252 words)
6	Pro-sports actions	5	7.86	7.38	yes (313 words)
7	Pro-leisure actions	5	7.62	7.23	yes (375 words)
8	Benefits to the needy population (e.g. social tariff)	8	8.69	8.40	yes (1480 words)
9	Compliance with social and labor legislation	6	8.87	8.00	yes (854 words)
10	Income generation	7	8.06	7.37	yes (460 words)
11	Occupational health & safety management	8	8.72	8.15	yes (1082 words)

* average 0 to 10 scores attributed to by 54 NGOs



GRI 3.6 This report gathers the main information on the results obtained by Sabesp and includes data from all operating and administration units for fiscal year 2009. Proceeding with the effort started in 2007, this report sought to extend the features of a Sustainability Report in its three dimensions: social, environmental, and financial.

GRI 3.9 The operating data reported are calculated by our technical functions, based on international experience. There is a continuous effort to improve the verification of these indicators, highlighting the enhancements achieved in the water loss reduction and sewage treatment areas.

As a highlight, the report preparation process relied, for the second time at Sabesp, with a commitment of stakeholders panel, covering the environmental and social dimensions. In addition, we conducted a special hearing to discuss the final version of the report to stakeholders in all dimensions. As described in the Corporate Governance section, such event raised various discussions which were incorporated into the report.

GRI 3.1. 3.2. 3.10. 3.11 The previous report, published in 2009, related to fiscal year 2008, complied only with the legislation in force in Brazil.

GRI 3.3 The next sustainability report is scheduled for publishing in 2011, related to fiscal year 2010.

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

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

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

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

The report preparation process sought to emphasize internal participation. We formed workgroups with specific purposes in the three dimensions: Corporate Management, Environment, and Social Responsibility. Several interactive meetings were held with key persons based on the various processes discussed in this report. Coordinators responsible for the groups formed based on significant matters selected were appointed. Also, individual and specific meetings were held to explain the relevance of balance, comparability, accuracy, and clearness of the information. We should highlight as a reporting enhancement this year, the conduction of meetings involving participants from all our business units via electronic

medium. This is a very important process for a company with employees in more than 300 cities. This approach allowed us to report on a broad scope of topics.

To gather additional suggestions for the final draft of the 2009 Sustainability Report, we held on April 26, 2010 the 22nd Sustainability Hearing, where specialists discussed in a roundtable the three dimensions and the customer's vision. We quote below some of the participants:

Social Dimension: Prof. Paula Monteiro - Pres. of Cebrap

"I congratulate Sabesp and express my satisfaction to see the size of this company's goals."

Economic Dimension: Prof. Frederico Turolla - ESPM & FGV-SP:

"Sabesp managed to involve a broad sample of players that sustain its corporate actions, without losing its focus on sustainability"

Environmental dimension: Clarissa Lins - FBDS Dir.

"The report is very pleasant to read and has a well-mapped strategic line. Most of the companies do not detail its actions – opposite to Sabesp. All it needs to do is to clearly state the statuses of the programs, signaling what needs to be done until 2018".

Customer vision: Nelson Nicolau – Mayor of S. João da Boa Vista

"90 percent of the city inhabitants are favorable to the renewal of the concession. The reason for this allegiance were the hundreds of meetings held in every district to discuss what the city wanted from Sabesp and what Sabesp had to offer. Today, I wanted to leave my testimony based not on what I read in the report but what I see on the city streets."

Testimony of civil society partner: Heródoto Barbeiro - Vice Pres. of SAT (Taiáçupeba Friends Association)

"The great 20th century company is the oil company, Petrobras. For what I've read in the Sustainability Report, I have the impression that the great 21st century company will be a water company, Sabesp, which a water, sanitation and environmental company."

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

Have participated in the preparation of this report the photographers: Odair Faria, Carlos Eduardo Carrela, Douglas Leite, Fernandes Pereira de Paula, Gabriel Góes, João Musa, Luciane Teixeira, Marcelo Morgado Nara, Comtal Aero Fotos, Ballet Stagium advertising (Bossa 50 show) (2009), Divulgação Circo Vox (2009), Divulgação Consórcio CNO Carioca, "As Melhores Coisas do Mundo" film advertising, Divulgação Planeta Sustentável.

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

GRI 3.12

GRI G3 Indicator	Page
1.1 Statement from the most senior decision-maker of the organization.	Pages 4 and 8.
1.2 Description of key impacts, risks, and opportunities.	Throughout the entire report.
2.1 Name of the Organization.	Page 14.
2.2 Primary brands, products, and/or services.	Page 14.
2.3 Operational structure of the organization.	Page 14.
2.4 Location of organization's headquarters.	Page 14.
2.5 Number of countries where the organization operates.	Page 14.
2.6 Nature of ownership and legal form.	Page 14.
2.7 Market served.	Page 14.
2.8 Scale of the reporting organization.	Page 14.
2.9 Significant changes during the reporting period regarding size, structure, or ownership including.	There were changes in terms of size, structure, or equity interest in 2009.
2.10 Awards received in the reporting period.	Page 19.
3.1 Reporting period.	Page 156.
3.2 Date of most recent previous report.	Page 156.
3.3 Reporting cycle (annual, biennial).	Page 156.
3.4 Contact point for questions regarding the report	Page 157.
3.5 Process for defining report content.	Page 156.
3.6 Boundary of the report (units/facilities).	Page 156.
3.7 State any specific limitations on the scope or boundary of the report.	Page 156.
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 156.
3.10 Restatements of information provided in earlier reports.	Page 156.
3.11 Significant changes from previous reporting periods in the scope or measurement methods applied in the report.	Page 156.
3.12 Table identifying the location of the GRI indicators.	Page 158.

GRI G3 Indicator	Page
3.13 Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	Page 152.
4.1 Governance structure.	Page 70.
4.2 Indicate whether the Chair of the highest governance body is also an executive officer.	Page 73.
4.3 State the number of members of the highest governance body that are independent and/or non-executive members.	Page 73.
4.4 Mechanisms for shareholders and employees to provide recommendations to the highest governance body.	Page 73.
4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization's performance.	Page 80.
4.8 Statements of mission or values, codes of conduct, and relevant principles.	Page 80.
4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Page 100.
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 122.
4.15 Basis for stakeholders' engagement.	Page 122.
4.16 Approaches for stakeholders' engagement.	Page 122.
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 122.
EC1 Economic value generated and distributed.	Page 85.
EC3 Coverage of the organization's defined benefit plan obligations.	Page 130.

GRI G3 Indicator	Page
EC4 Significant financial assistance received from government.	Sabesp does not receive financial assistance from the government.
EC5 Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	Page 129.
EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Page 61.
EC7 Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	As a state-controlled company, Sabesp is required to hire through public competitive recruitment process, which impedes this procedure.
EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement.	Pages 41, 42 and 148.
EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts.	Pages 38 and 149.
EN3 Direct energy consumption by primary energy source.	Page 23.
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 23.
EN13 Habitats protected or restored.	Pages 105, 106, 110 and 111.
EN16 Total direct and indirect greenhouse gas emissions by weight.	Pages 23 and 99.
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved.	Pages 100, 101 and 104.
EN21 Total water discharge by quality and destination.	Pages 23 and 53.
EN25 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Page 109.
EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Page 100.
LA1 Total workforce by employment type, employment contract, and region.	Pages 127 and 128.
LA2 Total number and rate of employee turnover by age group, gender, and region.	Page 129 – Principle 6.

GRI G3 Indicator	Page
LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Page 129 – Principle 6.
LA4 Percentage of employees covered by collective agreements.	Page 130 – Principles 1 and 3.
LA5 Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	Principle 3. The collective agreements do not stipulate the minimum notice period regarding operational changes. Possible changes are communicated in advance, and the period varied according to the circumstances.
LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Page 136 – Principle 1.
LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Page 135 – Principle 1.
LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Principle 1. The employees attend courses and lectures related to disease prevention, and risk-control. Treatments (physiotherapy, GPR, acupuncture) are covered by our healthcare plan – SABESPREV.
LA9 Health and safety topics covered in formal agreements with trade unions.	The collective agreements entered into between Sabesp and trade unions do not specifically cover health and safety topics.
LA10 Average hours of training per year per employee by employee category.	Page 133 – Principle 1.
LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Page 131 – Principle 1.
LA12 Percentage of employees receiving regular performance and career development reviews.	Page 131.
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 127 and 128 – Principles 1 and 6.
LA14 Ratio of basic salary of men to women by employee category.	Page 127 – Principles 1 and 6.

GRI G3 Indicator	Page
HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Principles 1, 2, 4, 5 and 6. Our significant investment agreements include human rights clauses.
HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Principles 1, 2, 4, 5 and 6. We do not carry out screenings on human rights of significant suppliers and/or contractors. We created an action plan to address this indicator in 2009:
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 132 – Principles 1, 4 and 5.
HR4 Total number of incidents of discrimination and actions taken.	Page 81 – Principles 1 and 6.
HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Page 130 – Principles 1 and 3.
HR6 Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	Page 126 – Principles 1 and 5.
HR7 Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	Page 126 – Principles 1, 2 and 4.
HR8 Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Page 132 – Principles 1 and 2.
HR9 Total number of incidents of violations involving rights of indigenous people and actions taken.	Principles 1 and 2. In 2009 no incidents of this type were recorded.
SO1 Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Pages 140 and 142 – Principles 1, 7, 8 and 9.
SO2 Percentage and total number of business units analyzed for risks related to corruption.	Page 81 – Principles 2 and 10.

GRI G3 Indicator	Page
SO3 Percentage of employees trained in organization's anticorruption policies and procedures.	Page 81 – Principle 10.
SO4 Actions taken in response to incidents of corruption.	Page 81 – Principle 10.
SO5 Public policy positions and participation in public policy development and lobbying.	Principles 7, 8 and 9. We operate pursuant to the environmental sustainability policies and objectives and the public policies on this topic. We are actively involved in the National and State Water Resources Management Systems at all levels, and we have representatives in the São Paulo State Hydrographic Basin Technical Chambers, Committees and Subcommittees.
SO6 Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Sabesp does not adopt this practice.
SO7 Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	In 2009 no incidents of this type were recorded.
SO8 Monetary value of significant fines and total number of nonmonetary sanctions for noncompliance with laws and regulations.	Principle 10. In 2009, we paid 954 labor lawsuits totaling approximately R\$11 million, which were duly accrued. There is no final decision of the moral harassment legal actions filed against us.
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 134 – Principle 8.
PR2 Total number of incidents of noncompliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Page 136 – Principle 8.
PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Page 125 – Principle 8.
PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Page 125 – Principle 8.

GRI G3 Indicator	Page
PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Page 125.
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).
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 2009, in addition to complying with marketing, advertising, promotion, and sponsorship codes and legislation, in line with the higher transparency guidelines, we prepared a Guidance and implemented a new system to select projects applying for institutional and financial support, which are available on our website and are open three times a year, which are also submitted to the analysis of an internal committee formed by Sabesp employee and an external committee formed by State Government representatives, NGOs and scholars, including representatives of SOS Mata Atlântica and the State Public Prosecution Office.

GRI G3 Indicator	Page
PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Principle 2. In 2009 there were no complaints related to breaches of customer privacy and losses of customer data. We do not use customer data for sales and operational actions purposes, but property data.
PR9 Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	Principle 8. We do not have this data in systems.



View of Alto Cotia WTP

Reference List



Abraço Verde (Green Hug)	62, 112	Management modernization	5, 30, 31
Labor accidents	26, 134, 135	Permittee Cities	11, 14, 40, 55
Support & sponsorships	146	New businesses	5, 12, 31, 62, 65, 66, 67, 69
Sustainability hearings	72, 115, 121	Onda Limpa (Clean Wave)	9, 36, 37, 38, 44, 89, 90, 121, 132, 139
Biodiversity	109	Ombudsman Office	81, 124, 162
Canal Limpo (Clean Canal)	44	Partnerships with NGOs	71, 104, 105, 113, 117, 121, 153, 154, 155
CASAL	6, 12, 43, 65, 67	Research, Development and Innovation (RD&I)	13, 31, 63, 68, 69
ISO 14001 Certification	27, 102, 132	Customer perception survey	116
Risk rating	55	Strategic planning	4, 30, 56, 59, 60, 60, 66, 131
Clubinho Sabesp	112	Sustainable Planet	100, 115
Collection for use of water	96	Seedling plantation	12, 104, 105, 106, 112, 115
Code of Ethics and Conduct	12, 80, 81, 120	Environmental Policy	93, 121
Selective waste collection (Sabesp 3Rs)	98	Awards	4, 19, 137
Sustainable procurement	107, 115	Volunteer Program	117, 120, 142, 147
Board of Directors	73.74.76.77.78.91	Metropolitan Water Program	9, 36, 40
Firm demand contracts	52	Project Tietê	9, 39, 88
Córrego Limpo (Clean Brook)	9, 36, 41, 49, 111, 121	PROL	113, 121
Executive Committee	69, 77, 78	PURA	7, 49, 53, 121, 162
Environmental Education	71, 97, 98, 102, 103, 106, 110, 111, 117, 121, 141, 153	Water quality	38, 39, 47, 106, 125
Carbon emissions and credits	19, 23, 72, 99, 101, 102, 104	Revenues	22, 52, 84, 85, 86, 150
Engagement of stakeholders	70, 120, 156	Water loss reduction	6, 10, 12, 36, 42, 43, 67, 89, 90, 99, 156
Espaço Estação Sabesp	145	Corporate restructuring	51, 56
Added Value Management (GVA)	11, 56, 60, 132	Environmental Solutions	4, 6, 15, 19, 20, 29, 30, 44, 52, 62.162
Corporate Sustainability Index (ISE)	4, 11, 91	Telemetry	7, 53
Profit	10, 22, 84	Sabesp Corporate University	98, 132
Regulatory Framework	5, 12, 30, 31, 62, 63, 126	Vida Nova (New Life)	9, 36, 40, 89
Materiality Matrix	117, 152, 154, 155		
Individual water metering	7, 53, 162		

Corporate Information

Webpage:

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

Investor Relations webpage:

<http://www.sabesp.com.br/>, option "investors"

Sabesp Environmental Solutions:

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

2009 Sustainability Report

<http://www.sabesp.com.br/sustentabilidade2009>

Suggestions/comments on Report:

sustentabilidade@sabesp.com.br

Customer Service

<http://www.sabesp.com.br>, option "virtual branch"

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

www.sabesp.com.br (online service)

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

Opening times:

- Monday to Friday: 7:00 am - 9:00 pm
- Saturday: 8:00 am - 5:00 pm

195

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

- Available 24/7.

0800 055 01 95

(inland and coastal cities)

To request emergency or commercial services.

- Available 24/7.

0800 011 99 11

(Greater São Paulo Metropolitan Area only)

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

Opening times:

- Monday to Friday: 7:00 am - 9:00 pm
- Saturday: 9:00 am - 5:00 pm
- Sunday: 10:00 am - 4:00 pm

0800 777 37 00 (telephone service for the hearing impaired)

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

Opening times:

- Monday to Friday: 8:00 am - 9:00 pm
- Saturday: 8:00 am - 5:00 pm

0800 0771 2482 (Sabesp

Environmental Solutions for the São Paulo Metropolitan Area)

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

Opening times:

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

0800 055 05 65

(Ombudsman Office)

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

Opening times:

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



www.sabesp.com.br