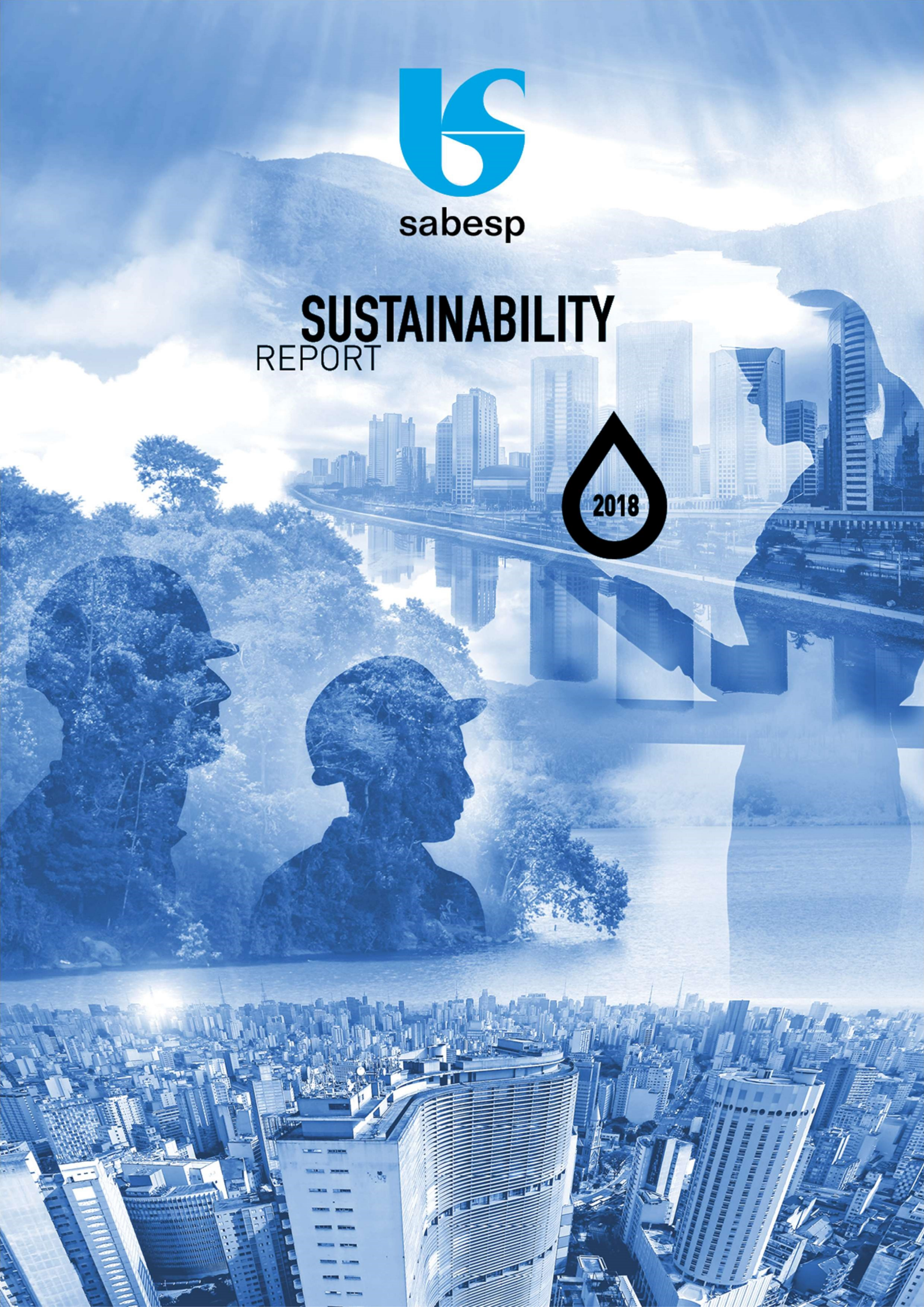




sabesp

SUSTAINABILITY REPORT



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Financial Statement Audit KPMG Auditores Independentes

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WORKING TO BENEFIT PEOPLE AND THE ENVIRONMENT

102-14; 102-15 The investment of R\$4.2 billion carried out in 2018 reaffirms Sabesp's position as leader among the companies that invest most in basic sanitation in the country. The average contributions of the last years represent over 30% ¹of all destined to expand Brazil's infrastructure of water supply, sewage collection and treatment. The efficiency in managing these investments coupled with the commitment to innovation and quality in customer service reinforce the highlight given to the subject in the agenda of priorities of the government of the State of São Paulo.

Of the total invested in 2018, R\$ 2.3 billion was allocated to expand the supply infrastructure, in addition to the structural strengthening driven by the most severe water crisis in the Metropolitan Region of São Paulo (SPMR) in the 2014-2015 biennium. 199 thousand new water connections were installed, surpassing the target set by 18.5%. R\$1.9 billion was allocated to expand the structure of sewage collection and treatment in the operating area. As a result, 215 thousand new sewage connections were installed throughout the State of São Paulo, surpassing the target for the period by 7.6%.

Within the municipalities where Sabesp operates (57% of the cities of São Paulo) we have a universal supply and, at the end of 2018, we registered 83% of the clients served with the collection and treatment structure of 76% of the sewage collected. These indexes put São Paulo in a prominent position with the best service indexes in Brazil. With this performance, Sabesp shows that the company is in line with the demands of society for more access, more quality and more efficiency in public services.

However, we know that we need to advance further, especially in the Greater São Paulo and the coast regions, where the sewage services are not yet universal. To address this situation, the Company has structured programs and set targets, such as the Tietê Project, contributing with US\$2.9 billion in 26 years to expand the sewage collection and treatment capacity in the metropolis.

Through the Onda Limpa (Clean Wave) Program, in 2019 we will speed up the expansion of the sanitation supply on the coast of São Paulo. This will be done by contracting construction works in bidding procedures and by beginning other actions, starting with the implementation, in the first quarter, of submarine emissaries of Praia Grande, an investment of over R\$400 million.

In the inland, we are very close to universalization. In 2018, we delivered five plants and advanced the construction of another 15 treatment plants with inauguration scheduled for 2021. The results are notable, above all, in the improvement of the water health and quality indexes of important São Paulo rivers.

However, all this work has no practical effect if there is no joint work between society and municipalities. One example is the consumer's resistance in installing the sewage connection at his/her residence. We experience this situation with around 7% of our customers who have the collection structure available but insist on not connecting their residences, pouring sewage into rainwater galleries.

¹Consolidated data based on the last seven editions (2011 – 2017) of the National System of Sanitation Information (SNIS – *Sistema Nacional de Informações sobre Saneamento*).

The diffuse pollution of cities, also resulting from irregular disposal of garbage, is another behavior that must be inhibited. Individualistic and unconscious behaviors such as these go against the principles of civilizational advances and delay the environmental gain brought by sanitation to the whole community, also delaying the recovery of the conditions of urban water bodies.

Celebrating its forty-fifth anniversary, Sabesp is paying more and more attention to actions focused on advancing the sustainable management of water resources. In this sense, we highlight the technological initiatives to produce reuse water, reduce waste in public buildings and fight against water losses in the supply system. Pilot projects such as generating biomethane fuel in the sewage treatment and turning sludge into electricity and other marketable products reaffirm a DNA focused on innovation and permanent technological improvement.

Internally, in 2018, we have added over one thousand employees, approved in a public admission exam; we also remained committed to the adjustments and improvement to the processes of compliance and risk management. At the same time, we have concluded the adjustments to the State Law and have made the necessary adjustments to adapt Sabesp's governance model to the new Listing Rules of Novo Mercado and of the Brazilian Corporate Governance Code.

On this matter, according to a survey by B3, it should be noted that Sabesp has a place in the restrict list of 6% of the listed companies that have an internal audit area, responsible for evaluating the effectiveness of the governance rules, fully complying with the requirements of the new rules.

At Sabesp, large numbers mean lives transformed by delivering quality water to faucets and a healthier environment due to the sewage collection and treatment. Such factors are key for people to have more health, better school performance, more comfort and opportunities arising from the tourism and real estate valuation of the operating areas. There is no stronger motivation to continue with the expansion of the offer and the improvement of the quality of services, always guided by innovation, customer satisfaction and, consequently, creating value to our shareholders.

Mario Engler – Chairman of the Board of Directors

MAKING PROGRESS IN IMPROVING THE QUALITY OF OUR WATER

The coming into operation in 2018 of the São Lourenço Production System and the interconnection between the Paraíba do Sul Basin and the Cantareira System marked the conclusion of an important chapter among the measures employed to increase water security in the São Paulo Metropolitan Region (SPMR).

However, the low rainfall registered in the SPMR in 2018, particularly between the months of April and August, when the level of rainfall was below the historical average, reminded us of the climate threat that we are subject to. Luckily, we got through this period without any problems as a result of the legacy left over from the 2014-2015 crisis: the more robust infrastructure, the fact that our professionals are more experienced and better prepared to cope with adversities, and because the population is more aware of the need to save water.

However, these conditions do not mean that we can rest on our laurels. The work continues in 2019 with the aim of obtaining licenses to start construction work for collecting the water of the Itapanhaú River Basin, which is a key structure for coping with future droughts in the SPMR, an area which, of course, has an extremely low water availability. An equally important task, the combating of water losses, which has been carried out systematically for more than 10 years now, is another initiative to be forcefully pursued based on advanced technology and partnerships, for instance the one already in place with JICA (Japan International Cooperation Agency), a Japanese government development agency.

The actions related to supply security are only one part of an effort that must provide for the systemic and sustainable management of water resources. Given this concern, we cannot lose sight of the urgent and crucial goal of universalizing access to sanitation throughout the entire area in which the company operates. With the situation having almost been resolved in the interior of the state, where the majority of the municipalities enjoy conditions on a par with the first-world and key rivers have returned to life, efforts should continue in the other regions served.

In the State of São Paulo's coastal region, we will continue to expand the sanitary structure by means of the Onda Limpa (Clean Wave) Program, the largest sanitation project on the Brazilian coast, which has already required more than R\$ 1.9 billion in investments over the 11 years since it first came into existence. In the Greater São Paulo area, with the Tietê Project, which was initiated in 1992, at the end of 2018 we achieved the mark of 4.4 thousand km of pipelines installed.

We will continue with the implementation of networks in the furthest outlying regions and the installation of mega-structures, such as the ITi7, an interceptor located in the Marginal Tietê, at a depth of 18 meters, 7.5 km long and 2.6 meters high. From 2020 onwards, this super tunnel will transport more than two million people's sewage to the Barueri Sewage Treatment Plant, which in 2018 saw its treatment capacity increased to 16 thousand liters a second.

The considerable investments in the metropolis also have a direct effect on the improvement of the water quality of streams and of the Tietê and Pinheiros rivers. However, it is essential to note that the complete decontamination and the bringing back to life of these water courses

depends on the awareness and commitment of everyone. In particular it depends on the municipalities getting involved in the cleaning of towns and inspection of irregular disposal of solid waste and sewage. And the citizens, in turn, must ensure the correct disposal of urban waste and arrange for domestic sewage connections.

In this context, the *Se Liga na Rede* (Connect to The Network) Program should pick up speed. Organized in partnership with the State Government, it involves the expansion of sewage collection in those areas of greatest social vulnerability by means of the offer of free residential connections. The *Água Legal* (Legal Water) Program is another of the key actions aimed at those who most need it. As a result of this, we are bringing quality water to so-called “informal cities”, settlements that are here to stay, but which are completely neglected by the public authorities.

In 2018, 25 thousand families had their homes connected to the supply network, bringing the total number connected since the program was first implemented in 2017, to more than 95 thousand families served. In these cases, since Sabesp is not legally permitted to operate in these regions, the work depends on the vital partnership with the executive and legal branches.

2018 also saw significant results obtained in relation to the contract renewal process with a number of municipalities, increasing regulatory compliance and legal certainty with the granting authority. We also signed up three other cities to be part of the operated base, with the main highlight being the city Guarulhos which with a population of 1.3 million people is the second largest city in the State of São Paulo.

By adopting an immediate stance in relation to tackling a problem that has afflicted Guarulhos’ residents for decades, we managed, in early 2019, to reduce the number of people affected by weekly water rationing by 700 thousand. By the end of this year, the situation will have been resolved throughout the entire municipality.

On the internal front, we completed the adjustments to ensure that we meet the requirements of the State-owned Company Law (13.303/16), made progress on compliance and risk management measures, and concluded the diagnosis of best practices and processes within the Management Excellence Model. We are now taking steps to implement the opportunities identified.

Sabesp’s acknowledged quest for excellence earned the company in 2018, three of the 11 trophies in the Best Management Awards promoted by the National Quality Foundation. We were among the finalists in the Global Water Awards which are held in Paris and which recognize companies that make a significant contribution to the international development of the water sector. We were ranked second among the most reliable institutions in the city of São Paulo, according to the “Quality of Life” survey produced by Rede Nossa São Paulo/Ibope, and once again won the Anefac Transparency award for the clarity and reliability of the figures reported in our financial statements.

These are achievements that reaffirm a corporate governance that is committed to results. But we still have a long way to go. Without losing sight of the adaptations that are required in relation to the regulatory environment, our focus remains on upgrading our meritocracy and on improving our processes, products and services, based on increased innovation and technology. These efforts reflect the ongoing quest for efficiency in terms of customer service and universal access to drinking water and sanitation, to achieve sustainability of water throughout its entire cycle.

Benedito Braga – CEO

PROFILE

WORLD'S FOURTH LARGEST SANITATION COMPANY IN POPULATION SERVED

102-1; 102-2; 102-4; 102-6; 102-7; 102-16; 102-45 The Companhia de Saneamento Básico do Estado de São Paulo – Sabesp provides water supply, sewage collection and treatment services for residential, commercial, public sector and industrial consumers.

As at December 31, 2018, it was responsible for water supply, sewage collection and treatment services in 369 municipalities in the State of São Paulo, in addition to supplying water on a wholesale basis along with sewage services to five municipalities in the São Paulo Metropolitan Region (SPMR), including Guarulhos, which transferred responsibility for the operation of its water distribution and sewage collection network to the Company in January 2019.

It is regarded as the world's fourth largest sanitation company in terms of the population served, according to the Arup in Depth Water Yearbook² 2014-2015, with 28.1 million people being supplied with water (25.1 million directly plus around 3 million residents in the municipalities served on the wholesale market) and 21.7 million people being served with sewage collection services.

In a further four municipalities in the state, Sabesp is involved in providing sanitation services as a minority shareholder in the companies Águas de Castilho S.A., Águas de Andradina S.A., Saneaqua Mairinque S.A. and SESAMM – Serviços de Saneamento de Mogi Mirim S.A.

In addition, the Company has equity interests in the companies Aquapolo Ambiental, the largest enterprise for the production of industrial reuse water in South America (the fifth largest in the world), Attend Ambiental, which operates in the non-domestic sewage segment, and in Paulista Geradora de Energia S.A. (which is in the pre-operational phase), in the electricity segment.³ Sabesp also provides consulting services on rational water use, planning and commercial, financial and operational management, for example in Panama.

The Company ended 2018 with a headcount of 14,449 employees, split between its head office, administrative units and 17 business units, which operate 75.5 thousand km of water distribution networks and 51.8 thousand km of sewage collection networks, outfalls and interceptors; 247 water treatment plants (WTPs) and 565 sewage treatment plants (STPs).

In 2018, it invested R\$ 4.2 billion to boost its actions designed to help it achieve its future vision of being a worldwide benchmark in terms of providing sanitation services, in a sustainable, competitive and innovative way, with a focus on the customer. Net revenue generated in 2018 was R\$ 16.1 billion with a profit of R\$ 2.8 billion. Assets came to a total of R\$ 43.6 billion and the company's market value was R\$ 21.5 billion as at December 31.

Sabesp has been a signatory to the United Nations Global Compact since 2007, reaffirming its mission to “provide sanitation services and contribute to improving the quality of life and of the environment”, and its operations are aligned with the Sustainable Development Goals (SDGs), which is a global agenda of the United Nations (UN) made up of 17 global goals to be achieved by 2030.

² Arup inDepth Water Yearbook 2014-2015. Available at <https://bit.ly/2GisVMV>

³For more information on Sabesp's participation in these companies see Note 12 on the 2018 Financial Statements. Available at <https://bit.ly/2urUz2z>

KEY PERFORMANCE INDICATORS

Indicators	Unit	2018	2017	2016	2015	2014
Service						
Water service ratio	%	Tending towards universalization ^(1, 2)				
Water coverage ratio	%	Tending towards universalization ^(1, 2)				
Sewage collection service ratio ⁽²⁾	%	83	83	82	83	82
Sewage collection coverage ratio ⁽²⁾	%	90	90	89	90	89
Ratio of households connected to sewage treatment ⁽³⁾	%	76	75	74	72	71
Resident population supplied with water ⁽⁴⁾	thousand inhabitants	25,062	24,905	24,669	24,429	24,226
Resident population provided with sewage collection ⁽⁴⁾	thousand inhabitants	21,747	21,577	21,277	20,932	20,672
Positive perception of customer satisfaction ⁽⁵⁾	%	81	85	82	75	80
OPERATIONAL						
Water connections ⁽⁶⁾	thousands	9,053	8,863	8,654	8,420	8,210
Sewage connections ⁽⁶⁾	thousands	7,495	7,302	7,091	6,861	6,660
Length of water network ⁽⁷⁾	km	75,519	74,396	73,015	71,705	70,800
Length of sewage network ⁽⁷⁾	km	51,788	50,991	50,097	48,774	47,992
WTP – water treatment plants	units	247	240	237	235	235
Wells	units	1,114	1,110	1,093	1,085	1,055
STP – Sewage treatment plants	units	565	557	548	539	524
Water losses – billing ⁽⁸⁾	%	19.5	20.1	20.8	16.4	21.3
Water losses – relating to metering ⁽⁹⁾	%	30.1	30.7	31.8	28.5	29.8
Water losses per connection ⁽¹⁰⁾	liters per connection per day	293	302	308	258	319
Volume of water produced	million m3	2,800	2,783	2,696	2,466	2,840
Volume of water metered – retail	million m3	1,545	1,524	1,465	1,399	1,573
Volume of water billed – wholesale	million m3	263	257	227	216	247
Volume of water billed – retail	million m3	1,845	1,819	1,763	1,698	1,812
Volume of sewage billed	million m3	1,641	1,617	1,552	1,481	1,562
Number of employees ⁽¹¹⁾	units	14,449	13,672	14,137	14,223	14,753
Operational productivity	connections/employee	1,145	1,182	1,114	1,074	1,008
FINANCIAL						
Gross revenues	R\$ million	17,056.3	15,374.6	14,855.1	12,283.5	11,823.4
Net revenue	R\$ million	16,085.1	14,608.2	14,098.2	11,711.6	11,213.2
Adjusted EBITDA ⁽¹²⁾	R\$ million	6,540.6	5,269.3	4,571.5	3,974.3	2,918.7
Adjusted EBITDA margin	% Net Revenue	40.7	36.1	32.4	33.9	26.0
Adjusted EBITDA margin excluding construction revenues and costs	% Net Revenue	48.8	45.4	43.3	46.6	34.4
Operating income ⁽¹³⁾	R\$ million	5,176.7	3,961.7	3,429.6	3,044.0	1,910.7
Operating margin ⁽¹³⁾	% Net Revenue	32.1	27.1	24.3	26.0	17.0
Income (net profit/loss)	R\$ million	2,835.1	2,519.3	2,947.1	536.3	903.0
Net margin	% Net Revenue	17.6	17.2	20.9	4.6	8.1
Net debt over Adjusted EBITDA ⁽¹⁴⁾	Multiple	1.6	1.9	2.2	2.9	3.1
Net debt over shareholders' equity ⁽¹⁴⁾	%	51.8	56.1	65.4	83.7	68.1
Investment ⁽¹⁵⁾	R\$ million	4,177.4	3,387.9	3,877.7	3,481.8	3,210.6

ENVIRONMENTAL						
301-1 – Chemicals used in the treatment of water and sewage	t	245,197	271,396	261,326	279,200	273,418
301-2 – Percentage of chemicals used in the treatment of water and sewage from recycling ⁽¹⁷⁾	%	3.78	3.49	3.45	3.06	3.56
302-1 – Total consumption of electricity ⁽¹⁸⁾	Terajoules (TJ)	8,940	8,341	7,895	7,726	8,613
302-3 – Consumption of electricity/m3 of water produced	kWh/m3	0.73	0.68	0.67	0.72	0.71
302-3 – Consumption of electricity/m3 of sewage treated	kWh/m3	0.45	0.46	0.43	0.47	0.43
302-4 – Reduction of Electricity Consumption for water produced – J	%	-8.5	-4.3	-2.0	12.4	-3.2%
302-4 – Reduction of Electricity Consumption for treated sewage – J	%	-2.3	-13.4	-3.0	-0.7	-2.4%
302-5 – Reductions in requirements of electricity/m3 of water produced – kWh/m3	%	-7.8	-1.5	6.7	-1.4	-12.4
302-5 – Reductions in requirements of electricity/m3 of sewage treated – kWh/m3	%	1.7	-7.0	7.7	-9.3	-4.2
303-1 – Total intake of water – Surface	Million m ³	2,630	2,602	2,539	2,397	2,674
303-1 – Total intake of water – Underground	Million m ³	176	172	168	168	166

303-3 – Percentage of water consumption in treatment in ETAs ⁽¹⁹⁾	%	2.7%	2.8	3.0	1.7	0.8
303-3 – Percentage of recovery of washing water from filters and decanters in ETAs ⁽¹⁹⁾	%	86.3%	84.6	84.3	76.6	87.4
Direct and indirect emissions of greenhouse gases ⁽²⁰⁾	t CO2 e	N/A	2,369,715	1,979,677	2,204,464	2,359,114
305-1 – Direct emissions of greenhouse gases (GHGs) (Scope 1)	t CO2 e	N/A	2,130,164	1,771,135	1,909,847	2,018,912
305-2 – Indirect emissions of greenhouse gases (GHG) from electricity acquisition (Scope 2)	t CO2 e	N/A	215,494	178,724	267,117	322,006
305-3 – Other indirect greenhouse gas (GHG) emissions (Scope 3)	t CO2 e	N/A	24,057	29,818	27,500	18,197
303-3 – Volume of reuse water supplied ⁽²¹⁾	thousand m ³	1461.47	1579.2	1,683.6	1,851.8	1,214.9
303-3 – Percentage of reuse water sold over sewage treated in ETAs with reuse ⁽²¹⁾	%	0.43	0.35	0.40	0.52	0.27
303-3 – Percentage of reuse water supplied over installed capacity ⁽²¹⁾	%	38.3	36.02	32.19	35.67	28.50
Number of STPs and WTPs with Environmental Management System (EMS) ⁽²²⁾	Units	271	177	129	95	95
Number of STPs and WTPs certified by ISO 14001 ⁽²²⁾	Units	35	35	35	35	51
Number of people in monitored visits of sanitary and environmental education in the operational units	Personnel	75,078	65,266	71,122	77,580	58,018
Seedlings planted voluntarily	Units	6,138	11,358	9,500	12,214	20,702
Amount of recyclable collected in Sabesp 3Rs	T	224	140	177	268	310
Average consumption of fuel alcohol	liters/ vehicle	2226	2,470	3143	2827	2861
Alcohol consumption on total fuel	%	58	57	62	57	53
Positive public perception of Sabesp's environmental responsibility ⁽⁵⁾	%	69%	64	57	60	63
SOCIAL						
Amount invested in internal social programs	R\$ million	897	778	411	664	617
Amount invested in external social and environmental programs ⁽²³⁾	% Net Revenue	40	72	39	16	47
Frequency rate of accidents with leave of absence	Accidents by millions of hours worked	4.4	6.2	6.7	5.7	6.5
Positive public perception of Sabesp's social responsibility	%	69	68	63	64	66
Procon's complaints rank	Units	62	64	41	86	78
Position in Procon's ranking ⁽²⁴⁾	Position	50	47	-	43	-

(1) Coverage equal to 98% or more. Service equal to 95% or more.

(2) For methodological reasons, it includes a variation margin of plus or minus 2 percentage points.

(3) Household is the term used for the building or subdivision of a building, with occupations that are demonstrably independent of each other, collectively using a single water supply connection and/or sewage connection.

(4) This Indicator Panel's demographic data takes into account the "Projection for the Population and Households for the Municipalities of the State of São Paulo: 2010-2050", drawn up by the State Data Analysis System Foundation.

(5) Survey carried out in 2018 by GMR Market Intelligence (6,216 interviews across the entire operating base with a margin of error of 1.23% and a reliability interval of 95%).

(6) Active and inactive connections and households

(7) Includes water-mains, branch collectors, interceptors and outfalls.

(8) [Includes real (or physical) loss and apparent (or non-physical) loss. The percentage of water loss represents the resulting ratio between (i) Billed Volume Lost and (ii) Volume of water Produced. The Billed Volume Lost corresponds to: Volume of Water Produced MINUS Billed Volume MINUS Volume of Uses. The volume of uses corresponds to: water used in regular maintenance of water mains and reservoirs; water used in municipalities, such as firefighting; and water supplied to irregular settlements.

(9) Includes real (or physical) loss and apparent (or non-physical) loss. The percentage of water loss represents the resulting ratio between the (i) Measured Volume Lost and the (ii) Volume of water Produced. The Measured Volume Lost corresponds to: Volume of water Produced MINUS Measured Volume MINUS Volume of Uses. The volume of uses corresponds to: water used in regular maintenance of water mains and reservoirs; water used in municipalities, such as firefighting; and water supplied to irregular settlements.

(10) Calculated by dividing the Measured Volume Lost in the year by the average amount of active water connections in the year, divided by the number of days in the year.

(11) Internal headcount. Does not include those assigned to other entities. Employees retired due to disability ceased to be taken into account from 2016 onward.

(12) Adjusted EBITDA corresponds to net earnings before: (i) depreciation and amortization expenses; (ii) income tax and social contribution (federal income taxes); (iii) financial income and (iv) other net operating expenses.

(13) Does not include financial revenues and expenses.

(14) Net debt consists of debt, minus cash and cash equivalents.

(15) Does not include financial commitments assumed in program agreements (R\$ 116 million, R\$ 177 million, R\$ 6 million, R\$ 121 million and R\$ 207 million in 2014, 2015, 2016, 2017 and 2018, respectively)

(17) Refers to the amount of the chemical "fluorosilicic acid" in relation to the total chemicals used in the treatment of water and sewage

(18) From the total electricity consumption, 81.5% was used in the water process (collection, production, adduction and treatment), 17.7% in the sewage process (collection, removal and treatment) and 0.8% in the administrative process.

(19) Refers to the water treatment plants of the Metropolitan Board.

(20) The 2017 inventory indicates that sewage collection and treatment activities are the largest sources of GHG emissions, accounting for approximately 89.3% of the total figure. Electricity contributed with 9.1% and other activities represented approximately 1.6%. The annual GHG inventory for 2018 is under development in 2019. The biomass emission in 2017 was of 71,321 tCO2e. The global warming potential adopted for CH4 is 21 and for N2O it is 310 (Global Warming Potential (GWP) values of the second report of the IPCC, Second Assessment Report – SAR)

(21) Refer to Barueri, Jesus Netto, Parque Novo Mundo and São Miguel ETs, which have facilities to produce reuse water. Water supplied corresponds to water sold. The capacity is the nominal of the facilities. The 2018 figures do not consider the volume of wastewater treated and supplied to Aquapolo Ambiental.

(22) Since 2015 Sabesp has been working with a mixed model to implement the Environmental Management System (EHS) in ETAs and ETAs, with the ISO 14001 standard applied to the certified scope and for other plants, using its own environmental management model (known as SGA-Sabesp). Given this strategic realignment, there was a reduction in the 14001 certified scope in 2015.

(23) Given the direct relationship between environmental activities and the Company's activities, it is not possible to specifically segregate environmental expenditures from the Company's total operating expenses and investments. Thus, as of 2018, Sabesp will no longer report the environmental investment indicator. The data reported until 2017 will be partial and related to corporate environmental management and the rational use of water programs, among other local initiatives.

(24) When not informed, it means that Sabesp was not among the top 50 companies with the highest number of complaints in the Procon ranking.

MANAGEMENT THAT IS INNOVATIVE, TRANSPARENT AND AWARE OF THE SECTOR'S REQUIREMENTS

As a listed company on the *Novo Mercado* of B3 (the São Paulo Stock Exchange) and on the New York Stock Exchange (American Depositary Shares – ADR Level III) since 2002, Sabesp has a Corporate Governance structure that is guided by high standards in relation to ethics and conduct, which emphasizes transparency in decision-making and fairness and respect for stakeholders.

Despite already having a consolidated governance structure, over the course of 2018 the Company dedicated itself to implementing the new standards of transparency and good governance resulting from Federal Law 13.303/16, State Decree 62.349/16, the *Novo Mercado's* Listing Regulations and the Brazilian Code of Corporate Governance. These measures were reflected in the adaptation of the Company's corporate governance structure and the adjustments made to a number of documents, such as the Company's By-laws, Code of Conduct and Integrity, internal regulations of statutory bodies and institutional policies, among others.

102-18; 102-22; 102-23; 102-24 Highlight in 2018 also goes to the preparation of the Bidding and Procurement Internal Regulations and the setting up of the Eligibility and Advisory Committee. In addition, training courses have been provided to Directors, Officers and Members of the Fiscal Council on matters related to corporate governance and integrity, as well as an Onboarding Program for new members of the Board of Directors, Fiscal Council and Executive Board, which includes a presentation of the main information about the Company, its corporate governance and its internal controls. Sabesp's current corporate governance structure, with its functions and responsibilities, can be found in the Corporate Governance⁴ section of the Company's website.

Integrity and transparency

Sabesp's Integrity Program, which was approved by the Board of Directors, is aimed at implementing a set of anti-corruption measures for preventing, detecting and remedying harmful acts against the public authorities. Backed by the Company's Compliance Policy, the program establishes guidelines, principles and skills that direct its managers and employees to work for the company so as to ensure compliance with laws, regulations and organizational instruments, preserving the company's assets, image, integrity and other ethical values.

The program covers two distinct scenarios, active corruption and passive corruption, and in 2018, it underwent a new restructuring in order to bring it into line with the recommendations of the Brazilian Office of the Comptroller General, as well as improvements in meeting the requirements of the Brazilian and North American Anti-Corruption Laws. In addition, the program's restructuring took into account Federal Law 13.303/16, the *Novo Mercado's* Regulations and the best practices recommended by the Brazilian Corporate Governance Code.

205-1 Therefore, in 2018, taking into account the Company's risk and corporate governance profile, in addition to compliance with the legislation, 64 compliance initiatives were completed, principally the following: (i) the adoption of integrity measures among the company's suppliers and service providers, with provisions included in contractual clauses setting out the obligation

⁴Sabesp's corporate governance structure. Available at <https://bit.ly/2u62AtS>

to comply with ethical standards and the prohibition of fraud and corrupt practices, and (ii) the monitoring of transactions with the Company's related parties.

In order to promote this culture of integrity, in 2018, the Company created the Conduct and Integrity Learning Trail, which includes communication and training activities to enhance the employees' knowledge of their legal requirements and responsibilities, as well as of corporate guidelines.

In addition to the training courses, in 2018 the Company set up and made available the trust channel, a tool that is at the disposal of the employees for settling and tackling doubts regarding ethical behavior in the carrying out of Sabesp's business at its various levels, with a guarantee of secrecy and anonymity.

Sabesp is committed to improving its processes for combating corruption in its business environment. In this context, in addition to the actions implemented under its Integrity Program, in 2018 the company carried out a quantitative and qualitative self-diagnosis on the issues of integrity, prevention and combating fraud and corruption. As a result, it was possible to ascertain the program's maturity level and to define the actions aimed at increasing and improving it in 2019.

Lastly, the Company expresses its public commitment to ethics by means of its adherence to the Instituto Ethos' Corporate Pact for Integrity and Against Corruption and its participation in the UN Global Compact's Anticorruption Working Group and in the Center for Governance and Business Ethics Studies of the National Quality Foundation, which launched the book *Transparent Management and Integrity Systems* with a case study from Sabesp, as well as on the Committee for the Special Study on Organizational Governance (ABNT/CEE-309).

Whistle-Blowing Channel

The ground rules for the company's Directors, Officers and employees to act in an integrated and coherent way in the conduct of their relations and business with different counterparties are defined in Sabesp's Code of Conduct and Integrity, which was initially developed as a collaborative project in 2006 and updated in 2014 and 2018.

In order to boost Directors', Officers' and employees' commitment to the Code and to ensure that it remains relevant, up-to-date and sufficient, the Company has an Ethics Committee which, with effect from 2018, is now linked to the Board of Directors.

Complaints in relation to breaches of the Code, incidents of fraud, corruption or unlawful acts or regarding any other matters that may have a negative impact on the principles and interests of Sabesp, its subsidiaries and shareholders, can be made by any interested party, via the Whistleblowing Channel, which has been in operation since about 2006:

- E-mail: canaldedenuncia@sabesp.com.br
- Direct phone line: (011) 3388-8100
- Ombudsman: 0800-0550565 or e-mail: ouvidoria@sabesp.com.br
- Service Center: Emergency: 195 or in the São Paulo Metropolitan Region: 0800-0119911 or in the interior of the state and in the coastal region: 0800-0550195
- PO Box: 61540 – Zip Code: 05424-970
- Personally or by letter addressed to the Superintendência de Auditoria (Audit Department): Rua Costa Carvalho, 300 – Zip Code: 05429-900

It is up to the Audit Committee to monitor the procedures for verifying breaches of the Code of Conduct and Integrity, as well as events registered on the Whistleblowing Channel.

The Audit Department is responsible for processing complaints and must make every effort to ensure the anonymity of the complainant and protect the confidentiality of the information and of those involved, in order to preserve rights and the neutrality of decisions.

It should be noted that in October 2018, the Executive Board and the Board of Directors approved guidelines for the functioning of the Whistleblowing Channel, reinforcing the principles of anonymity, immediacy and secrecy, among others.

205-3 In 2018, there were 164 incidents recorded, which represents a 14% increase in relation to the previous year. Out of the total number of complaints considered to be material, penalties were imposed on 48 employees, including the company's own employees as well as outsourced ones: 11 warnings were issued, 1 suspension was issued, and 36 individuals were fired. It should be noted that there were no indications of the company's employees being involved in cases of corruption.

Transparency

Sabesp has been undertaking a series of measures that, in compliance with corporate governance actions, increase its processes in such a way as to always act with transparency and become a reference in models of efficiency in public sector management, such as the Transparency Portal, which was implemented in 2017, and which provides clear and up-to-date information such as Institutional Policies, agreements with the granting authority and agreements with suppliers, the main programs and projects developed, in addition to minutes of the Company's boards and committees meetings.

The Transparency Portal is constantly being improved and in 2018 it increased its publication of information, in order to comply with the legislation and provide answers to the most frequently asked questions made through the Citizens Information Service (SIC) by 21%. This service channel registered a total of 365 requests, which were answered in an average period of 11 working days, bearing in mind that the deadline permitted under the Access to Information Law is 20 days, which is extendable for a further ten days.

Risk management

Sabesp has a Risk Management and Compliance Department, which is administratively linked to and led by the Chief Executive Officer. The risk management methodology adopted at Sabesp is based on the COSO – ERM international model – The Committee of Sponsoring Organizations of the Treadway Commission “Enterprise Risk Management – Integrated Framework”, as well as on the standards ABNT NBR ISO 31.000 – Risk Management – Principles and Guidelines and ABNT ISO GUIDE 73 – Risk Management – Vocabulary, covering the entire organization.

102-11; 201-2 The Company maintains a corporate risk map and monitors global and national trends in order to foresee scenarios that may have an adverse impact on its operations, and in this way ensure that its strategic objectives are achieved. Risks are classified in four categories (strategic, financial, operational and compliance) and are measured with regard to their impact and the likelihood of their occurrence. They are subsequently assessed at the appropriate hierarchical levels in order to define mitigating actions required for each situation. All corporate risks are reviewed at regular intervals, with a view to the implementation of possible mitigating

actions. A description of the risk factors can be found in item 4 of the Reference Form⁵, which is available on the Company's Investor Relations website, in the "Financial and Operating Information" section.

Internal controls

Internal controls have been assessed in a structured and systematic way since 2005, benchmarking with the internal control parameters of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013 version.

The internal controls assessment process is carried out once a year taking into account both the potential existence of new risks associated with the drawing up and disclosure of financial statements and possible significant changes in information technology processes and systems.

Internal controls include the procedures regarding adjustment of the accounting records, preparation of the financial statements in accordance with official rules and proper authorization of transactions involving the acquisition, use and disposal of the Company's assets. The internal control tests are carried out by the Audit Department, a unit that is linked to the Board of Directors through the Audit Committee and administratively linked to the Chief Executive Officer, and which since 2016 has held the QA Quality Assessment certificate granted by the Brazilian Institute of Internal Auditors (IIA Brazil), which is an affiliate of the Institute of Internal Auditors (IIA).

In addition to complying with section 404 of the Sarbanes-Oxley Act (SOX), the internal controls assessment process is in compliance with Law 13.303, dated June 30, 2016. As was the case in previous years, the review undertaken in relation to the effectiveness of the internal control environment in 2017 did not identify any material deficiencies. The tests for the year 2018 will be completed in April 2019.

External Auditors

Sabesp respects the principles that protect the external auditor's independence with regard to not auditing its own work, not performing managerial functions and not acting on behalf of its client. According to the Company's Bylaws, it is up to the Audit Committee to make an assessment of the guidelines for the process of entering to a contract with an external audit firm, as well as other conditions in relation to the provision of services, making the corresponding recommendations to the Board of Directors. In addition to this, it also gives its opinion on the hiring or dismissal of the external auditors and states its opinion in advance regarding the contracting of other services provided by the external audit firm, or by companies related to it, which are not included in the typical audit activities.

KPMG Auditores Independentes has been the Company's external auditor since the review of the quarterly information (ITR) of June 30, 2016. In 2018, the Company paid R\$ 2.4 million for the audit of the financial statements, the review of the quarterly information and of project financing, among others. During the same period, KPMG provided 132 hours of training on matters that did not conflict with the audit services provided and which did not exceed 5% of the fees paid for the aforesaid services. Of Sabesp's affiliated companies, KPMG Auditores Independentes in 2018 audited the company Attend Ambiental S.A.

In addition, in 2018 Deloitte Touche Tohmatsu Auditores Independentes provided one-off external audit services in the sum of R\$ 347.9 thousand, in relation to the reissue of a report

⁵Reference Form. Available at <https://bit.ly/zurUz2z>

regarding previous years that were audited by it, and included on the form 20-F, which is filed with the United States Securities and Exchange Commission. The auditors, together with parties related to them, did not provide, during the Company's period of operations, other services that exceeded 5% of the fees paid for the external audit services.

Changes in the Make-Up of the Executive Board and in the Management's Compensation

Reflecting the changes in the governmental environment fueled by the elections for governor of the state and for the president of the republic, in 2018 the Company's senior management underwent two major changes. The first in May, when Mrs. Karla Bertocco took over as Sabesp's Chief Executive Officer, replacing Mr. Jerson Kelman. The second occurred in December, when Mrs. Bertocco stepped down and at the start of January 2019 was replaced by Mr. Benedito Braga. During the same period, there were also changes in the Corporate Management Office and in the Regional Systems Office.

In 2018, the Board of Directors approved the Compensation Policy for Directors, Officers, members of the statutory committees and the fiscal council, in line with the compensation guidelines established by the Council for the Defense of the State Capitals – CODEC.

Under the Brazilian Corporate Law, the total amount available for compensation of the board members and executive officers and for the payment of profit sharing to the executive officers (executive officers' bonuses) is required to be determined by the shareholders at the annual general meeting. In 2018, the gross amount of this compensation, including legal benefits and charges, was approximately R\$ 4.6 million, including about R\$ 537.7 thousand related to the variable compensation of the executive officers.

Business model

102-5 Sabesp is a publicly-held mixed capital company which was founded in Brazil in 1973, under the terms of State Law 119/73, with the purpose of planning, executing and operating public basic sanitation services in the State of São Paulo.

Its main corporate purpose at the present time is to provide basic sanitation services, as established in its Bylaws, with a view to universal access to the aforesaid services in the State of São Paulo, without prejudice to the company's long-term financial sustainability.

The Company is also authorized to plan, operate and maintain systems for the production, storage, conservation and commercialization of energy, both for itself as well as for third parties, and also to market services, products, benefits and rights that are directly or indirectly derived from its assets, business ventures and activities. It can also provide ancillary services in any part of Brazil or abroad.

Sabesp's share capital consists exclusively of common shares (with voting rights) and in compliance with State Law No. 11.454/2003, with it being a requirement that the Government of the State São Paulo is the controlling shareholder. The Government of the State currently holds 50.3% of the shares.

The rest of the shares are traded on stock exchanges in Brazil and abroad. At the end of 2018, 31.4% of the shares were traded in Brazil, with the remaining 18.3% being traded in the United States in the form of American Depositary Receipts (ADRs) – Level III.

In September 2017, State Law 16,525 was enacted, which allowed the Government of the State of São Paulo to set up a joint stock company to exercise share control of Sabesp, but with the State Government retaining the majority of the voting capital of this parent company.

The purpose of this measure is to obtain more resources in order to expand investments in sanitation and to speed up the process of achieving universal access to the water supply, sewage collection and treatment services, in an attempt to add value to Sabesp's business and strengthen its corporate governance.

The company has not yet been created and, due to the elections for the state government in the second half of 2018, the operation was put on hold and the Company is currently awaiting guidance from the Board of Directors of the State Privatization Program.

STRATEGY AND VISION OF THE FUTURE

102-16 Sabesp's mission is to provide water and sewage services, contributing to improve the quality of life and of the environment; with the Company's goal being to become a worldwide reference in relation to the provision of sanitation services, in a sustainable, competitive and innovative way, with a focus on the customer.

The definition of Sabesp's strategies and guidelines is based on an analysis of risks and opportunities, and in the pursuit of its vision for the future, the Company operates so as to ensure the availability of water in its area of operations and to make progress with implementing structures for the collection and treatment of sewage, with technical and economic feasibility, contributing to the goal of universalization with quality in the management of its services. The goal is to undertake 954 thousand new water connections and 1.2 million new sewage connections between 2019 and 2023.

In 2018, the current strategy was updated by management and the objective "Keep and Conquer Markets and New Businesses" was added to the strategic map. Within the scope of this new objective, negotiations were completed with the municipality of Guarulhos, whose population of 1.3 million people became part of the operated base in the retail market. For more information, see chapter "Results Converted into Greater Access and Quality of Services".

With regard to the new business and innovation segment, a call for proposals was issued under the title 'Pitch Sabesp', to select innovative projects that offer solutions to the challenges faced by the Company in relation to the company's provision of services and internal management. For more information, access www.sabesp.com.br/pitchsabesp/

As an additional way of encouraging the search for sustainable and innovative solutions to optimize investments and improve the operational efficiency of sanitation in the Baixada Santista region or in informal areas, at the start of 2018, Sabesp launched the Saturnino Brito Engineer Award. An initiative open to all employees, the Award recognize the best and most innovative sanitary engineering projects proposed for these regions.

Over the course of the year, Sabesp invested around R\$ 10.6 million in research, development and innovation projects, both with its own resources as well those raised from development entities.

To support the pursuit of its strategic objectives, the Company develops projects to improve its management. The highlight in 2018 was the conclusion of the Sabesp Management Model Project, which consisted of carrying out the Assisted Self-Assessment based on the National Quality Foundation Management Excellence Model. With integrated stages of raising awareness, training and evaluation of management's maturity, the Company has fostered a culture of excellence, a continuous improvement of management, a systemic vision and the sharing of good practices, in order to achieve excellence in performance.

In addition, the implementation of a CRM (Customer Relationship Management) system is still under way, with a view to replacing the current commercial information systems by 2020.

Balance of Targets

The targets proposed by the Company for 2018 were achieved, and the highlight include the implementation of 199 thousand new water connections, which was 18.5% greater than the target that had been set, and 215 thousand new sewage connections, or 7.6% more connections

than had been forecast for the period. It is worth noting that the result of the sewage collection coverage rate achieved the proposed target taking into account the indicator's variation margin. The target of 293 liters per connection per day for water losses was also achieved. The achievements in 2018 and the projections for the coming years can be found in the table below.

Achievements in 2018 and Targets for 2019-2023

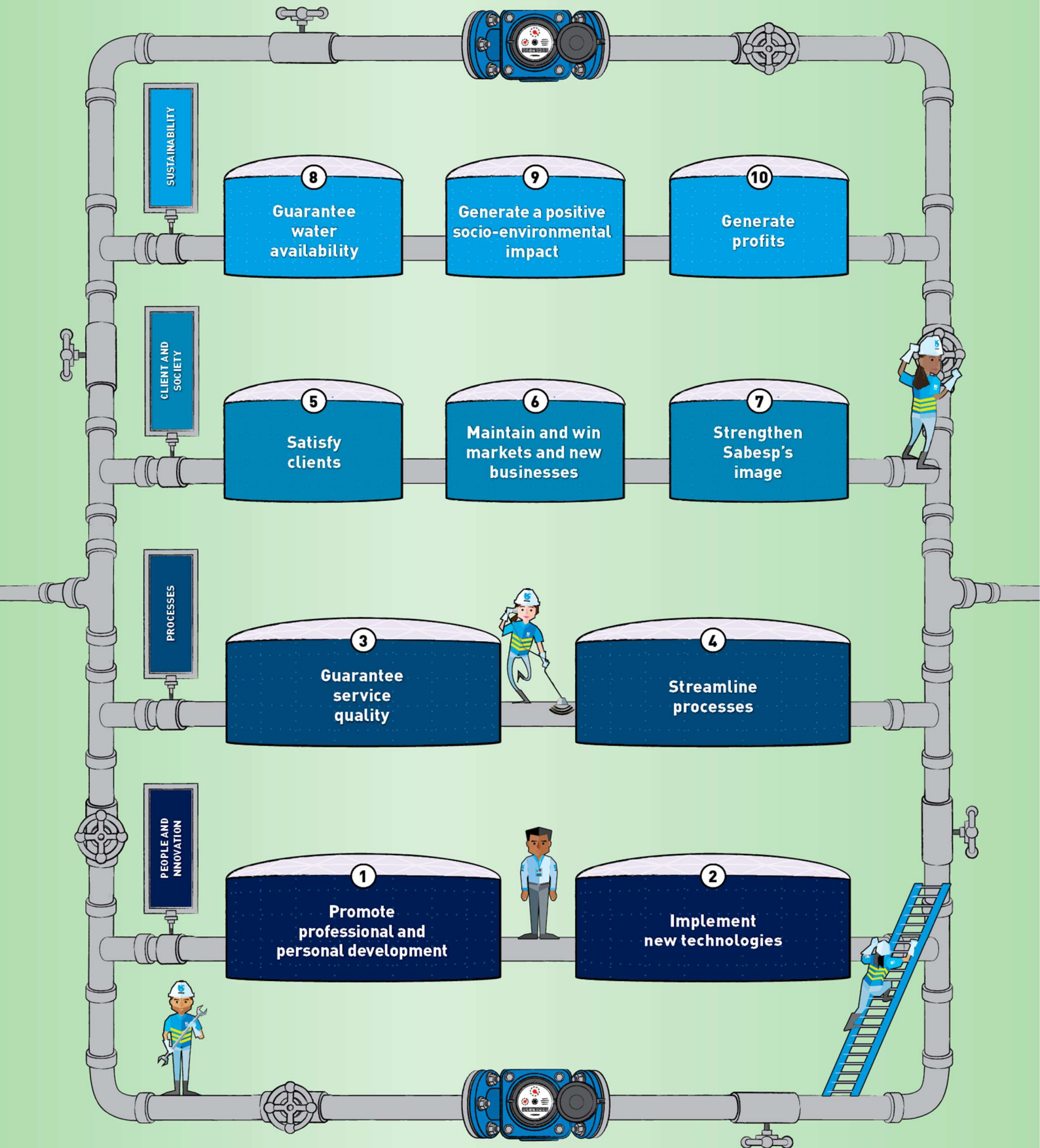
	Achieved	Targets					
	2018	2018	2019	2020	2021	2022	2023
Water supply service	Tending towards universalization ⁽¹⁾	Tending towards universalization ⁽¹⁾					
Sewage collection service (%)	83	84	85	86	87	87	87
Water supply coverage	Tending towards universalization ⁽¹⁾	Tending towards universalization ⁽¹⁾					
Sewage collection coverage (%)	90	91	91	92	93	93	93
Ratio of households connected to sewage treatment (%)⁽³⁾	76	76	77	80	83	83	84
New water connections (thousand)⁽²⁾	199	168	186	192	192	192	192
New sewage connections (thousand)⁽²⁾	215	200	227	240	246	247	240
Water losses per connection (liters/connection/day)	293	293	283	273	267	261	253

(1) Coverage equal to 98% or more. Service equal to 95% or more. For methodological reasons, it includes a variation margin of plus or minus 2 percentage points.

(2) Includes the municipality of Guarulhos in the targets from 2019 onwards.

(3) Household is the term used for the building or subdivision of a building, with occupations that are demonstrably independent of each other, collectively using a single water supply connection and/or sewage connection.

The Company's Profit-Sharing Program was based on certain indicators, which are in line with its organizational strategy, reflecting economic, social and environmental performance.



SUPPLY

WATER INFRASTRUCTURE PREPARED FOR CURRENT AND FUTURE DEMANDS

At the end of 2018, Sabesp registered a total of 369 municipalities operated⁶, which represents about 57% of the 645 cities in the State of São Paulo, where there is universal access to the water supply. Even so, this is a service that requires permanent expansion to keep up with the demographic and geographical growth of the cities served, which in 2018 required the implementation of 199.1 thousand new connections.

In total, in 2018, R\$ 2.3 billion was invested in water services, with resources also allocated to structural programs aimed at reinforcing water security which were designed to meet the specific needs of the different regions operated. Metropolitan Water Program (PMA), Coastal Water and Inland Water. The Corporate Program on Loss Reduction is present in all regions.

The Metropolis and the challenge in terms of supply **103 | 303**

The São Paulo Metropolitan Region (SPMR) concentrates 20.9 million people, which is approximately 47% of the inhabitants of the State of São Paulo. This is the largest economic center of the country, the largest urban agglomeration in Latin America and among the six largest metropolises in the world.

With the entry of Guarulhos (January 2019), Sabesp started to operate in 35 of the 39 municipalities that make up the Metropolitan Region of São Paulo (SPMR), adding up. Another four municipalities (Santo André, Mauá, São Caetano do Sul and Mogi das Cruzes), which total about 1.7 million inhabitants, are served by the wholesale: treated water is delivered to the municipality, which is responsible for distribution to final consumers.

The combination of the population concentration (often located in a disorderly and irregular way) and the geographical location (at the headwaters of the rivers that make up the Alto Tietê basin) results in extremely low water availability, comparable to semi-arid regions, with an annual average of only 130 thousand liters per inhabitant.

Since the natural availability of the Alto Tietê basin is not sufficient to meet the demand of the metropolis, great efforts are made to maintain the security of supply, with high levels of investments being necessary for the purpose of collecting water in other river basins, at ever greater distances, along with a series of initiatives.

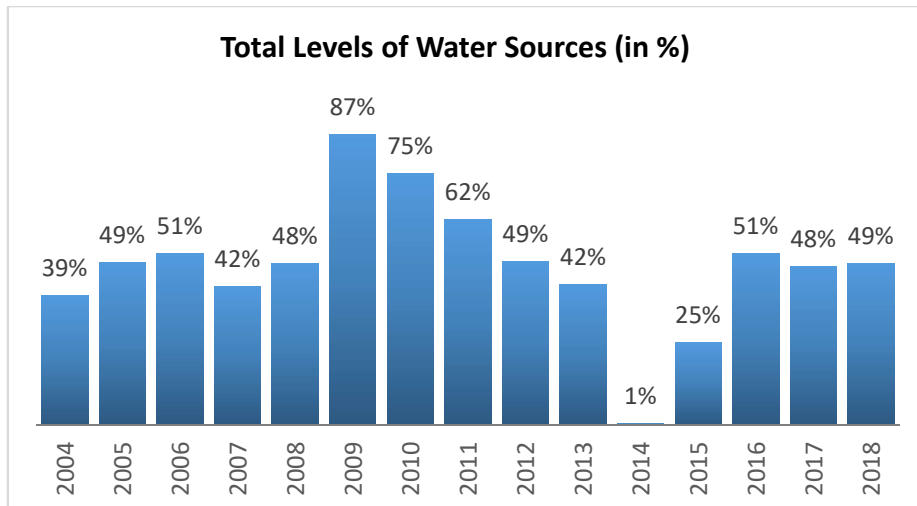
The increasingly recurrent droughts make the task even more challenging. In 2018, the SPMR found itself facing a new period of drought, especially in three of the SPMR's main producer systems. The Cantareira System did not register any significant rainfall (in excess of 10 mm) for a period of 71 days. The Guarapiranga system faced the same situation for a period of 117 days; while in the case of the Alto Tietê system it lasted for a period of 151 days.

As a consequence of the low rainfall, the three main systems, totaling 16 million of those served, presented a natural contribution (inflow) below the historical average: Cantareira (-35%), Alto Tietê (-19%) and Guarapiranga (-8%). Nevertheless, on December 31, 2018, the

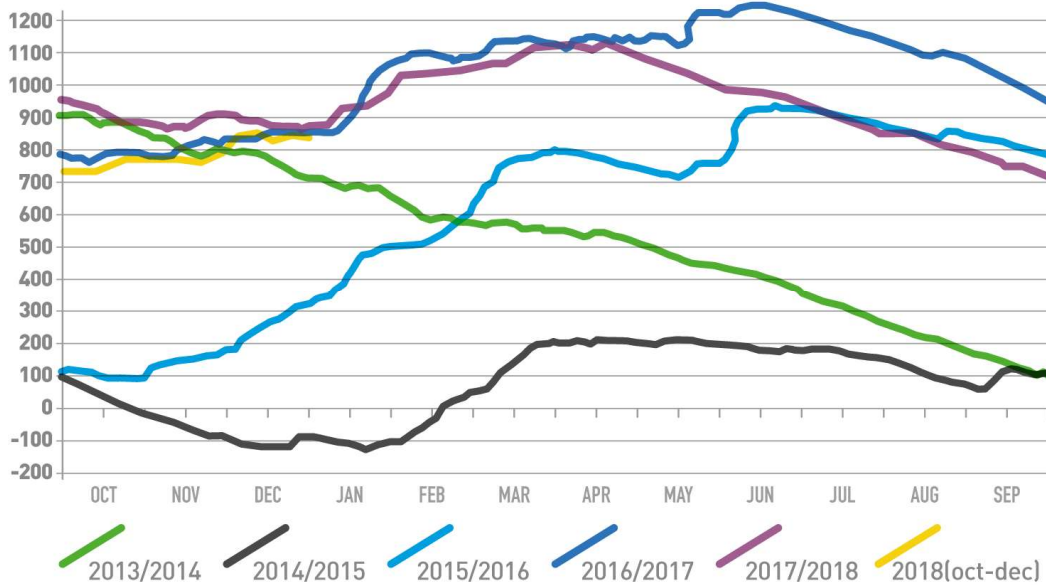
⁶The contracts with Guarulhos and Saltinho were signed in 2018; however, the start of operations in both happens in 2019 and, therefore, they are not added in the total of municipalities served until December 31, 2018, the base date of this document.

overall volume of the water supply sources that feed the supply the SPMR stood at 49% of the total capacity, a level equal to that registered in 2012 (prior to the water crisis) and slightly above the 48% registered in 2017 (chart).

In addition to the emergency actions that have been implemented throughout the water crisis⁷ (2014/2015), the maintenance of water availability and regular supplies in 2018 is due to a number of factors. One of these was the fact that the drought occurred during the dry period (between April and September), when a lower loading is expected in the water sources. Another key factor was the coming into operation of two major construction works that began to bring more water from outside the Alto Tietê basin, as described below.



In 2018, global volume of water sources registered an index equal to 2012 and better than 2017



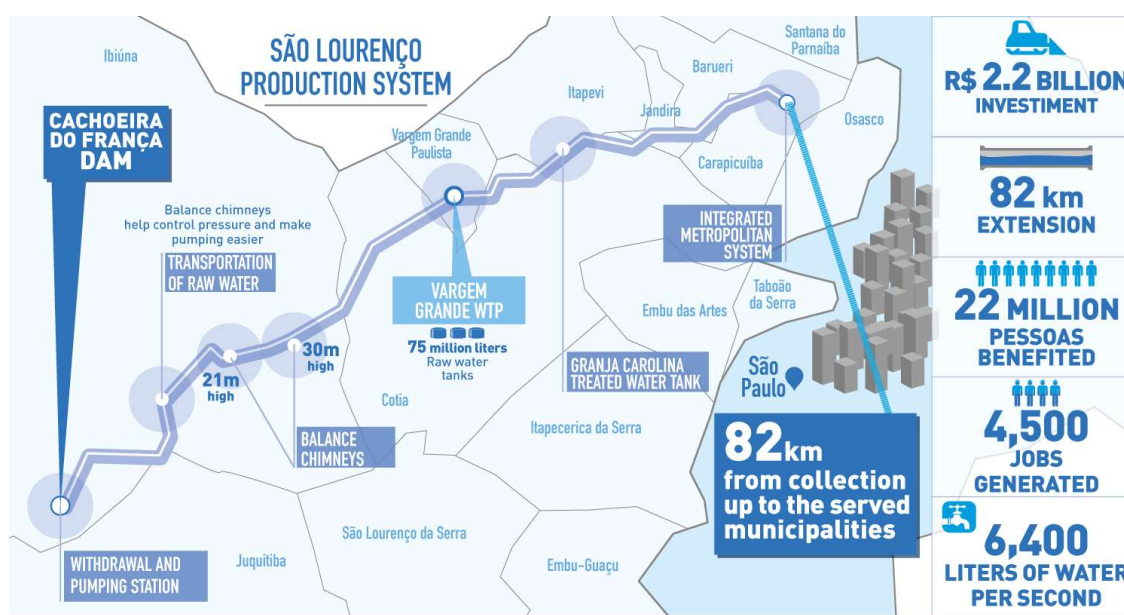
Despite of the low rainfall, set of water sources ended 2018 with elevation trend of the volume of accumulated water

⁷ Sabesp Sustainability Report – 2015 and 2016 editions. Available at <https://bit.ly/2FU4GFz>

More water for SPMR

Since April 2018, the São Lourenço System has been responsible for supplying up to two million people of the municipalities of Barueri, Carapicuíba, Cotia, Itapevi, Jandira, Santana de Parnaíba and Vargem Grande Paulista.

With an initial investment of R\$ 2.2 billion⁸, the structure covers a distance of 82 km from the withdrawal area at the Cachoeira do França dam on the Jiquiá river in the municipality of Ibiúna, in the Vale do Ribeira region. On the way, the water goes through treatment in the Vargem Grande Paulista STP. The supply capacity is up to 6.4 thousand liters a second, to meet the current and future demand of the western region of Greater São Paulo, which is the area in the São Paulo Metropolitan Region (SPMR) that has the highest rates of population growth.



Throughout 2018, the complementary construction works in the São Lourenço System were also started, focusing on strengthening the interconnection of the system to the municipality of Barueri, Santana de Parnaíba, Pirapora do Bom Jesus, Aldeia da Serra and part of Itapevi, to help make the metropolitan system flexible.

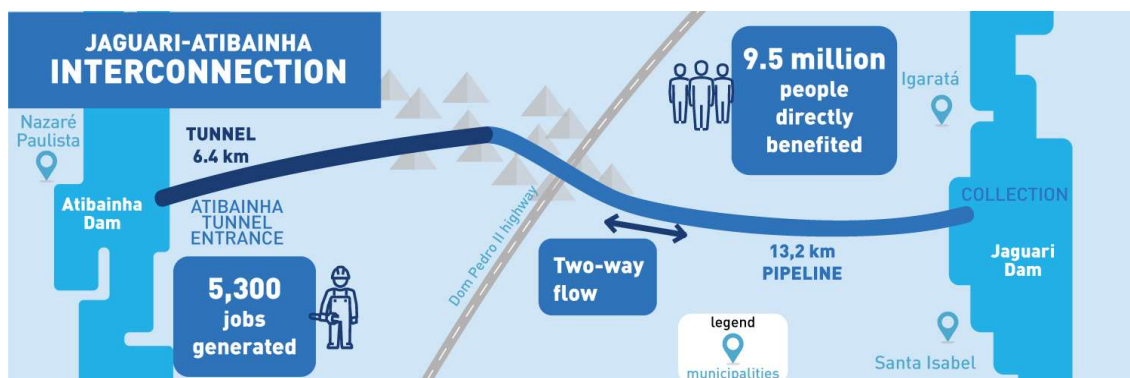
In this new section, entitled Gênesis System, a water reservation center is under construction, as well as more than 14 km of pipelines to connect the region of Antônio João train station in Barueri to the headquarters of Santana de Parnaíba, with investments of R\$90 million.

The Jaguari-Atibainha Interconnection is the other main improvement that came into operation in 2018 for the purpose of increasing the metropolis' water security. Since March, the 19.6 km long interconnection (13.2 km of water mains and 6.4 km of tunnels) makes it possible to transfer an average flow of 5.13 thousand liters a second and maximum of 8.5 thousand liters a second of raw water from the Jaguari reservoir, in the Paraíba do Sul Basin, to the Atibainha reservoir, which is one of the ones that make up the Cantareira System (PCJ Basin).

May 2018 saw the inauguration of the operation in the opposite direction (Atibainha-Jaguari) which makes it possible to transfer up to 12.2 thousand liters a second, thus ensuring that the

⁸For more information, see Note 15 (g) to the 2018 Financial Statements. Available at <https://bit.ly/2urUz2z>

Cantareira System serves as a reservoir to supply the population of the Paraíba do Sul basin in times of greatest need.



When the Paraíba River is in a normal situation, with much of its flow going to the Atlantic Ocean in the state of Rio de Janeiro (Fluminense), part of this water can be stored in the Cantareira System, increasing the reserve and water security of those served by both basins. The transfer of the waters from the Atlantic side of the Itapanhaú River to the Alto Tietê System is the third major construction project for bringing in water from outside the Alto Tietê basin, with a view to increasing water security in the São Paulo Metropolitan Region (SPMR).

The construction project will directly benefit about 4.5 million residents, reinforcing the SPMR's entire integrated system. However, approval still has to be obtained for the environmental permit. The expectation is that the project will get under way in 2019.

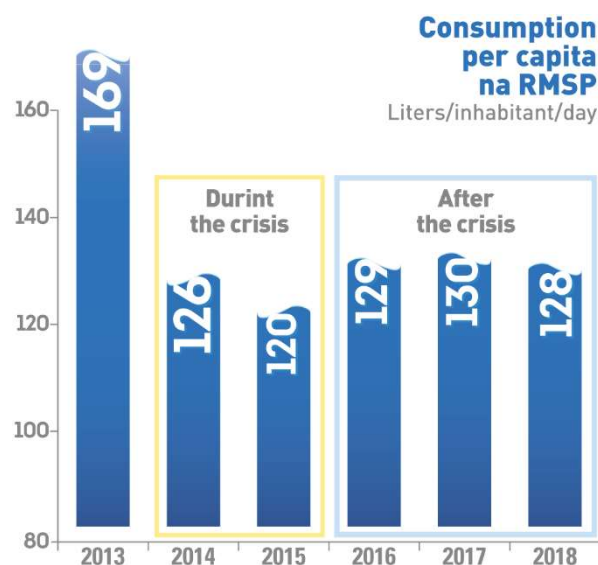
More capacity to reserve water

The greater flexibility of transfer between systems made it possible to accumulate, in 2018 alone, 271.7 million liters in the total reserve of the SPMR's water sources. This was possible due to the works for the transfer of raw water from the Rio Pequeno arm (Billings Reservoir) to the Rio Grande System (operation of which was initiated in July 2016), due to the new supply of raw water from the Jaguari – Atibainha interconnection and from the São Lourenço Production System (treated water that is no longer collected from metropolitan water sources).

Without the above improvements, on December 31, 2018, the total reserve would have been 14 percentage points lower (at a figure of around 35% instead of the 49% recorded). The volume incorporated into the Metropolitan Integrated System (SIM in portuguese) is similar to the sum of the storage capacity of the Guarapiranga and Rio Grande dams. In addition, the beginning of the filling of the Taiaçupeba dam up to the 744.67 meters quota allowed an increase of 25 million liters in the total storage capacity.

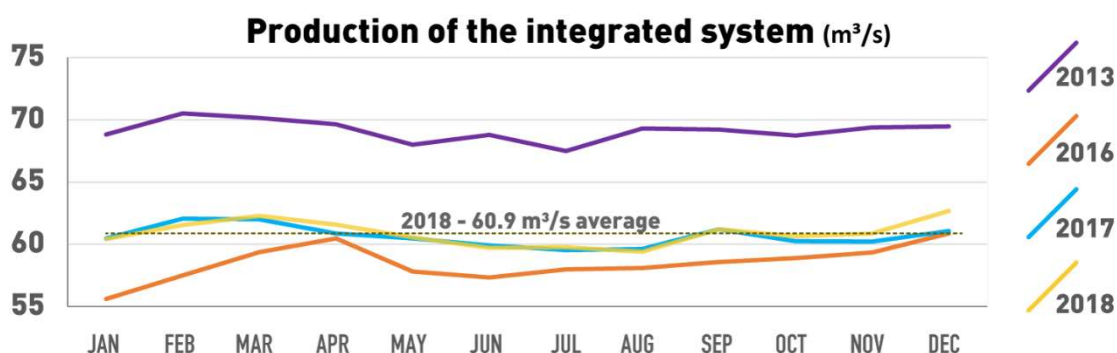
Consumption habits with increased awareness

The maintenance of a moderate consumption habits was another determining factor for the balance in water availability in 2018. This can be explained by the awareness and due incorporation of rational habits acquired during the water crisis by the population, especially the residential consumers.



In 2018, per capita consumption was 128 liters a day, maintaining the same level as in the previous four years (when an average of 126 liters a day was registered) and 24% lower than the 169 liters inhabitant/day registered in 2013, before the onset of the water crisis (chart).

This behavior was also partially reflected in the maintenance of the post-crisis level of production of treated water to supply the Metropolitan Region of São Paulo. In 2018, daily average production was 60.9 m³/s, which is about 13% lower than the 69.9 m³/s registered in 2013. Such scenario demonstrates the consolidation of a more rational consumption habits by the population.



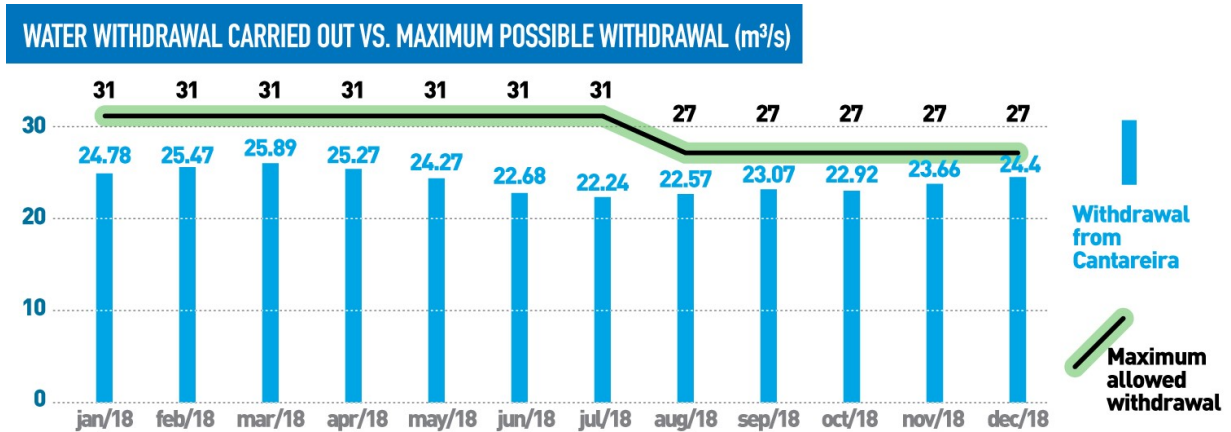
Less water withdrawn from Cantareira

The greater integration and the strengthening of the metropolitan system also allowed Sabesp to preserve part of the Cantareira system reserve, which currently serves an average of 7.5 million people in the SPMR (9.5 million by the end of 2013, before the increase in integration and flexibilization of the metropolitan supply system).

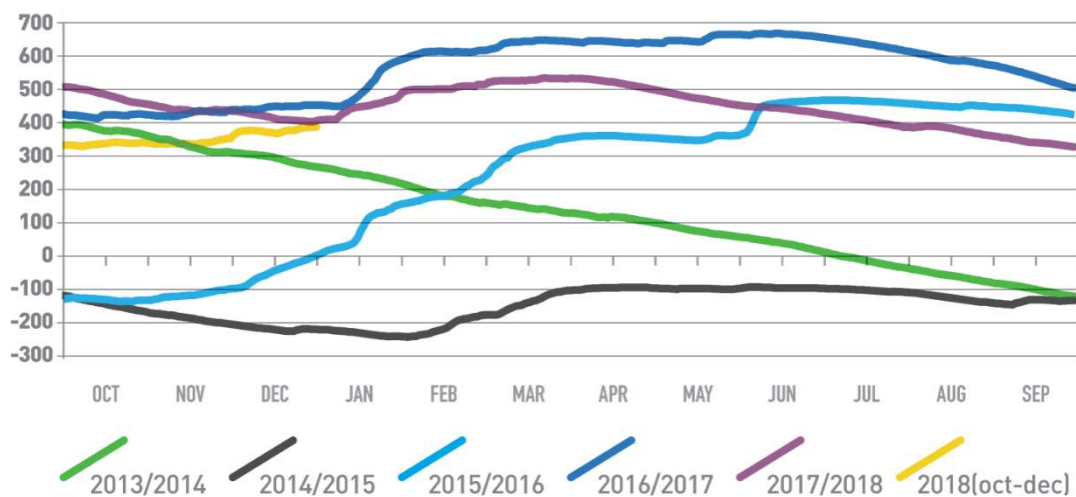
Affected by the drought, the Cantareira storage level reached 39.6% at the end of July 2018, entering a “state of alert (below 40%)” according to the operational rule established by the 2017 ANA/DAEE grant⁹.

⁹ <http://arquivos.ana.gov.br/resolucoes/2017/925-2017.pdf>

At the worst time, in October 2018, it reached 33.5%. As a rule, in a “state of alert”, the water withdrawn from the Cantareira should be reduced from 31 thousand liters per second to 27 thousand liters per second. However, due to the low demand, which resulted from the change in population habits, during 2018 the water withdrawal was of around 24 thousand liters per second. With this, 170 billion liters were saved, i.e., about 17% of the Cantareira’s useful volume.



The water withdrawn from the Cantareira System always remained below the volume allowed by the grant



Despite the fall from mid-2018 due to the few rains, the Cantareira System reached the end of the year with elevation trend. If the limit allowed by the grant was collected, the useful volume accumulated in the System would be 17% lower in the year-end, with a reserve of 22.5% instead of the 39.5% registered.

Efficiency in the management of water resources

At the present time the SPMR’s supply is based on the withdrawal and treatment of water by eight Producing Systems strategically located in different parts of the metropolis. Together, in a normal climate situation, the São Lourenço, Cantareira, Alto Cotia¹⁰, Guarapiranga, Rio Grande, Rio Claro, Alto Tietê and Ribeirão da Estiva producing systems have a nominal production capacity of 80.9 thousand liters per second of water and make up the Integrated Metropolitan System (SIM).

¹⁰The Baixo Cotia System was paralyzed in May 18 with the start of operation of the São Lourenço Producer System

The producing systems are interconnected by large-scale water pipelines that are part of the Metropolitan Water Mains System (SAM), which is responsible for transporting the treated water to the 231 sectoral reservoirs and, from these points, it is distributed to the consumption points in the Greater São Paulo region (household, commercial and industrial consumers).

The sectoral reservoirs complement the water security by ensuring more treated water supply and ongoing supply in districts farther from the main adductor systems. In 2018, the Cotia-Centro metal reservoir, with a capacity of ten million liters, came into operation and ten other similar facilities are in the process of being installed in the municipalities of São Paulo (five units), Barueri, Carapicuíba, Vargem Grande Paulista and Cotia (two units).

When in operation, the metropolitan region's storage capacity will be increased by 78 million liters (equivalent to the daily consumption of around 600 thousand people compared to the average of 130 liters / person / day). Since 2014, 26 reservoirs have been installed in the SPMR. The set represents an increase of 180 million liters of treated water in the storage capacity in the SPMR in relation to the end of 2013, before the severe drought of 2014-2015 started. This represents a daily average consumption of 1.3 million people. (130 liters / person / day).

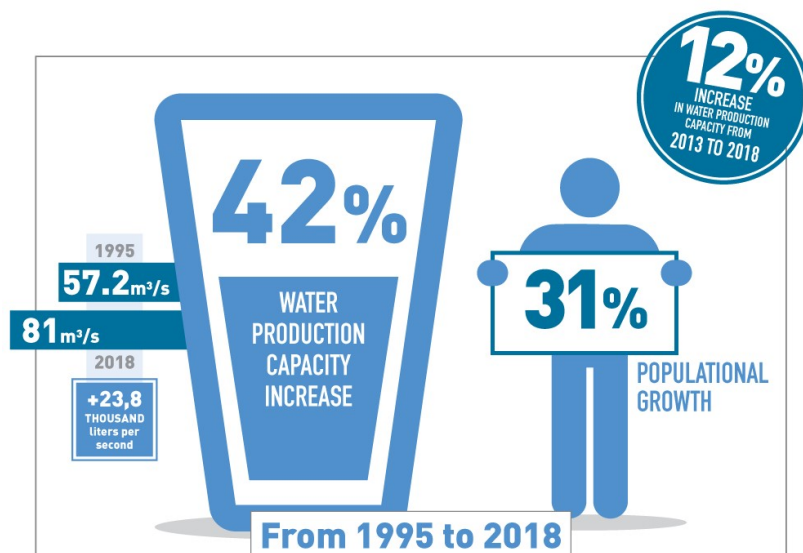
The structural increments, which were extremely necessary to cope with the recent crisis and future climate threats, were made possible by the existence of a sound structure, which for more than two decades has been strengthened by means of the **Metropolitan Water Program (PMA** in portuguese).

Initiated in the mid-1990s, with a focus on increasing the supply of raw water, increasing the storage structures, renovating and expanding the transport (pumping) capacity and the production of treated water, the PMA solved the problem of a lack of infrastructure that imposed a situation of water rationing on more than five million people in the Metropolitan Region of São Paulo. Some of the resources come from the company itself, while the rest come from financing granted by the BNDES (National Bank for Economic and Social Development) and the Caixa Econômica Federal (Federal Savings Bank). In 2018, the Company invested approximately R\$ 165 million in this Program.

With this work, the water production capacity in the SPMR was increased from 57.2 thousand liters per second in 1995 (beginning of the PMA) to 81 thousand liters per second in 2018, a jump of 42% (+23,800 thousand liters per second) in the water production capacity compared to a 31% increase in the population contingent over the same period. Just by comparison with 2013, prior to the crisis, this was a 12% increase in installed production capacity.

The structural expansion jointly with the operational efficiency and the team of professionals allows obtaining results like those registered in the city of Guarulhos. Less than a month after Sabesp entered the local operation in January 2019, about 700 thousand were taken out of the weekly rotation system in the supply. By the end of 2019, the estimated 1.3 million inhabitants of the municipality are no longer affected by intermittent supply.

Sabesp's long-term planning to adjust the available infrastructure to changes resulting due to the population growth, rainfall, flow rates, availability of water sources, transportation capacity, consumption behavior and rearrangement of population distribution in the territory. This allows the analysis of the construction works needed to increase the integration between the producing systems to transfer areas, focusing on the balance between raw water, treated water and consumption in the SPMR.



On a daily basis, the strategic decision-making process is based on the Decision Support System (SSD), developed in 1998 in partnership with the Department of Hydraulic and Environmental Engineering of the Polytechnic School of the University of São Paulo [USP – Universidade de São Paulo] and continually improved. The system provides data on the water balance of the producing systems, rainfall levels of the systems and other information that allows the permanent management of the fountains by planning at the operational, tactical and strategic levels.

The SDD is also responsible for supplying the platforms of information transmitted to the society through the information and newsletter inserted in the Company’s website and in the Sabesp SPMR Water Sources application. The technology also allows the generation of reports that are sent to the operational areas, managers and for follow-up of other agencies, such as the National Water Agency (ANA); Hydrographic Basin Committees, Department of Water and Electric Energy (DAEE) and press.

Dams under monitoring

The public supply of the SPMR has dams as the main source for the water withdrawal. Sabesp carries out continuous monitoring, operation and maintenance in relation to these structures, with a view to complying in full with the security requirements and procedures under supervision of the control bodies. These practices meet the conditions imposed by the National Dam Security Policy, by the Grants of Right of Use and the respective operating rules, by the legislation in force, and by additional internal guidelines and procedures.

In addition to these actions, Sabesp carries out a multidisciplinary assessment of strategic risk management and operation of these structures, enabling continuous assessment and monitoring by the company’s managers and senior management.

Protection of biodiversity 103 | 304

The water restriction and the large population concentration make it a vitally urgent matter to preserve the water supply sources of the metropolis, which for decades has lived with its scarce water resources under threat. Factors such as the intense and disorderly occupation of the soil, the devastation and silting up of environmental protection areas, the clandestine dumping of domestic and industrial sewage, and the fact that rainfall carries urban waste into

the water bodies (diffuse pollution) are the main ones behind the deterioration in the quantity and quality of the water of the metropolitan water sources.

304-1 In order to mitigate the impact of the degradation of these water sources, Sabesp monitors and preserves more than 44 thousand hectares, equivalent to nearly 200 Ibirapuera parks. There are 9 thousand hectares of bodies of water and 35 thousand hectares of area around the sources that supply the water production systems Rio Claro (Serra do Mar State Park), Alto Cotia (Reserva do Morro Grande), Guarapiranga (Capivari-Monos Environmental Protection Area), Alto Tietê (Taiapuêba dam) and Cantareira (Atibainha, Cachoeira, Jacareí, Jaguari and Paiva Castro dams).

The reserves monitored by Sabesp represent 1.4% of the State of São Paulo's remaining Atlantic Forest and protect the water consumed by more than 14 million residents of the capital and the Greater São Paulo region. In 2018, Sabesp organized the planting of 306 thousand seedlings, of which 287 thousand were in the vicinity of the Cachoeira reservoir (Cantareira System). Another 19 thousand seedlings were planted around the Taiapuêba (Alto Tietê) reservoir.

In recent years, these two dams have gained more than two million seedlings. The accomplishment of this task is achieved both by means of its own initiatives, such as the **Metropolitan Green Belt Program**, and via partnerships, such as the **'Nascentes' (Springs) Program**, which is a joint effort between Sabesp and the Government of the State of São Paulo.

At the 8th World Water Forum held in March in Brasilia, "Cinturão Verde Metropolitano" was chosen by the BID (Banco Interamericano de Desenvolvimento in portuguese) as an example of an initiative to protect and restore the environment to benefit water resources. The program was the only Brazilian initiative selected among more than 300 enrolled in Latin America, the Caribbean and North America.

As a result of this work, the Cantareira System's vegetation cover in the company's areas shot up from 61% to 75%. In the other areas belonging to Sabesp which are inside Conservation Units vegetation cover goes as high as 100%. Parallel to planting, monitoring is necessary to ensure the success of the recovery. Rather than contributing to the maintenance of water quality and local biodiversity, such actions hinder illegal occupations, preventing garbage, pesticides and pesticides from being drawn to dams and preventing the silting, thus contributing to the recharge of the water body.

Together with the initiatives to protect the riparian forest and vegetation of the river basins of the various metropolitan water sources, since 2011 Sabesp has developed the **Program Nossa Guarapiranga** (Our Guarapiranga), which is a system that supplies around 4 million people in the Greater São Paulo area. As a result of this program, the reservoir is cleaned with the aid of collecting boats and several eco-barriers – metallic screen blocks which are installed at the mouth of the reservoir's tributaries, which block the waste that arrives via these channels.

From 2011 to 2018, the Program organized the removal of 156.6 thousand m³ of waste from the reservoir (equivalent to 7.8 thousand dump trucks of 20 m³). Sabesp's investment during this period was R\$ 22.9 million, of which R\$ 1.84 million was in 2018, when around 19 thousand cubic meters of macrophytes and waste was collected from the body of water and the banks of the reservoir (around 950 dump trucks).

For the task, Sabesp developed, in partnership with Unesp Foundation for Agricultural and Forestry Research, two boats with robotic arms that can collect large submerged objects. Sofas, plastic containers, televisions and carcasses of vehicles were removed, among other several

types of waste that contaminate the water and cause disruptions to the operations of water withdrawal.

Another floating barrier installed in 2017 protects the Guarapiranga water withdrawal, resulting in a reduction in the number of stops in water production due to obstructions caused by aquatic plants and other residues. The city of São Paulo is a partner of the program, promoting the transportation and transshipment of the material collected to the municipal landfill.

Greater health and citizenship 103 | 413

By means of the **Água Legal (Legal Water) Program**, Sabesp brings the supply structure to inhabitants of irregular areas (after obtaining the necessary legal authorizations), in which the residents are normally supplied in a precarious manner by means of improvised connections that are subject to contamination. In 2018, about 25 thousand families (86.5 thousand families) had their illegal connections, the so-called “*gatos*” or illegal hookups, replaced by water meters from Sabesp and began to receive quality water from their taps.

First implemented in 2017, R\$ 117 million had been invested by the end of 2018 in order to carry out 95.5 thousand connections, benefiting around 335 thousand residents of 400 irregular habitation centers of São Paulo (Penha, Itaquera, Pirituba, Santana, Americanópolis and Jabaquara), São Bernardo do Campo, Itapeverica da Serra, Embu das Artes and Osasco.

The inhabitants of these locations began to enjoy better health and citizenship conditions, given that the formalization of the supply results in a proof of address. For example, this document makes it possible for the children to be enrolled in day care centers and for the families to obtain certain services.

With the improvement of the diagnosis of areas in need and the positive results of the program, the target was expanded. By 2025, 250 thousand connections will be installed, benefiting more than 870 thousand people. Before there were 160 thousand buildings, serving 600 thousand residents. The initiative also contributes to the reduction of water loss, which before escaped from the improvised “*macarronadas*” (connections). It is estimated that during the two years that the program has been in operation it has prevented 20 billion liters of water from being wasted.

The initiative demands the work coming closer to and convincing the communities. Initially, a contact is made with the local leaders to present the Program, which clarifies the advantages of regularizing the connections, highlighting the access to water with regularity and quality, registration in the social tariff and the issuance of the bill in the name of the resident. Many residents are hired by companies that carry out the services of installation of the networks, connection of water and filling in the registration of new clients.

After installing the structure, residents are visited in their homes for individual clarifications on rational consumption, understanding the bill and registration in social tariff, which today is of R\$ 8.19 for properties that consume up to 10 thousand liters per month, 34% of the normal rate.

The program is based on an innovative bidding model, the performance contract, which transfers the investment and infrastructure costs to the private partner. The contractor installs the networks, connections, measurement boxes and water meters, but is only paid by Sabesp when the residents connect – thereby avoiding the loss of treated water.

The existence of a federal law that prevents the installation of a sanitation system in areas without urban infrastructure makes it imperative for the city and the courts to participate in obtaining permits to carry out this work. The inclusion of environmental protection areas and private land is prohibited.

The challenge of supply in the coastal region

After the Metropolitan Region of São Paulo, the coastal region of the State of São Paulo represents the second biggest challenge for supply on account of the high demand during the summer periods. Only in the north coast the population grows 5 times near the turn of the year. Of approximately 300 thousand inhabitants, the number jumps to more than 1.4 million people, between residents and tourists.

In the Santos Coast Region it is not different. With a population of 1.8 million people, the region registered, only during 2018/2019 Christmas and New Year holidays, an increase of 1.2 million vehicles, according to the concessionaire responsible for the Anchieta-Imigrantes System.

In order to meet the demand of this overpopulation, the service is provided by an integrated system which, on a smaller scale, is similar to the concept of the SPMR system. During periods of peak consumption, it enables the transfer of treated water from a region with a larger reserve to another one which has a higher demand.

Unlike the SPMR, which uses water sources, in the coastal region raw water is collected directly from 26 rivers coming from the Serra do Mar State Park by means of 15 producing systems, which together have the capacity to treat 11 thousand liters a second. From these water treatment plants, the water flows along the pipelines to the 53 sectoral reservoirs to be distributed between the region's nine cities.

A number of long-term initiatives aimed at expanding water production and distribution capacity in the Baixada Santista metropolitan region and the entire southern coast of the State of São Paulo are grouped under the **Água Litoral (Coastal Region Water) Program**, benefiting approximately three million people, including the local population as well as tourists.

In 2018, in addition to the continued construction of the Peruíbe and Guaraú water treatment plants (WTPs), both in the municipality of Peruíbe and expected to be delivered in 2019, a 72.3 km expansion of new pipelines was launched in a number of municipalities, as well as permanent scanning to detect and repair leaks.

The northern coastal region is served by 20 water treatment plants (WTPs), and 70 sectoral reservoirs. Among the achievements of 2018 are the coming into operation of the Maranduba water treatment plant (Ubatuba), improvements in Massaguaçu ETA (Caraguatatuba), as well as the removal of silt from all water withdrawal systems and the continuity of the construction of two water treatment plants in the municipality of Peruíbe. The program receives its own resources and financing from the CEF (Federal Savings Bank). In 2018, the Program's actions added up to a total investment of around R\$ 33 million.

Along the coast, during the season, there is also the reinforcement of the teams on duty and water trucks for emergency service. More technicians are available for surveys, cleaning or repairs of networks and branches, as well as more equipment, vehicles and mobile generators for emergency situations.

Supply in the State's Interior Region

The focus of the action in the interior continues to be on the operational improvements aimed at greater water security and efficiency in supply. The work includes actions in a number of municipalities with the replacement of filtration systems, the installation or replacement of chemical tanks, the renovation of pump houses and the replacement of equipment in order to automate operations.

The actions also include the relocation or replacement of water mains, distribution networks, branches and water meters, with an impact on combating the loss of water in the pipelines. The drilling of deep wells and the increase in the flow of treated water at some plants contribute to expanding water availability and the monitoring of vegetation growth, particularly for serving those regions that are farthest away from the main systems.

In addition, eight new reservoirs (with capacity from 50 to 150 thousand liters) were also implanted in 2018 in the municipalities of Tatuí, Capela do Alto (Iperozinho and Porto districts), Anhembi, Pardinho, Porangaba (Serrinha and Marianos districts). The implementation of sectorial reservoirs guarantee greater security of supply as they increase the reserve of treated water and the constancy of service in those districts that are located far from the main water mains systems.

The figures obtained in the municipality of Saltinho demonstrate the results of the search for efficiency and sustainability in operations. Assumed in July 2018, in six months period Saltinho presented a reduction of 74% of the water lost in the pipes. More than 1,000 old water meters were changed, and the treatment plant gained automation and recycling system for the water used to wash the filters.

Water: ostentation does not go along with summer!

To raise public awareness about water saving, in 2018 summer Sabesp continued the Campaign "Water Ostentation does not go along with summer". With a well-known Brazilian rhythm – funk, the music criticizes everyday situations where there is waste and encourages awareness. There were about 10 thousand radio and television inserts, especially on the coast, where actions of interactive communication and distribution of pamphlets were also carried out. The music video was also posted on the internet, reaching almost twenty million views on Youtube.

In addition, in 2018 the "Pitch Sabesp" was announced, an award for startups and individuals interested in contributing with innovative solutions to meet the challenges of the basic sanitation sector. Topics such as fighting losses and detecting illegal connections were among the winning proposals. The eight best solutions were awarded – five prizes of up to R\$150 thousand for startups and, for individuals, three trips to SWSX (international innovation event). The disclosure was made with insertions in the main web portals, including social networks, newspaper and television, with national and international reach (Silicon Valley). It is estimated that it has reached more than 100 million views.

Combating water losses

Reducing water losses is a permanent challenge. If nothing is done, water losses tend to increase due to aging pipes, equipment and water meters, as well as on account of fraud (illegal

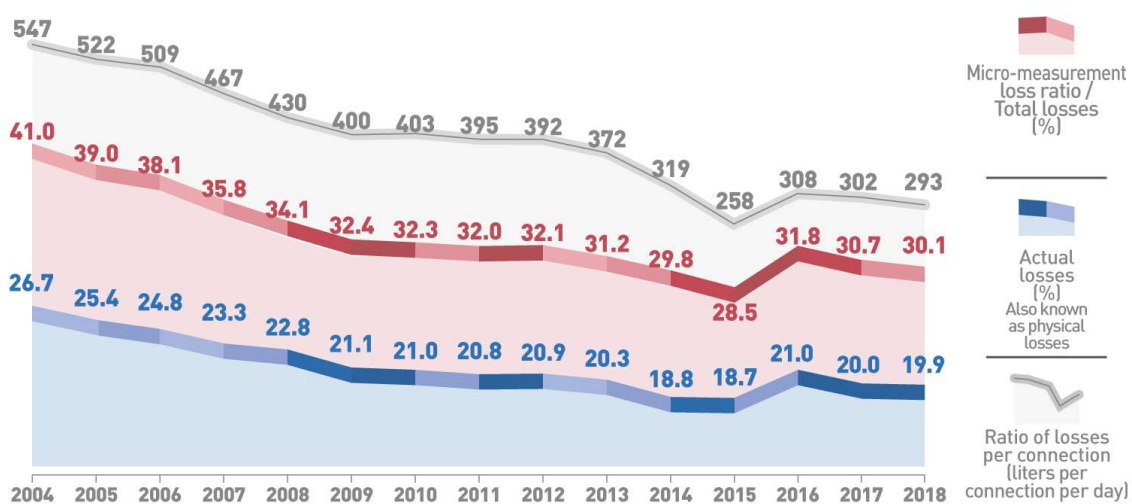
hookups). In order to tackle this challenge, Sabesp created the **Corporate Loss Reduction Program**, which operates in the replacement of branches and water meters, the inspection of pipelines to identify leaks and frauds, and sectorization in order to improve operational efficiency.

The impact of these actions was reflected in the decrease in the loss ratio in the area operated by Sabesp from 32.4% (or 400 liters/connection/day) in 2009 to 30.1% (or 293 liters/connection/day) at the end of 2018. Losses are currently below the national average, which stands at a figure of 38.3%, according to SNIS (2017).

In 2018, about R\$ 645 million was invested in the Program, using the company’s own resources as well as funding from JICA (Japan International Cooperation Agency). The highlights in the period were the advances in contracting processes that will make it possible to replace 761 km of networks and 75 thousand branches, in addition to the installation of hundreds of pieces of equipment for the creation of supply control areas. The sectorization allows increased operational efficiency with greater control of the pressure in the pipelines and greater speed in the identification and correction of leaks, reducing losses.

The total loss indicator is subdivided into two categories: real losses and commercial losses. Real losses correspond to leaks in the pipelines and amounted to a total of 19.9% in 2018. Commercial losses, in other words, water consumed but not accounted for are the result of fraud, commercial registration failures and inaccurate measurement by the water meters and corresponded to 10.2% during the same period.

A major highlight in the work of replacing old and deteriorated pipes is the increasing adoption of the non-destructive method (MND). With the technique, a new pipe is inserted inside the old network and covers the whole wall of the pipe, ceasing the leaks. In addition to a faster execution, MND technology causes less disruption to the population’s routine, especially in regions of greater traffic of vehicles and pedestrians, as it is the center of the capital of São Paulo. To learn more about the concepts of losses, visit the booklet prepared by Sabesp.¹¹



Awareness, rational use and reuse

With a track record of more than two decades, the **PURA** (Rational Water Use Program) is one of the actions that make up the sustainable water management guidelines and is aimed at

¹¹ Booklet “What are water losses”: <https://bit.ly/2F43bkj>

combating waste and spreading the message of awareness regarding the finite nature of water resources.

After the municipality signed up, Sabesp promotes the readjustment of the hydraulic structure of public administration buildings (municipal, state or federal), such as schools, hospitals, public restrooms, penitentiaries and day care centers. The installation of equipment of low consumption, change of pipes, repairs of leaks in underground facilities are carried out. In parallel, lectures regarding the conscientious use of water, which contribute to the formation of multipliers of the message of sustainability.

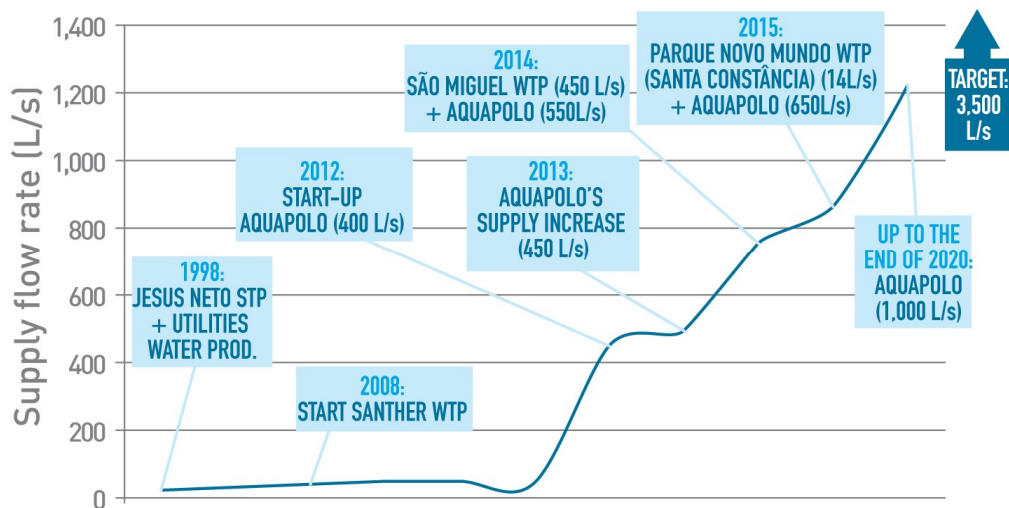
In 2018, 184 properties were benefited, and two municipalities signed up to the program (Ribeirão Pires and Santana de Parnaíba). First established in 1996, PURA is present in nine municipalities that are operated by Sabesp, with a total of 3,902 properties benefited. In addition, if a previously established consumption reduction target is achieved, participating public sector customers gain the right to a 25% discount on their bill.

The technological improvement of the sewage recycling process is another initiative aimed at the sustainable use of water. The use of reuse water for industrial purposes (washing machines, sheds and boiler cooling, among other uses) and for cleaning streets and irrigating parks and gardens results in significant savings of water, which would be allocated to such purposes.

In this context, seven years ago Sabesp implemented Aquapolo Ambiental, which is regarded as the largest project for the production of industrial **reuse water** in South America, and the fifth largest in the world. Managed in partnership with BRK Ambiental, Aquapolo is located next to ABC STP, on the border between São Paulo and São Caetano do Sul, and promotes the treatment of the wastewater generated at the plant itself. For this, it adopts technologies of ultrafiltration and reverse osmosis, meeting the requirements of the manufacturing process.

The plant produces 650 liters per second to serve industries of the Capuava Petrochemical Complex, in the ABC of São Paulo, and three other major industries in the region. Production could reach 1,000 liters per second, with margin to serve new customers. In addition to Aquapolo, Sabesp also has reuse technology at its Barueri, São Miguel Paulista, Jesus Neto and Parque Novo Mundo plants. The latter, which now serves a large pulp and paper industry and a textile industry, is therefore a product with a high degree of quality demand. Currently, Sabesp's production is 785 liters a second. Studies are under way to prospect new clients in order to consolidate reuse water as a new business for Sabesp. One of the possibilities is the expansion of this segment to clients of the municipality of Guarulhos, whose concession was recently taken over by Sabesp.

In addition to contributing to water security, reuse water is economically advantageous to industries. The tariff for customers with consumption of up to 50 thousand liters per month is about 10% of the amount paid per cubic meter. The savings obtained by Sabesp customers is a determining factor for the permanence of these industries in the SPMR, increasing the generation of jobs and the development of the state of São Paulo. It should be noted that such social and economic advantages should be taken into account in the revision of the current model of reuse water taxation, which is not yet considered a sanitation product, with an ICMS tax rate of 18%. The need to increase its use as an alternative supply is vitally important in a region of water scarcity.



The production of reuse water has been expanded over the last 20 years. For this, Sabesp has different processes. For urban purposes, the technology employed is tertiary filtration followed by disinfection. In this method other types of treatment can be incorporated to increase the degree of purity. Aquapolo adopts ultrafiltration and reverse osmosis technologies, meeting the requirements of the industries that use this water in the manufacturing process.

Quality water as a priority

The control of the potability conditions is done from the withdrawal points, going through the treatment in the 247 plants of the company, to the distribution to more than 28 million customers. The quality of the water distributed complies with the parameters required by Health Ministry Ordinance 2.914/11, which establishes the procedures for controlling and monitoring the quality of water for human consumption.

For this purpose, 90 types of tests are performed, and more than 90 thousand analyses are carried out each month to measure parameters of turbidity, color, chlorine, total coliforms, metals and agrochemicals, among other items. This work is carried out at 16 sanitary control laboratories, installed in SPMR, inland and coast regions.

Most of the laboratories are accredited by the National Institute of Metrology, Quality and Technology (Inmetro) and the Water Quality Reports are forwarded on a monthly basis to SISÁgua, a data storage system of the Ministry of Health. These reports are also made available to the Sanitary Surveillance Departments of the municipalities operated. Customers are informed of the results in their bills, which give a summary of the parameters evaluated.

In addition, Sabesp has a team of tasters, who are specialists including chemists, biologists and technicians responsible for analyzing variables in the flavor, aroma and density of the liquid. The tasting, used by Sabesp since 1996, is required by the Ministry of Health since 2011. The results are sent to the water treatment plants in order to guide the treatment of water and make preventive or corrective adjustments. The Company has approximately 140 qualified professionals. The tasters cannot consume alcohol, use perfume, makeup or toothpaste just before the test to avoid altering the results of the water analysis.

HEALTH, DEVELOPMENT AND THE SUSTAINABLE MANAGEMENT OF WATER RESOURCES

The expansion of the sanitation infrastructure is reflected in a decrease in infant mortality, the decontamination of rivers, improvement in educational conditions and better real estate and tourism sectors. On the economic front, it exerts a direct influence on attracting more investments and the consequent generation of jobs and income for the population.

In São Paulo, the socioeconomic development and environmental sustainability of the State have, to a large extent, the direct participation of Sabesp through the continuous expansion of the supply of sewage collection and treatment services. In the municipalities operated in December 2018, Sabesp registered rates of 90% for provision of a sewage collection network (coverage), 83% for the sewage collection service (effective connections in the networks) with 76% of households connected to the sewage treatment network.

The company's continuous efforts have a positive impact on improving the indexes and place São Paulo at the top of the list of the states that invest the most in the country. Sabesp only accounts for an average of 30% of the total contributed in basic sanitation in Brazil (SNIS). Not surprisingly, São Paulo is home to ten of the 20 best sanitation cities in the country with more than 300 thousand inhabitants, according to Trata Brasil¹². Four of them are operated by Sabesp.

In 2018, the actions to expand sewage collection and treatment required investments of R\$ 1.9 billion. Over the course of the year, new sewage treatment plants (STPs) came into operation and 215.3 thousand new sewage connections were installed.

The metropolis and the challenges of sanitation 103 | 306

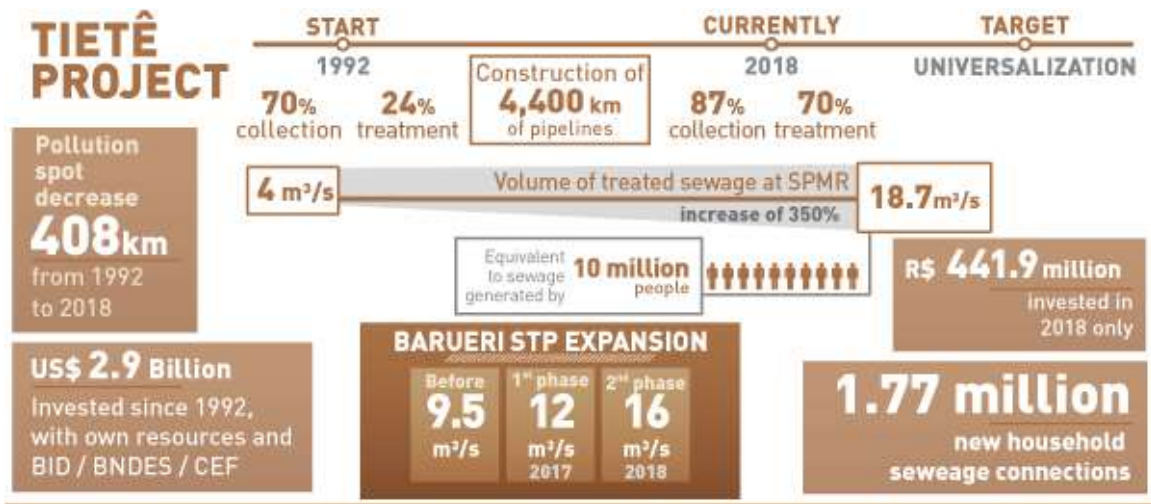
The Metropolitan Region of Sao Paulo (SPMR) is characterized by huge contrasts. While accounting for a large part of the country's national wealth and being at the forefront of Brazilian production in the industrial and services sectors, the SPMR also presents a scenario of marked social shortcomings, which are reflected by disorderly urbanization, with little or no planning of the occupation of urban space. Irregular occupations, particularly in environmental preservation areas together with illegal discharge of residential and industrial sewage make expanding sanitation services in one of the world's largest urban clusters an even more challenging task.

To deal with this situation, 26 years ago Sabesp implemented the **Tietê Project** with the consistent expansion of the infrastructure for the collection, transport and treatment of sewage advocated in the Metropolitan Region of Sao Paulo's Sewage Master Plan with interventions in 29 metropolitan municipalities. Due to the volume of investments and the sheer scale of the construction work, is regarded as the largest environmental sanitation program in the country.

Between 1992 and 2018, around US\$ 2,9 billion was invested. In addition to its own resources, includes financing from the IDB (Interamerican Development Bank), the Caixa Econômica Federal (Federal Savings Bank) and the BNDES (National Bank for Economic and Social Development). In 2018, R\$ 441,9 million was allocated, with direct effects on the gradual

¹⁶Sanitation Ranking – Instituto Trata Brasil 2018. Pg 87. Available at <https://bit.ly/2Fa1lif>

revitalization of the Tietê river and its tributaries and more health and quality of life for the population.



In these 26 years of existence, 1,77 million residential sewage connections were installed and 4,400 km of interceptors, trunk collectors and collection networks were installed to collect and transport the sewage generated in the São Paulo Metropolitan Region – SPMR to the treatment plants, with the installed capacity for treatment almost tripling in the period.

Together, the volume of sewage treated in the metropolitan plants leapt from a figure of four thousand liters per second to the current 18,7 thousand liters a second. This difference of 14,7 thousand liters a second is equivalent to the sewage generated by approximately ten million people – contingent similar to the population of Sweden. As a result, sewage collection that served 70% of the urbanized area of the SPMR in 1992 jumped to 87% by the end of 2018. And sewage treatment rose from 24% to 70% of the volume collected.

The third stage of the Project, now underway with 70% of the works concluded, complementing the actions undertaken in the first and second stages, carried out between 1992 and 2010, and will enable a new jump in the levels of sewage collection and treatment. At the same time, priority interventions are also being implemented in advance of the fourth stage, focusing on the optimization of the systems and expansion of the areas served with sewage collection and treatment.

In 2018, the highlight was the completion of the second phase of the construction work for the expansion of the Barueri STP, the largest sewage treatment plant in South America, which saw its treatment capacity increase from 12 thousand liters a second (achieved in 2017) to 16 thousand liters per second.

Also worthy of note is the implementation of the ITi-7 sewage interceptor, 7.5 km long under Marginal Tietê, which also includes the installation of the Tamandateí interceptor (ITa.1-J) and trunk collectors in the region of Vale of Anhangabaú. The construction work, with conclusion expected to 2020, will benefit approximately two million people living in neighborhoods in the central and southern regions of the capital, place with large verticalization with collecting pipelines operating close to the limit.

Recovery of urban rivers and springs 203-1, 203-2

The improvement of water quality of the metropolitan area's water sources, rivers and streams also includes the actions of the “**Córrego Limpo**” (Clean Stream) Program, which operates in connection with improvements to the sanitary sewage system around the streams, as well as to cleaning, maintenance and environmental education. Set up in 2007, the program has already required investments of more than R\$ 250 million for the decontamination and maintenance of 151 streams in the city of São Paulo, directly benefiting 2.5 million people who live in the areas of the decontaminated river basins.

Approximately R\$ 9 million was allocated to the program in 2018, with advances in the interconnection works of the sewage basins of the Pacaembu (2nd phase) and Casa Verde streams (both located at São Paulo city). There were also remaining construction works of sewage collection networks in the Traição stream basin, as well as the residential connections in the Ribeirão Colônia, Dois Irmãos, Verde-Nascente and Espanhol stream basins.

The work is carried out in partnership with the executive branch. Sabesp is responsible for the mapping, inspection, renewal and extension of the collection networks, in addition to installing new connections based on sweeps of illegal sewage disposal. Included among the actions, monitoring of the water quality of the polluted streams and the promotion of socio-environmental awareness are also carried out by means of meetings with the communities in the surrounding area.

For its part the city hall is responsible for cleaning the riverbeds and the banks of the streams (cutting the undergrowth, removing debris, etc.), for maintaining rainwater galleries and storm drains, and for inspecting irregular dumping in the galleries and by households that are not connected to the networks. In addition to this, it is responsible for regularizing and redeveloping valley bottoms, making it possible to install the sewage infrastructure, and for the evacuation of irregular areas, registering the families in housing programs.

Sharing benefits and responsibilities 103 | 413

In the Córrego Limpo Program, maintaining the quality of the water body depends on the awareness of the local community, denouncing the disposal of garbage and clutter and illegal dumping of sewage. This awareness is built from meetings of representatives of Sabesp with residents and social organizations of the basins of the benefited streams. At these times, the representatives are chosen, and the agenda of local priorities is defined, as well as serving as a space for debate on social and environmental issues of common interest. The work uses techniques of social approach based on **Collaborative Governance** methodology built by Sabesp in partnership with the Brazilian Center for Analysis and Planning (Cebap – *Centro Brasileiro de Análise e Planejamento*).

The “Observando os Rios 2017” report from the SOS Mata Atlântica NGO recognizes the good results of this partnership: “In the 31 streams that count on the local community engagement, the quality indexes have improved, as shown by data from the Cintra and José Gladiador streams”. The actions are in line with a work carried out over almost two decades through the **Community Participation Program**, implemented in the late 1990s, mainly to serve low income groups or clients with the dissemination of social and environmental practices, including fighting losses, cleaning rivers and streams, planting trees and others. The meetings with the communities periodically bring together the community leaderships to present Sabesp's actions and investments, gathering the population's expectations, aligning the Company's activities with the needs of the different regions.

The expansion of the basic sanitation structure coupled with programs such as Clean Stream has a positive impact on the rivers that intersect the metropolitan region, such as the reduction of the pollution load of the Tietê river, the largest river in the state of São Paulo, with 1,100 km of extension.

In 2018, the Fundação SOS Mata Atlântica (SOS Mata Atlântica Foundation), an NGO that monitors the conditions of the river, attested to an 8 km decrease in the extent of the pollution vis-à-vis 2017. The result is visible within the State with the progressive and significant reduction of the pollution spot over 26 years, since the beginning of the Tietê Project in 1992.

During this period of more than two decades, the polluted stretch has diminished by 408 km. Initially, it reached 530 km, up to Barra Bonita, and is now at 122 km, between the municipalities of Itaquaquecetuba and Cabreúva. This is the smallest extent of the pollution ever registered, a 77% decrease.¹³ The exception was 2014, when the contaminated extension reached 72 km. However, this was an artificial reduction, due to the low rainfall and, therefore, less dirt from the streets carried into the rivers.

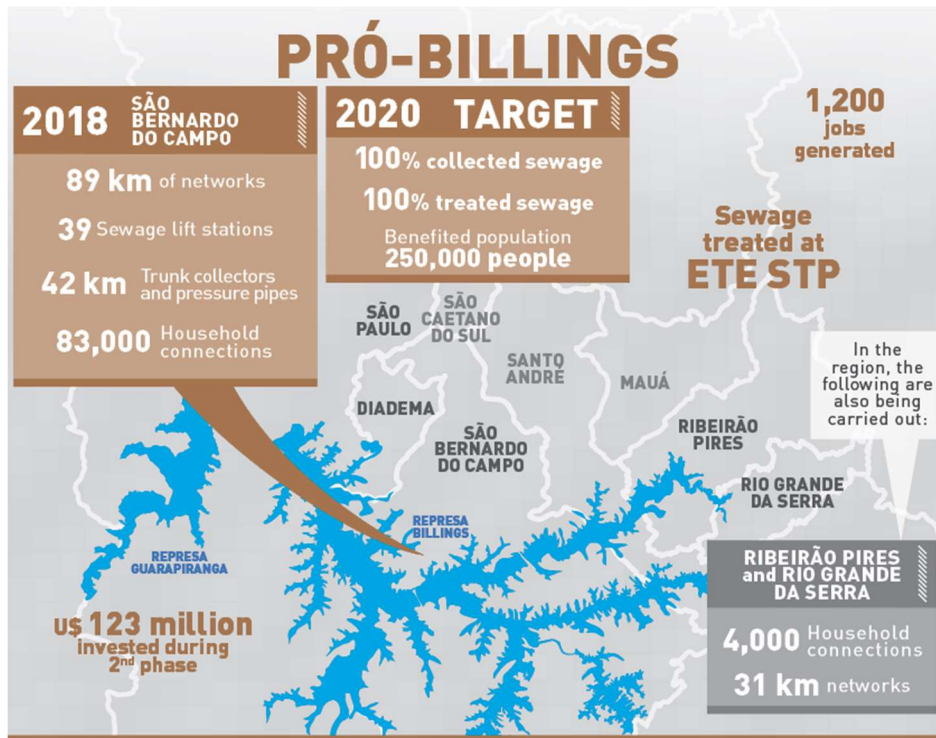
In this sense, it is important to reinforce the role of society and public powers in the effective revitalization of rivers and other sources of water resources through a complementary action to expand the sanitation supply. This work is carried out with the due disposal of solid wastes, supervision against clandestine industrial eviction, urban cleaning and collection, land regularization with the resettlement of families, especially the occupants of preserved areas, as well as the dissemination of actions focused on the social and environmental awareness.

The increase in the collection and transportation of sewage by means of Sabesp's **Pro-Billings** program is another action that will benefit more than 250 thousand residents of the region of one of the largest metropolitan reservoirs, resulting in an environmental gain for all of the basin's inhabitants. Continuing with the construction work in January and August 2018, work got under way in lot one (São Bernardo, Diadema, Capital Piraporinha border) and lot two (Alvarenga/Lavras, São Bernardo), part of the second phase of the project, which will serve 40 districts with the installation of 89 km of collector networks, 42 km of trunk collectors, 39 sewage pumping stations and the connection of 83 thousand properties to the networks.

When completed in 2020, the new structure will collect more than one billion liters of sewage per month, sending for treatment to the ABC Sewage Treatment Plant (located at the border of São Paulo municipality with São Caetano do Sul). This second phase entails an investment of US\$ 123 million and the creation of 1.2 thousand jobs. In the first phase, still under way, the secondary connections were installed and part of the Trunk Collector, main emissary to transport the sewage to the ABC Sewage Treatment Plant and whose work is expected to be resumed in the second half of 2019.

The implementation of collection systems started in 2018 in the municipalities of Ribeirão Pires (Vila Sueli and Jardim Mirante neighborhood) and Rio Grande da Serra (Parque América and Vila Fordiane neighborhood), which total 31 km between collector networks and trunk collectors and approximately four thousand connections, will further contribute to reduce the pollution load dumped on the Billings basin. All sewage collected in these municipalities will also be sent to the ABC Sewage Treatment Plant.

¹³SOS Mata Atlântica Survey. Published on September 21, 2018 Available at <https://bit.ly/2ufm6nP>



Convenience and technology to expand the service

In 2018, in Greater São Paulo, two compact sewage treatment plants were put into operation. The service speeds up the universalization of sanitation in the region served and ensures more quality of life for the residents. Together, the plants process a total of 7.5 million liters of sewage a month, thus preventing this amount from reaching the Tietê River and its tributaries. The technology of these plants means that they can be operated remotely and can function by means of a photovoltaic system (solar energy).

One of the plants was installed in the neighborhood Recanto Verde do Sol, in São Mateus, in the state capital. It serves about 1,000 people and treats up to 3 million liters of sewage per month. It will benefit the source of the Aricanduva stream, which then flows into the Tietê, in the region of Penha. The second equipment was implemented in the New Ville neighborhood, in Santana de Parnaíba, where it serves about 800 people. At the site, up to 4.5 million liters of sewage are treated per month, benefiting the Itaim stream.

Easy to install in small spaces, this was the way found to serve regions where there are still no large pipelines for transporting sewage or where the installation of these pipes is impossible on account of areas with irregular occupation. The compact plants are a temporary measure, focused on anticipating the service with the treatment of sewage in regions not yet served. As soon as the Company carries out the necessary construction works to route the sewage from these areas for treatment in the conventional plants, the equipment will be transferred to other locations without service.

Treatment of non-domestic sewage

In addition to operating its systems, Sabesp is a partner in **Attend Ambiental**, a company that operates in the treatment of the Metropolitan Region of Sao Paulo's non-domestic sewage. Set up in 2014 as a partnership between Sabesp and Estre Ambiental, Attend is installed besides the Barueri STP and offers industries the outsourcing of pre-treatment of sewage, bringing it into

line with the standards required by the environmental legislation. In 2018, 1.6 million m³ of non-domestic sewage was treated, equivalent to 665 Olympic swimming pools, which are then sent to conventional treatment at the Barueri STP.

In November the operation of the yellow line (inorganic compounds) was started, which resulted in the acquisition of seven new customers. Others under contracting stage. For 2019 gray lines (oily compounds), blue lines (volatile organic) and red lines (bentonite sludge) are planned, enabling the expansion of the customer portfolio.

Universalization in the interior of the state

In the interior of the state, Sabesp is the concessionaire responsible for 314 municipalities, giving a total of 5.8 million people served. As part of the Company's ongoing efforts to universalize the collection and treatment of sewage in operated areas, in 2018 five plants (headquarters and districts) were delivered in the municipalities of Águas da Prata, Óleo, Jarinu, Mombuca and Bananal. Another 15 plants are under construction and are expected to be delivered by 2021.

Also in 2018, the installation or relocation of networks and outfalls, the installation of pumping stations and operational improvements to the systems, such as the cleaning of ponds and replacement of aerators, round out the package of actions undertaken.

Sabesp's high investments and commitment in increasing the quality of service and expanding the collection and treatment system of sewage can be verified by the prominent position in sectoral studies. One example is Franca, which for the sixth year, the fifth consecutive, is the leader in the ranking of the 100 largest cities with the best basic sanitation service in Brazil prepared by Instituto Trata Brasil.

When Sabesp took over the services in the municipality, in 1977, the supply was not regular and reached only 70% of the properties. Half of the population had no collection and no sewage treatment was collected. In 1998, the service was universalized.

With around 345 thousand inhabitants, Franca is also the city that received the most investments among the 20 best placed in the ranking. The average annual investment per inhabitant in Franca is of R\$189.14, about 39% more than the second municipality that invests the most, according to the same survey, which is based on data from the National System of Information on Sanitation (SNIS – *Sistema Nacional de Informações sobre Saneamento*).

Served by Sabesp, the municipalities of Taubaté and São José dos Campos, both located in Vale do Paraíba, are also among the ten best served in the country.¹⁴ Taubaté also stands out in the Ranking of Sanitation Universalization of the Brazilian Association of Sanitary and Environmental Engineering (Abes – *Associação Brasileira de Engenharia Sanitária e Ambiental*),¹⁵ released in early 2018, as the municipality with the lowest rate of hospitalizations for Diseases Related to Inadequate Environmental Sanitation (DRSAI) in the country.¹⁶

As well as São José dos Campos, Taubaté, Franca, Santos, Presidente Prudente, Botucatu and other municipalities served by Sabesp, which have appeared in recent years in sectoral rankings,

¹⁴Ranking of basic sanitation in the 100 largest cities in Brazil <https://bit.ly/2EU5qoB>

¹⁵Abes Ranking of Sanitation Universalization – 2018. Page 8. Available at <https://bit.ly/2udaQv4>

¹⁶The DRSAI concept was created by the National Health Foundation and considers "common diseases in precarious environments where there is no basic sanitation or with inadequate sanitation".

there are more than two hundred cities operated in similar conditions of excellence in the indicators that do not appear in the surveys. This is because, for the most part, the studies consider only larger municipalities, while most of the cities served by Sabesp in the inland of São Paulo have less than 100 thousand inhabitants, thus outside the scope of the evaluations.

These actions and investments in the state's interior region, together with the progress made in the metropolitan region and in the coastal region of the State of São Paulo, contribute directly to improving the quality of the main rivers that intersect the state, such as the reduction of the Tietê river pollution spot (as reported on page 38).

In this sense, Paraíba do Sul streams and tributaries (Alambari, Pararangaba and Botujuru streams) and the Jundiá river, located in the Piracicaba, Capivari and Jundiá basin (PCJ), which after more than three decades is once again harboring the fish that gave the river its name, the jundiá. The Piracicaba River, which has been improving the water quality year by year, is another example of the positive effects brought due to the advance of the sanitary structures implemented in the basins of its main tributaries, the Jaguari and Atibaia rivers. In these areas, there are 12 municipalities operated by Sabesp, such as Bragança Paulista, Hortolândia, Itatiba and Paulínia.

In the municipality of São Roque, in the middle of the Tietê basin, were recorded improvements in the water quality of the Guaçu and Mombasa rivers, both tributaries of the Tietê, as well as the Aracaí, Carambeí and Marmeleiro streams, which go through the central area of the city. Lavapés creek, in Botucatu, had a section turned from class 4 to 3.

Investments in the Vale do Ribeira, which has 48 municipalities served by Sabesp, also reflect the excellent condition of the Paranapanema, a river that separates the states of São Paulo and Paraná, which has one of the best water quality classifications to be found anywhere in the country. As in the cases above, there are several other examples throughout the state of São Paulo that certify the positive effects of investments in sewage collection, removal and treatment in the quality of rivers.

Although it is obvious that sanitation work plays a vital role in the improvement of water bodies, it should be pointed out that the origin of the pollution of rivers and streams lies in the industrial effluent that has been disposed of in an irregular way, in the garbage thrown into the streets that ends up being carried by the rains into the rivers (diffuse pollution), in the disorderly occupation of the soil, especially in areas of environmental protection, as well as the illegal dumping of sewage in rainwater drains.

To curb such situations, it is imperative that society is aware of the correct disposal of waste and makes the correct residential connection to the sewage collection networks. The executive branch, in turn, has the responsibility for cleaning up the cities and, with the participation of the judiciary, supervise and punish behaviors that lead to the contamination of water bodies and to the degradation of water sources.

Sanitation on the coast of the State of São Paulo

Over the course of its eleven-year existence, the Onda Limpa (Clean Wave) Program, which is the largest environmental sanitation program on the Brazilian coast, invested around R\$ 1.9 billion in sanitation construction projects in the Baixada Santista region, with the company's own resources as well as financing from JICA and the BNDES. The efforts reflect important advances in public health and the quality of life of the region's residents.

Since the program first got under way, in 2007, the coverage ratio of the sewage collection networks has risen from 53% to 80%, with 100% of the sewage collected being treated. During this period, 1.1 km of sewage collection networks, seven sewage treatment plants, two sewage preconditioning plants, 116 pumping stations and 110 thousand home connections were built.

The highlight in 2018 was the start of the 2nd Stage of the Clean Wave Program, with the contracting of the construction work for the adaptation and improvement of sanitation in the municipality of Praia Grande. Two sewage preconditioning plants will be carried out, 1.3 km of submarine emissaries with investments totaling around R\$400 million.

The second stage of the program plans to invest R\$1.4 billion in sewage works in Santos Coastal Region between 2019 and 2025. There will be 440km of collecting networks, more than 47 thousand home connections benefiting all nine municipalities in the region.

In the Northern Coastal region, 69% of the formal area is covered by the sewage network and 100% of the sewage collected is treated. When the program first began, more than a decade ago, the level of sewage collection was a mere 36%. It should be stressed that the company treats 100% of the sewage collected in the region's four cities.

Engagement that generates results 103 | 203; 103 | 413

When starting the implementation of the sewage collection networks in a new region, especially in low-income neighborhoods, Sabesp's community agents carry out a social diagnosis to assess the conditions of families: employment situation, income, housing standard, age group, schooling, among other aspects. The information contributes to planning and structuring the project and allows the selection of beneficiary families of programs such as "*Se Liga na Rede*" (described in the topic below) and the social tariff.

Coming closer to the community through individual visits and social and educational lectures in community spaces opens up a relevant dialogue channel with residents and encourages the engagement of local leaders in the dissemination of the message on the importance of connecting homes to networks and the damage of improper waste disposal in toilet. Sabesp's work also brings to the neighborhood a mobile service station where it provides information, questions and records the requests for sewage connection. The work has positively impacted on the increase of requests for connections and correct use of the health structure. The registered information is also available to town halls to subsidize social and political planning in other areas of public service.

Greater access for low income families 203-1, 203-2

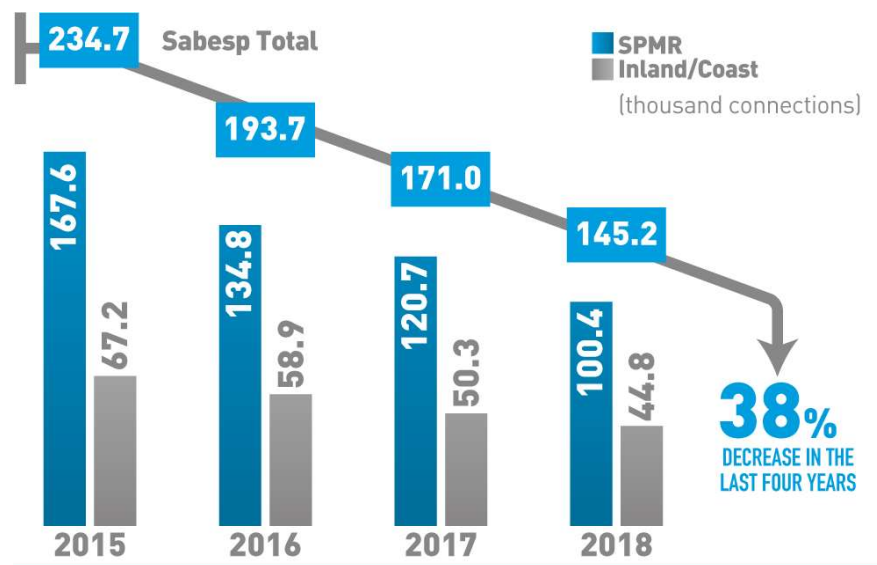
Notwithstanding the investments made in the expansion of the collection networks, the lack of economic conditions for a segment of customers to connect their sanitary installations to Sabesp's pipelines means that sewage continues to be disposed of in an irregular way. In order to deal with these situations, at the end of 2011 Sabesp and the State Government launched the Pro-Connection Program, the operating name of which is ***Se Liga na Rede (Connect to The Network)***. Under the Program, interconnection installation costs are paid entirely by the government (80%) and by Sabesp (20%). By 2018, internal adjustments and connections had been carried out in 25.5 thousand residences.

In the neighborhoods to be benefited, the houses are visited by a *Se Liga* Agent – usually a resident of the locality, hired by Sabesp to present the initiative and explain the advantages of

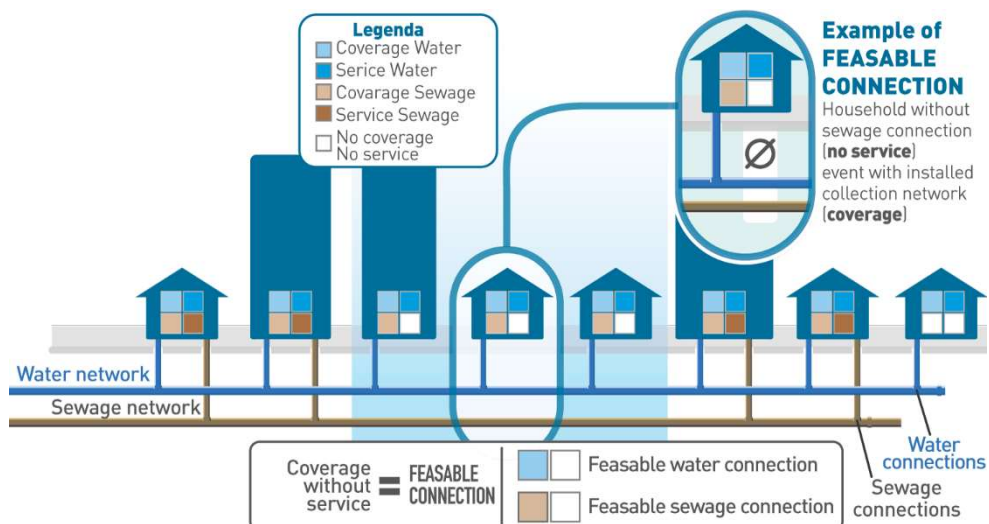
the sewage connection. Concession of a social tariff is one of the actions aimed at providing access to low-income families (up to three times the monthly minimum wage). In 2018, the benefit was granted to more than 435 thousand households, which paid a symbolic value (about R\$ 16 for consumption of up to 10 m³) for use of water and sewage services, with significant gains in quality of life for these families.

United for the collective good

The social and environmental benefits brought by basic sanitation are made possible by the correct use of the available structures. Those who do not connect the property to the collecting network, even having the pipes at their door, damage the community. Sewage illegally diverted to rainforest leads to foul smell of storm drains, pollution of rivers and streams and risk of contamination of people.



Sewage connection is compulsory for those who live in urban areas and have a property on a street that has collectors, and it is the responsibility of city hall to undertake the relevant inspections. In 2018, Sabesp registered about 145 thousand properties with irregular connections and regularized more than 25.8 thousand cases. Although high, this number, which was of 235 thousand in 2015, has been reduced year by year through partnerships with



municipalities and the Judicial Courts (table). Only in the SPMR, about 20 thousand properties were regularized.

Technology and innovation for waste disposal

302-4 The final destination of the solid waste from water and sewage treatment systems has been one of the areas of greatest concentration of Sabesp's studies and research to find economically viable and environmentally sustainable solutions.

Due to its size, the Barueri STP, which is the largest sewage treatment plant in South America and which accounts for more than half of the total volume of sewage treated in the São Paulo Metropolitan Region, has been the object of major projects, such as the thermal treatment of sludge using plasma technology. In the final stage of implementation of the pilot project, this technology converts the sludge into vitreous residue, which offers significant potential for the reuse in civil construction, along with other uses. The conversion is made by subjecting the sludge to high temperatures (of around 1500 °C), which reduces the volume of waste to be transported and disposed of in landfills.

Also in Barueri, the project entitled Waste to Energy, will be under a bidding process in 2019. The purpose of the project is to promote the thermal treatment and environmentally adequate disposal of sludge, associated to the generation of electric energy from the biogas produced at the plant, making it partially sustainable.

At plants in the state's interior, sludge drying initiatives by means of solar irradiation are under development. In another project, in 2018 Sabesp obtained the approval of the Ministry of Agriculture to produce and sell the product resulting from the transformation of the sludge in plants into organic fertilizer. Christened Sabesfértil, production of the fertilizer is in the process of being implemented at the Lageado STP in the municipality of Botucatu, with a capacity to process up to 25 tons of sewage sludge a day. The marketing strategy is under study.

The organic fertilizer can be used for various crops, such as sugarcane, coffee, apples, oranges, corn and soybeans. There are only restrictions on crops in flooded areas, pastures and plants of which the edible part has direct contact with the soil – such as green vegetables, tubers and roots. Sabesfértil's studies began in 2014, in partnership with Unesp and FAPESP. The whole production process has undergone technical analysis and studies and the final product is in accordance with the standards required by the regulatory bodies.

The processing system of biogas for vehicle use was inaugurated in the municipality of Franca as a result of a partnership with the German Fraunhofer Institute. The plant treats an average of 500 liters of sewage per second and produces about 2,500 Nm³ of biogas a day, supplying part of the STP fleet. The resulting biomethane is the equivalent of 1,500 liters of gasoline. At the same time, performance and fuel autonomy analyzes are being carried out on different vehicles, such as its use in buses and in passenger vehicles.

What this set of actions that are under way have in common is the important mission of contributing to the sustainability of the entire sewage treatment process, with a view to reducing operating costs and also reducing the amount of sludge disposed of in landfills. In the case of the biomethane, it also helps reduce the greenhouse gas emissions which are produced by conventional fuels.

RESULTS CONVERTED INTO WIDER ACCESS AND QUALITY OF SERVICES

103 | 201 In light of the mission to continue to work towards universal access to sanitation in the State of São Paulo, and also as a result of the effect of the change in the population's consumption pattern due to the water crisis and the poor performance of the Brazilian economy, in 2018 the Company endeavored to maintain its economic-financial balance. This was largely achieved by means of the interaction with Arsesp over the course of the process of the 2nd ordinary tariff review, the formalization of program agreements with key municipalities in the Baixada Santista Metropolitan Region and, also with the efforts put into the recovery of debt owed by the municipality of Guarulhos.

In the midst of an extremely uncertain political environment on account of the elections for the state and federal governments, the Company registered the start of another historical partnership: an agreement with the Municipality of Guarulhos to settle its debt with Sabesp and hand over operation of the municipality's water and sewage services to the Company.

The agreement, which was signed in December 2018, included an Adjustment Agreement for Payment and Receipt of Debt between the Guarulhos Autonomous Water and Sewage Service, the Municipality of Guarulhos and Sabesp, in addition to a Public Services Provision Agreement, which follows the same principles as the metropolitan agreements that have already been signed in the region.

The signing of the Adjustment Agreement brings to a close all legal disputes between the parties and suspends the court order debt payments for the term of the Agreement, which will remain as guarantees of full compliance with the Adjustment Agreement.

In addition, the Adjustment Agreement also provides for the transfer of the sum of R\$ 50 million from Sabesp to the municipality with the objective of equating the administrative costs to terminate the provision of the Services by SAAE and, that all the civil servants and employees who are among SAAE's permanent headcount are temporarily assigned to Sabesp for a period of six months. As of the seventh month, 400 of SAAE's employees will remain assigned for a maximum period of four years, with Sabesp being responsible for all the costs associated with these assignments.

By means of the Adjustment Agreement, the State of São Paulo and the Municipality granted the Company, for a period of 40 years, the services of water supply and the collection, disposal and treatment of sewage, with the exception of a portion of the sewage disposal and treatment, which will remain under the direct or indirect responsibility of the Municipality.

Sabesp will invest about R\$ 2 billion in the municipality over the course of the agreement period and all commercial management of the services will be carried out by the Company, including meter reading, billing, collection and customer relations. The regulatory functions, including tariffs, control and supervision of the services were delegated to Arsesp.

In addition, the agreement includes a regulatory transfer from Sabesp to the Municipal Fund for Environmental Sanitation and Infrastructure of (i) the annual sum of R\$ 30 million in the first five years of the contractual term; and (ii) from the 6th year of the agreement onwards, 4% of the net revenue earned in the Municipality, which will be transferred to the tariff, as authorized by Arsesp in the Second Ordinary Tariff Review.

In addition to improving services in Guarulhos, which, with a population of 1.3 million, is the second most populous city in the State of São Paulo, the agreement contributes to the clean-up of the Tietê River and guarantees legal, financial and asset security to Sabesp, its shareholders and creditors, as well as enabling the company to provide quality services directly to the population. More information about the Adjustment Agreement and the Agreement with Guarulhos can be found in the Material Fact¹⁷ published on December 12, 2018.

Debit balances of the other municipalities served on a wholesale basis

Among the municipalities to which Sabesp supplies water on a wholesale basis, Mauá and Santo André continue to record a significant history of default. In 2015 and 2016, the Company signed Memorandums of Intent with Santo André and Mauá, respectively, in an attempt to recover the amounts owed and to reestablish commercial relations. However, negotiations were interrupted in 2016.

The Company signed a new Memorandum of Intent with the municipality of Santo André in March 2019 to draw up studies and assessments, with a view to the establishment of commercial relations and consideration of the existing debts. The negotiations with the municipality of Maua that were announced in April 2018 have not made any progress.

Proposal to amend the Sanitation Legal Framework

Sabesp's operations take place both in locations where responsibilities for planning, supervision and regulation, including the tariffs for basic sanitation services, are assigned to the municipalities, as well as in locations where they are shared between the state and the municipality. Federal Law No. 11.445/2007 introduced national guidelines for the contracting and provision of the services, and subsequently Federal Decrees No. 7,217/2010, 8,211/2014, 8,629/15 and 9,254/17 regulated the application conditions of the aforesaid law.

Federal Law 11,445/2007 requires the States to set up independent entities with the responsibility to regulate, including tariffs, and also to monitor and oversee the services. Supplementary State Law 1025/2007 governs Arsesp's regulatory and supervisory responsibilities in relation to the basic sanitation services that the Company provides in municipalities that have accepted the state agency's rules. The guidelines according to which the Company adjusts its tariffs were defined by State Decree No. 41,446/1996, which was ratified by Federal Law 11,445/2007, and regulated by resolutions issued by Arsesp.

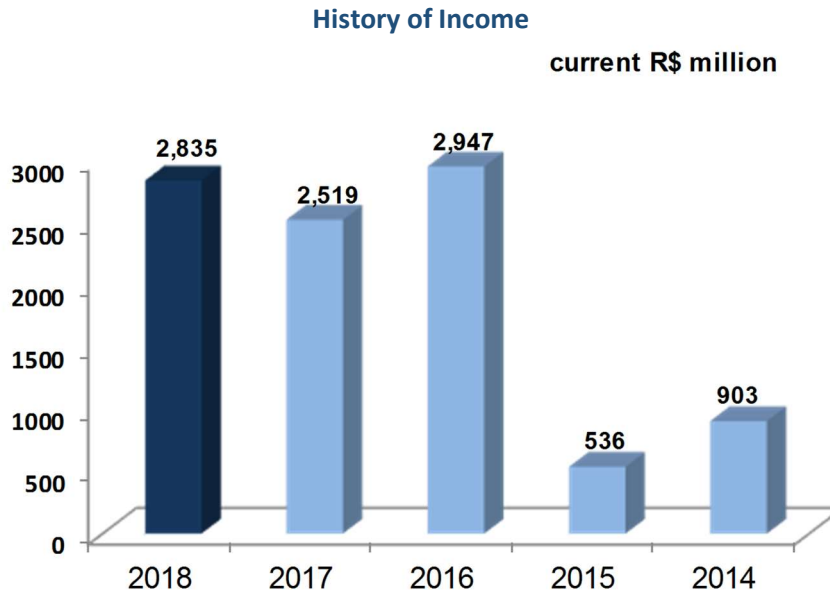
However, on December 28, 2018, the Presidency of the Republic published Provisional Measure No. 868 (MP 868), which proposes to amend Federal Laws Nos. 11,445/07, 9,984/00, 10,768/03 and 13,529/17. This measure is valid for 120 days (sixty days, extendable once only for a period of the same length) from the date of publication and its conversion into law is awaiting approval by the National Congress.

Although MP 868 has been in force since its publication, it is currently not possible to predict its impacts on the agreements that will be signed while it is force. If the measure is converted into law, the Company's business, operating results and financial condition may be affected.

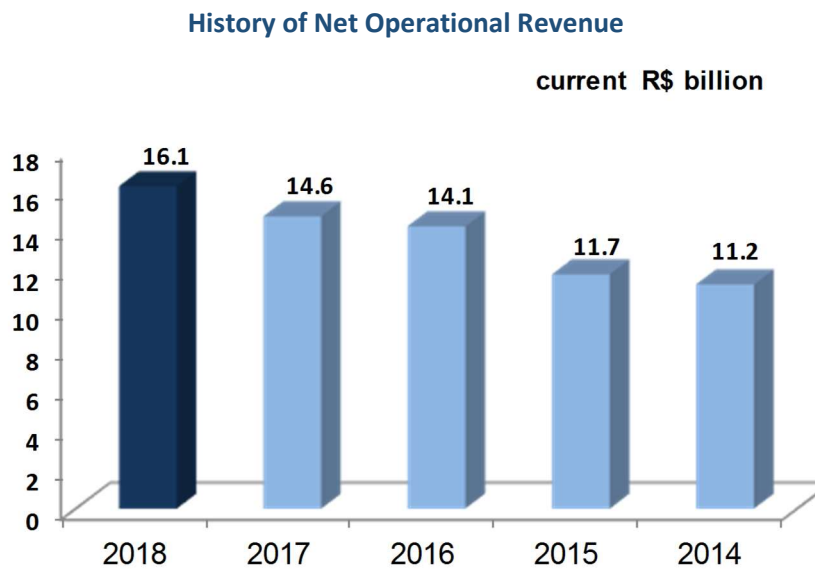
Economic-Financial Performance

In 2018, the Company posted a net income of R\$ 2.8 billion, against the R\$ 2.5 billion registered in 2017.

¹⁷Material Fact on the contract with Guarulhos: <https://bit.ly/2CqGcA5>



Net operational revenue (including construction revenue) came to a total of R\$ 16.1 billion, a 10.1% increase over the previous year.



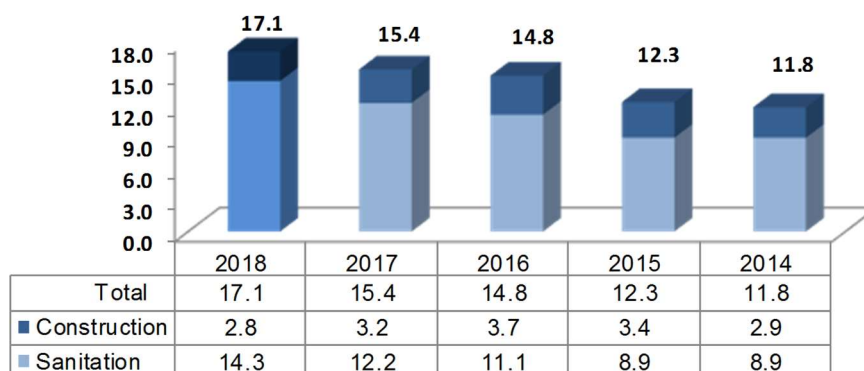
Gross operating revenue from the provision of sanitation services (excluding construction revenue) totaled R\$ 14.3 billion in 2018, which is an increase of R\$ 2.1 billion, or 16.6%, by comparison with the R\$ 12.2 billion figure registered in 2017.

The increase in gross operational revenue can mainly be attributed to the following factors: (i) the 7.9% tariff repositioning since November 2017, (ii) the 3.5% tariff repositioning since June 2018, (iii) a 1.5% increase in the total volume billed, and (iv) the agreement with the municipality of Guarulhos in 2018.

Construction revenue declined by R\$ 350.0 million, or 11.1%, by comparison with 2017. The variation is mainly due to the greater investment made in the construction of assets within the municipalities operated in 2017, particularly in the São Lourenço Producing System.

History of Gross Operational Revenue

current R\$ million



Volume of water and sewage billed ⁽¹⁾ by category of use – million m³

	Water			Sewage			Water + Sewage		
	2018	2017	%	2018	2017	%	2018	2017	%
Residential	1,607.0	1,580.9	1.7	1,375.6	1,346.5	2.1	2,981.6	2,927.4	1.9
Commercial	166.8	166.1	0.4	161.3	159.3	1.3	328.1	325.4	0.8
Industrial	31.0	31.4	(1.3)	37.7	37.5	0.5	68.7	68.9	(0.3)
Public	40.4	40.8	(1.0)	36.4	36.3	0.3	76.8	77.1	(0.4)
Total retail	1,845.2	1,819.2	1.4	1,610.0	1,579.6	1.9	3,455.2	3,398.8	1.7
Wholesale ⁽²⁾	262.7	256.7	2.3	31.1	37.6	(17.3)	293.8	294.3	(0.2)
Total	2,107.9	2,075.9	1.5	1,641.1	1,617.2	1.5	3,749.0	3,693.1	1.5

(1) Not audited

(2) Wholesale includes the volumes of re-use water and non-domestic sewage

Volume of water and sewage billed ⁽¹⁾ by region – million m³

	Water			Sewage			Water + Sewage		
	2018	2017	%	2018	2017	%	2018	2017	%
Metropolitan	1,194.5	1,175.8	1.6	1,043.8	1,024.1	1.9	2,238.3	2,199.9	1.7
Regional systems ⁽²⁾	650.7	643.4	1.1	566.2	555.5	1.9	1,216.9	1,198.9	1.5
Total retail	1,845.2	1,819.2	1.4	1,610.0	1,579.6	1.9	3,455.2	3,398.8	1.7
Wholesale ⁽³⁾	262.7	256.7	2.3	31.1	37.6	(17.3)	293.8	294.3	(0.2)
Total	2,107.9	2,075.9	1.5	1,641.1	1,617.2	1.5	3,749.0	3,693.1	1.5

(1) Not audited

(2) Consisting of the coastal and inland regions

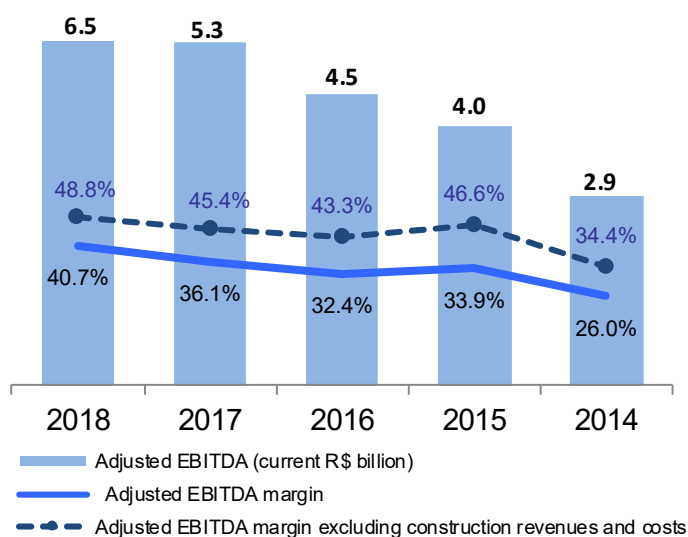
(3) Wholesale includes the volumes of re-use water and non-domestic sewage

In 2018, costs, administrative and commercial expenses and construction costs showed a 2.8% increase (R\$ 297.0 million). Disregarding the effects of construction costs, the increase was 8.4% (R\$ 637.8 million). The share of costs and expenses in net revenue was 68.0% in 2018, compared with 72.9% in 2017. For further information regarding the composition and changes in costs and expenses, see the Earnings Release, which is available on the Company's website at www.sabesp.com.br/investidores item Financial and Operational Information in the top menu.

Adjusted EBITDA showed a 24.1% increase, rising from R\$ 5,269.3 million in 2017 to R\$ 6,540.6 million in 2018, and the adjusted EBITDA margin was 40.7%, vis-à-vis the 36.1% result

seen in the previous year. Excluding the effects of construction revenue and costs, the adjusted EBITDA margin was 48.8% in 2018 (versus 45.4% in 2017).

History of Adjusted EBITDA and Adjusted EBITDA Margin



Reconciliation of Adjusted EBITDA¹⁸ (Non-accounting Measurements) (R\$ million)

	2018	2017	2016	2015	2014
Net income	2,835.1	2,519.3	2,947.1	536.3	903.0
Financial income	1,264.3	458.1	(699.4)	2,456.5	635.9
Depreciation and amortization	1,392.6	1,301.9	1,146.6	1,074.1	1,004.5
Income tax and social contribution	1,077.3	984.3	1,181.9	51.2	371.8
Other operating revenues/expenses, net ¹⁹	(28.7)	5.7	(4.7)	(143.8)	3.5

¹⁸Adjusted EBITDA ("Adjusted EBITDA") corresponds to net income before: (i) depreciation and amortization expenses; (ii) income tax and social contribution; (iii) the financial result and (iv) other net operating revenues/expenses. Adjusted EBITDA is not a measure of financial performance according to the accounting practices adopted in Brazil, or the IFRS – International Financial Reporting Standard, nor should it be considered in isolation or as an alternative to net income, as a measure of operational performance, or as an alternative to operational cash flows, or as a liquidity measure. Adjusted EBITDA has no standardized meaning, and the Company's definition of Adjusted EBITDA may not be comparable to those used by other companies. The Company's management believes that Adjusted EBITDA provides a useful measure of its performance, which is widely used by investors and analysts to evaluate performance and compare companies. Other companies may calculate Adjusted EBITDA in a different way to the Company. Adjusted EBITDA is not part of the financial statements.

Adjusted EBITDA is designed to present an indicator of operational economic performance. Sabesp's adjusted EBITDA is equal to net income before net financial expenses, income tax and social contribution, depreciation and amortization, and other net operating revenues/expenses. Sabesp's Adjusted EBITDA serves as a general indicator of economic performance and is not affected by debt restructuring, interest rate fluctuations, changes in the tax burden, or levels of depreciation and amortization. As a result, Adjusted EBITDA serves as an appropriate instrument for a regular comparison of operating performance. In addition, there is another formula for calculating Adjusted EBITDA that is adopted in clauses of some financial commitments. Adjusted EBITDA allows a better understanding not only of operational performance but also of the Company's ability to meet its obligations and raise funds for investments in capital goods and working capital. However, Adjusted EBITDA, has limitations that prevent it from being used as an indicator of profitability because it does not take into account other costs resulting from Sabesp's activities or certain other costs that may significantly affect its profits, such as financial expenses, taxes, depreciation, capital expenses and other related charges.

¹⁹Other operational revenues consist of gains on sales of property, plant and equipment, sales of public notices, sale of electricity rights, indemnification and reimbursement of expenses, fines and sureties, leasing of real estate, re-use water, Pura's projects and services and are shown net of Cofins and Pasep. Other operational expenses consist of the write-off of concession assets due to obsolescence, deactivated construction works, unproductive wells, economically unviable projects, loss of fixed assets and surplus cost of commercialized electricity

Adjusted EBITDA	6,540.6	5,269.3	4,571.5	3,974.3	2,918.7
Adjusted EBITDA margin	40.7	36.1	32.4	33.9	26.0
Construction revenue	(2,802.7)	(3,150.9)	(3,732.9)	(3,336.7)	(2,918.0)
Construction costs	2,739.7	3,080.5	3,651.4	3,263.8	2,885.5
Adjusted EBITDA excluding construction revenues and costs	6,477.6	5,198.9	4,490.0	3,901.4	2,886.2
Adjusted EBITDA margin excluding construction revenues and costs	48.8	45.4	43.3	46,6	34.4

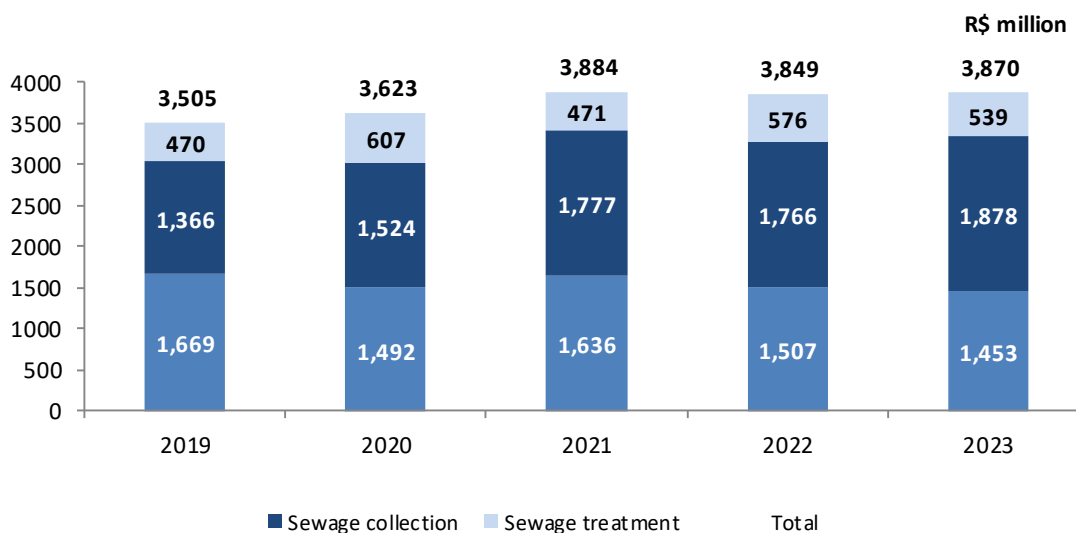
Investments

In 2018 the Company invested the sum of R\$ 4.2 billion. Out of this total, R\$ 2.1 billion are investments that did not affect cash. The table below details the investments made, broken down between water, sewage and the region:

	R\$ million current		
	Water	Sewage	Total
São Paulo Metropolitan Region	1,986.3	1,495.7	3,482.0
Regional Systems (inland and coast)	338.0	357.4	695.4
Total	2,324.3	1,853.1	4,177.4

Note: Does not include the commitments assumed under the program agreements (R\$ 207 million).

For the period from 2019 to 2023, the Company plans to directly invest about R\$ 18.7 billion, with R \$ 7.7 billion of this being in water and the remaining R\$ 11.0 billion in sewage collection and treatment:



Indebtedness

In 2018, total debt amounted to R\$ 13.2 billion, by comparison with the R\$ 12.1 seen in 2017. Amortization in the period totaled R\$ 1.7 billion. The increase in total debt was partially due to the dollar's and yen's appreciation against the Real, which raised the amount of foreign currency denominated debt to R\$ 6.7 billion (in 2017 the figure was R\$ 5.7 billion), an amount equal to 50.7% of the total indebtedness. The dollar ended the year at a price of R\$ 3.8748, which

represents a 17.1% increase against 2017. The yen rose from R\$ 0.02940 as at December 31, 2017 to R\$ 0.03527 as at December 31, 2018, which is an appreciation of 20%.

Although there was this increase in debt, there was a reduction in the covenant ratio (financial leverage indicator) “Total Debt/Adjusted EBITDA” which dropped from 2.27 times in 2017 to 1.99 times in 2018. This level of indebtedness is below the contractual limit of 3.65 times, which is a requirement of some issues of the Company’s debentures (15th, 17th, 19th and 20th). This covenant is also included in the 2020 Eurobonds, in the AB Loan and in the Syndicated Loan (Deutsche Bank US \$ 150,000,000).

The most recent issues of debentures (21st and 22nd Issues) use the covenant ratio “Adjusted Net Debt/EBITDA”, with a limit of 3.5 times, with Net Debt corresponding to Total Debt minus cash and cash equivalents, in addition to net marked-to-market value of foreign currency-denominated hedge transactions, as defined in the deeds of issue. This change seeks to align the indicator with market practice, which for the most part uses the net debt indicator. At the end of 2018 the covenant ratio “Adjusted Net Debt/EBITDA” stood at a level of 1.52 times.

Sabesp does not use currency hedging instruments. The foreign currency debt is very low cost, has diluted payment flow and a long-term maturity, enabling the Company to mitigate and offset the effects of the FX variation.

The Company has adequate access to the domestic and international credit markets, maintaining strong relationships with public sector banks, particularly the National Bank for Economic and Social Development (BNDES) and the Federal Savings Bank (Caixa Econômica Federal), as well as multilateral agencies such as the IDB (Inter-American Development Bank), IBRD (International Bank for Reconstruction and Development) and JICA (Japan International Cooperation Agency). In this way, it benefits from an extended debt amortization profile, at financing costs compatible with its investment cycle, particularly those granted by domestic official banks and multilateral lending agencies.

The ratings assigned to Sabesp remained stable throughout 2018. Of the main rating agencies, only S&P reviewed the credit rating. Thus the long-term domestic rating that was brAA-, at the end of 2017, went to brAAA in 2018, while the global scale rating went from BB to BB-, reflecting the downgrade of Brazil’s foreign currency credit rating by S&P from BB to BB-. The Company’s ratings at the end of 2018 are shown below:

	Fitch	Moody’s	S&P
Domestic scale	AA(bra)	Aa2.br	brAAA
Global scale	BB	Ba2	BB-

Additionally, in February 2019, the final installment of Sabesp’s 15th Debenture Issue was repaid and in March, full early redemption was made of the R\$ 250 million balance of the 20th issue of debentures.

Fund-raising

In 2018, the Company contracted a sum of R\$ 1.4 billion, used to rebuild cash, to refinance financial commitments and to finance its investment plan. In February 2018, Sabesp made its 22nd Issue of Debentures, in the total amount of R\$ 750 million, divided into three series. The first series, in the amount of R\$ 100 million, maturing in 3 years, single repayment and

remuneration of the CDI rate + 0.58% p.a., the second series, in the amount of R\$ 400 million, maturing in 5 years, repayment in two annual installments and remuneration of the CDI rate + 0.90% p.a., and the third series, in the amount of R\$ 250 million, maturing in 7 years, repayment in two annual installments and remuneration of the IPCA rate + 6.00% p.a. The funds were used for the refinancing of financial commitments that matured in 2018 and to rebuild cash.

In December 2018, the Company signed financing agreements with the Caixa Econômica Federal for a total of R\$ 652.2 million. These loans were selected by the Ministry of Cities – Advance Cities Program. The funds come from the FGTS (Government Severance Indemnity Fund for Employees) and will be used for water supply and sanitary sewage construction works and services in municipalities located, for the most part, in the São Paulo and Campinas Metropolitan Regions. The total term is of up to 24 years, with a grace period of up to 4 years and interest pegged indexed to the TR (Referential Rate) plus 6% per annum, plus an administration fee of 1.4% a year and a risk fee of 0.5% a year.²⁰

Stock Market

In 2018, the IBOVESPA index closed up 15.0%, boosted by political and economic expectations, while Sabesp's shares ended the year at a price of R\$ 31.50, which was a 5.5% decline by comparison with the R\$ 34.33 recorded at the end of 2017. The Company's capitalization process was halted and the disclosure by Arsesp of Sabesp's Tariff Repositioning Index of 3.5070% was regarded as less than that which had been estimated for the Company. In this context, the agreement with the municipality of Guarulhos, which was signed on December 12, 2018, was not enough to overcome the market's disappointment in the previous months.

Sabesp's ADRs closed down 21.2%, at US\$ 8.02, impacted by events in the Brazilian market and due to the 17.1% depreciation of the Real against the US Dollar in 2018. In the same year, international stock markets ended the year in decline for a number of factors, with the US market as follows: Dow Jones -5.6%, Nasdaq -3.9% and S&P 500 -6.2%. The Company's shares participated in 100% of the B3 trading sessions and the annual financial volume traded was R\$ 12.3 billion, which is a 2.4% decrease against 2017.

On the New York stock exchange, the year ended with 125.3 million ADRs being traded and an annual financial volume of US\$ 3.9 billion, which was 11.4% less than in 2017. The equity value of the shares ended the year at R\$ 28.59, which was an 11.5% increase by comparison with 2017. In 2018, Sabesp continued to be included in one of B3's main indices and continued to be monitored by the market's main financial institutions.

Tariffs and Regulation

In May 2018, Arsesp announced the outcome of the Final Stage of Sabesp's 2nd Ordinary Tariff Review, which resulted in a tariff repositioning index of 3.5070%. In light of this result, which was considered to be below expectations, Sabesp filed a request for reconsideration with Arsesp together with a request for clarification and revision.

The request for reconsideration consists of an administrative appeal addressed to Arsesp's President, requesting a review of the regulatory decision based on Arsesp Resolution No. 794/2018 and aims to apply the due compensatory adjustment on revenue, electricity cost and investments measured during the first cycle. The request for clarification and revision requests:

²⁰ More information on the Company's sources of financing can be found in Note 17 to the 2018 Financial Statements. Available at <https://bit.ly/2urUz2z>

i) an explanation of the reasons that led to a significant reduction in the final projections of OPEX for the period 2017 to 2020; ii) a revision of the X Factor calculations; iii) a revision of the calculations of the compensatory adjustment on account of the delay in the application of the 2nd Ordinary Tariff Review; and iv) revision of the calculation of the financial component in relation to municipal funds.

In response, in February 2019 Arsesp decided to refuse the aforementioned request for reconsideration (administrative appeal). With regard to the request for clarification and revision, Arsesp corrected the X Factor and the compensatory adjustment on account of the delay in the application of the 2nd Ordinary Tariff Review, which will imply an index of 0.8408%, to be applied in May 2019, together with the annual tariff adjustment.

For the purpose of providing reliability, clarity and security to decision-making in the regulatory process related to Arsesp's 2019-2020 Regulatory Agenda, in November 2018, Arsesp opened Public Consultation No. 09/2018, the result of which was announced in January 2019. One of the topics of the 2019-2020 Agenda is the regulatory criteria for recognition in the tariffs of transfers to municipal funds for basic sanitation, expected to be concluded in the first half of 2019. For this discussion Arsesp opened Public Consultation No. 02/2019.

Dividends

In accordance with the Company's Bylaws, the common shares are entitled to the mandatory minimum dividend, which corresponds to 25% of net income for the year, obtained after deductions determined or permitted by law and that can be paid in the form of interest on equity.

In addition, in 2018, the Company drafted its dividend distribution policy, to which it added that the payment of the mandatory minimum dividend will be maintained until such time as universal access to basic sanitation services is achieved in the area operated. The policy also provides that dividends may be paid in the form of interest on equity. In this case, the income tax levied on the amount to be paid to the shareholder will be considered an additional dividend.

In 2018, Sabesp distributed dividends in the form of interest on equity in the amount of R\$ 703.9 million, related to 2017, which translates into around R\$ 1.0298 per common share, a payout of 27.94% and a dividend yield of 3.0%. In relation to 2018, the Board of Directors resolved on the proposal to pay interest on equity in the amount of R\$ 792.2 million, which corresponds to R\$ 1.15900 per common share, a payout of 27.94% and a dividend yield of 3.68%, with payment scheduled to commence on June 28, 2019.

ENVIRONMENTAL MANAGEMENT, INNOVATION AND TECHNOLOGY FOR THE BENEFIT OF SUSTAINABILITY

Basic sanitation has sustainability at its heart, with a positive impact on public health, the quality of people's lives and the socioeconomic development of the area served. At Sabesp, environmental management is backed up by a set of procedures that combine environmental issues with business guidelines. In addition, the quest for innovation and technological increase makes up one of the Company's strategic lines, encouraging research, design, and the adoption and dissemination of new sustainable solutions that add technology and efficiency to water and sewage services.

With the understanding that environmental management requires the involvement and commitment of the operating areas to raise efficiency levels, Sabesp has, over the last years, promoted a redirection in its operating strategy, which for many years had an absolute focus on the implementation of sanitation works and services. In this way, the company is increasingly committed to promoting improvements in its operational site, aiming at compliance with environmental legislation and sustainable development.

Supported by an Environmental Policy, the Company aims to achieve the integrated development of its activities by means of corporate programs which are focused on operations. For this task, in 2007 an environmental corporate area was set up, along with Environmental Management Centers (NGAs) at the Company's Business Units, where they act as environmental management operational agents.

These programs are disseminated throughout the entire area operated by means of the NGAs, ensuring the uniformity of procedures and information, and based on two pillars: namely the maintenance of environmental compliance and of changing the environmental culture at Sabesp.

Environmental Management System and ISO 14001 Certification

In 2018, on the operational front, Sabesp continued with the progressive implementation of the Environmental Management System (SGA in portuguese) at STPs and WTPs. Structured in 2009, this corporate program is based on the main guidelines of ISO 14001, with a focus on the development of preventive and sustainable actions, with improvement in the operation and of the processes at the treatment plants, as well as minimizing accident risks and generating environmental liabilities.

Since 2015, Sabesp has been working with a mixed model, with ISO 14001 being applied to a limited number of certified plants, and the company uses its own environmental management model (known as SGA-Sabesp) for the other plants, without certification objectives. The model was developed with a view to streamlining the process of implementing this system at the various business units, with its main emphasis being on facilitating the incorporation of environmental management tools into the operational routine.

Over the course of 2018, the SGA was implemented at 94 plants (water and sewage plants), maintaining ISO 14001 certification at another 35 plants. In all, the SGA is present in 271 water and sewage Sabesp's plants, with annual targets for expansion of the system and with the prospect of its being implemented at all the plants in operation by 2024.

Based on the Environmental Policy, Sabesp's environmental actions are also directed towards the dissemination of the message of sustainability and knowledge about the correct use of the installed sanitation structure. In addition, it depends on the involvement of society and partnerships with educational institutions, town halls and non-governmental organizations in order to promote initiatives that encourage mobilization for preservation and respect for the environment.

This is the objective of the Corporate Environmental Education Program (PEA Sabesp), which integrates activities of various types such as courses and lectures in schools, plays, tree plantations, contests, beach and river cleanup efforts, monitored to STPs and WTPs. Activities are also held on commemorative dates such as World Water, Environment and Tree Day.

The program begins with the preparation of disseminating agents, both Sabesp's employees and members of civil society, through courses and activities in environmental education, with the purpose of training multipliers on good environmental practices and the message on the importance of sanitation for the society. In 2018, the Sabesp PEA gave more than 1,300 environmental education talks and received more than 1,500 monitored visits to the Company's facilities, catering to around 75 thousand visitors.

In this sense, it's worth mentioning initiatives developed in partnership with local governments, schools and local entities to carry out environmental commemorative events, as well as teacher and student training activities, in order to encourage reflection on the preservation of natural resources and the valuation of sanitation and its benefits.

In 2018, the "Guardians of the Planet" project and other initiatives in Botucatu involving thousands of elementary, middle and technical students are highlighted. Another highlight is the 5th National Child and Youth Conference for the Environment (which brought together 1,500 students in the municipality of Lins), a Competition for Water and Electricity Savings in the municipality of Itapetininga, collective planting 600 seedlings in the streets of Santa Cruz do Rio Pardo and social and environmental education work for the community in the area around the Humaitá STP in the municipality of São Vicente.

In addition, there is a corporate environmental training program for the Company's employees with specific courses aimed at the operational areas, managers and leaders, covering topics such as the management of water resources, environmental legislation and environmental management practices in the operation, with more than 1,600 people receiving training in 2018.

Initiatives for efficient management of water resources

Sabesp participates in and acts in the various levels of the National Water Resources System. It has a seat on the National Council of Water Resources (CNRH), highest instance of the System, which holds a seat in the Board's plenary and in six of its technical chambers. In the State Water Resources Council (CRH), Sabesp has representation in all seven technical chambers.

The Company also takes part in all of the State of São Paulo's 21 Water Basin Committees and in the 4 Interstate Committees, giving priority to the activities in the chambers that deal with Planning, Sanitation, Environmental Education and Charging for Water Use. In total, Sabesp has 159 employees who act as institutional representatives in these forums.

In 2018, the Company disbursed R\$ 78.7 million by way of payment for the use of the water resources of rivers under federal and state control in the hydrographic basins of river Paraíba do Sul, Piracicaba, Capivari and Jundiá, Sorocaba and Médio Tietê, Baixada Santista, Alto and Baixo Tietê, Tietê Batalha, Tietê Jacaré, Ribeira de Iguape and Litoral Sul, Pardo, Baixo Pardo and Grande, Sapucaí Mirim and Grande, and Mogi-Guaçu. Also in 2018, the committees Mantiqueira, Turvo Grande, Medio Paranapanema, Pontal do Paranapanema and Aguapeí/Peixe started the collection process. It is expected that 2019 will see the start of charges being made Northern Coastal Region, São José dos Dourados and Alto Paranapanema.

Charging for the use of water is a topic of great interest to Sabesp, bearing in mind its relevance in the national debate regarding scarcity and awareness in relation to the rational use of this resource. It is also an important source for financing for the actions planned by the Committees for the recovery and preservation of water resources. Another topic of interest to the Company is focused on the classification of the bodies of water and the need to establish a pact for water quality goals associated with its uses. Among other issues, it is worth highlighting that laws are being drafted for the protection of water sources used for water supply.

With regard to the grants, the existing operating complex is the subject of the Corporate Program for Obtaining and Maintaining the Grants of Right of Use of Water Resources, involving, in particular, the collection grants and the effluent discharge grants, and, as far as environmental licensing is concerned, the Corporate Programs for Obtaining and Maintaining Environmental Licensing of STPs, WTPs and Sewage Pumping Stations (SPSs), the licenses for which have to be renewed from time to time.

For the environmental licensing of new projects, when necessary, forest recovery obligations are established, by way of environmental compensation, so that Sabesp is implementing the Corporate Program for Regularization of Terms of Commitment for Environmental Recovery. This program envisages the planting and maintenance of 1 million seedlings of regional native species over a ten-year period in order to meet current obligations as well as future environmental compensation resulting from the implementation of new ventures.

Currently, 416 thousand seedlings have been planted and are being cared for in the Cantareira System, in the area around the Cachoeira reservoir, and 58 thousand seedlings in the Vale do Paraíba, in the municipality of Igaratá. The planting and care of a further 150 thousand seedlings in Cachoeira reservoir has already been contracted together with another 110 thousand in the municipality of Mirante do Paranapanema.

Due to the need to preserve water resources, the Company owns and maintains areas inside conservation units, undertaking forest recovery (planting), in addition to supervision and monitoring work (see topic Protection of biodiversity, pages 27 and 28). The areas are also made available for environmental studies by universities and activities with the involvement of society through NGOs and other institutions.

Since 1990, Sabesp has had two nurseries that have already produced more than 900 thousand native seedlings, of 170 different species, to meet the needs of the projects for the restoration and reconstitution of riparian forest in the area around the water sources that supply the Metropolitan Region of São Paulo. One of them is installed in the Jaguari dam, Cantareira System, in the municipality of Vargem and another in Alto Cotia ETA, municipality of Cotia. The company also maintains a nursery in the Jales Sewage Treatment Plant, which provides annually approximately five thousand seedlings of the species: Ipê (white, pink, purple and yellow), calabura, angico, aroeira pimenteira and palm tree.

Climate change and the management of greenhouse gas emissions

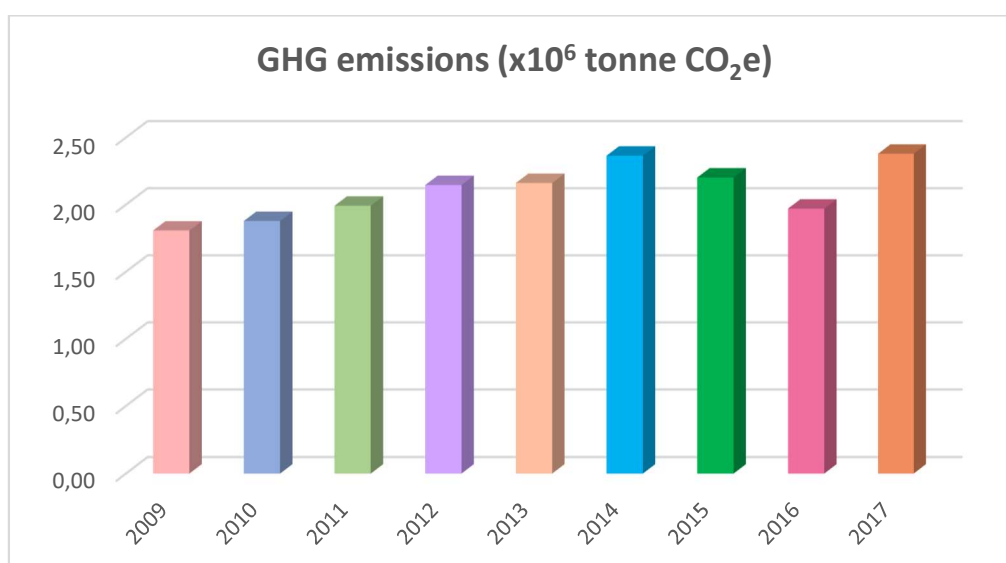
Climatic conditions and extreme events have a direct impact on sanitation activities. Therefore, Sabesp's environmental management is focused on technical training, the quantification of greenhouse gas emissions and initiatives aimed at reducing these emissions, as well as adapting to the current climatic conditions.

In this context, the Company has set up the Corporate Program for the Management of Greenhouse Gas (GHG) Emissions, which results in the preparation of annual inventories for the measurement of these emission, the promotion of awareness about climate issues and incentive for actions that reduce GHG emissions in the operation. These initiatives are in alignment with the responsibilities established in the guidelines and requirements of the State Policy on Climate Change (PEMC).

305-1; 305-2; 305-3 In 2018, Sabesp completed its 2017 corporate GHG inventory, totaling 2,369,715 tonnes of CO₂ equivalent (tCO₂e). The emissions relating to scope 1 totaled 2,130,164 tCO₂e, scope 2 totaled 215,494 tCO₂e and scope 3 totaled 24,057 tCO₂e. This is the 11th edition of the annual inventory, which shows the same trend observed in previous years, where sewage collection and treatment activities are the largest sources of GHG emissions, accounting for approximately 89.3% of the total figure. Electricity consumption is the second largest source of the Company's emissions, accounting for 9.1% of the total amount. Other activities account for approximately 1.6%.

Historical series of corporate inventories of greenhouse gas emissions – GHG

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The inventories of greenhouse gas emissions follow the principles and requirements of NBR ISO 14.064:2007 Part 1 and the Brazilian GHG Protocol Program. The calculation guidelines follow the methodologies by categories of atmospheric emissions of the Intergovernmental Panel on Climate Change Guidelines for National GHG Inventories (IPCC 2006). Since 2013, the GHG emissions inventory was calculated using the Global Warming Potential (IPCC), Second Assessment Report.

Sabesp pays attention to the application of new technologies, especially those focused on Cleaner Production (P&L), stimulating the best operational practices, which result in the good management of greenhouse gas emissions. Nevertheless, variations in the total results of the inventories of GHG emissions are observed over time. This is due to external factors such as

changes in the national average CO2 emission factor of the National Integrated System (SIN), used in the calculation of inventories. Due to the nature of the activity and the ongoing evolution of services toward the universalization of sanitation, there is a growing trend in Sabesp's GHG inventory results.

New technologies: efficiency, cost and sustainability 103 | 302

From the innovation standpoint, Sabesp seeks initiatives that target technological development, sustainability and greater economic and financial efficiency. One example of this are the improvements that have been implemented at the Água França Pinto Water Pumping Station, which guarantees the water supply in the Vila Mariana and Avenida Paulista regions, in the state capital. In partnership with Enel (the former AES Eletropaulo) via a Call for Proposals, Sabesp replaced the pumps, panels and inverters by more modern and efficient equipment, in an attempt to reduce the plant's energy consumption.

Also in partnership with Enel, via a Call for Proposals, Sabesp is executing the replacement in progress of two sets of motor pumps of the Final Pumping Station of the ABC Sewage Treatment Plant (STP), with the aim of reducing the plant's consumption and optimizing the process. A third initiative with the participation of Enel is enabling the replacement of low-power electric engines with high-performance premium class engines. Under the agreement, Sabesp is remunerated at 40% of the total value of the project. We have already exchanged 12 engines with 4 water lifts.

Another outstanding project is the pump operating as a turbine in the Tamboré reservoir, in the municipality of Barueri. The project takes advantage of the hydraulic pressure of the water in the pipes to generate energy, turning that pressure into electricity with turbines, with the same technology of a common hydroelectric plant, but in smaller scale. The forecast is to generate on average between 70 and 90 kWh/month. The energy generated is made available on the concessionaire's network in exchange for an equivalent discount of the bill paid by Sabesp.

Also noteworthy is the pilot project of the turbo-generator in the water supply sector Mussolini in São Bernardo. The equipment was placed in the treated water mains at the mouth of the reservoir, using the pressure from the water to convert the mechanical energy into electricity. The energy generated will be used at the plant to reduce expenditure on energy by 60%, with the surplus being transferred to the concessionaire.

302-4 Also in 2018, in partnership with the distribution companies CPFL Paulista and CPFL Piratininga, Sabesp took part in a project aimed at replacing 79 electric motors that were manufactured prior to 2009. Through this action it was possible to obtain an increase in the efficiency of these engines, represented by the average savings of 5% of the energy consumed.

In line with the logic of the energy matrix's diversification, in 2018, studies were initiated to implement a photovoltaic plant at some of Sabesp's sewage treatment ponds. Sabesp's first photovoltaic plant is in the installation phase in the municipality of Orindiúva and has a generation capacity of 1 MW.

The expectation is to generate around 1,200 MWh/year in this photovoltaic power plant, which will provide electricity credits to offset the consumption in 376 Sabesp's administrative and operational units, distributed in 125 municipalities in the state of São Paulo. The start of operations is expected to begin in the second half of 2019.

In addition to these initiatives, the Company also contributes to reducing greenhouse gas emissions by means of the Sabesp Fleet Renewal Program, an action that has been in place since 2011 which is focused on the replacement of light vehicles that have been in use for more than seven years and heavy vehicles that have been in use for more than 20 years. By 2018, 84% of the light vehicles and 73% of the heavy vehicles had been replaced. In addition to this Program, the Company follows the government's guidelines regarding the use of ethanol, a renewable fuel, for vehicles with flex characteristics and Diesel S10 for heavy vehicles.

In addition to its environmental importance, economic benefits and the modernization of management are generated by the Fleet Renewal Program, such as reducing fossil fuel consumption, savings in terms of maintenance and documentation, and revenue obtained from the auctions for the sale of the replaced vehicles. As a result of maintaining this program the fleet's daily availability achieved a 99.5% level, increasing the productivity of operational activities. Since 2018, this indicator began to be assessed as acceptable within the range of excellence of between 95% and 100% availability.

Research and innovation

Sabesp is guided by the incentive to research and disseminate new solutions that add technology and efficiency to the water and sewage services. This activity is made possible by means of partnerships with educational institutions, entities that encourage research and companies with state-of-the-art technology. In this way, around R\$ 10.6 million was invested in 2018 in RD&I projects using the company's own resources or those raised from development entities. In the last three years R\$33 million were invested.

2018 saw the creation of the Corporate Program of "Research, Technological Development and Innovation", which makes it possible to differentiate between the financial resources spent specifically for this purpose within its budget structure. These RD&I resources are a differential in Sabesp's results and demonstrate the company's capacity for innovation and a pioneering approach, which can produce fiscal, tariff and financial advantages.

One of the important partnerships, which has been maintained since 2009, relates to the Cooperation agreement between Sabesp and FAPESP, which is aimed at financing research projects at Higher Education Institutions in the State of São Paulo, and which has already yielded 17 projects with universities. Among the research partner institutions are the following: the University of São Paulo – USP, the Aeronautics Technological Institute (ITA), the Federal University of São Paulo – UNIFESP, the National Institute of Space Research – INPE and the State University of São Paulo – UNESP. This Agreement provides for R\$ 50 million of non-refundable financing, split equally between Sabesp and FAPESP.

In 2018, the second Agreement with FAPESP was signed, the Small Company Innovative Research Program, which focuses on supporting the execution of scientific and/or technological research at micro-, small- and medium-sized companies in the State of São Paulo.

A Financing Agreement that was signed in 2015 with the Brazilian Innovation Agency – FINEP, has enabled Sabesp to implement its "Technological Innovations Plan for Sanitation". The Plan has four projects: A system for the production of reuse water for urban and industrial use; biofiltration units for controlling odor from sewage pumping stations, a drier for sludge from sewage treatment plants (STPs) using solar irradiation, which is being implemented in the municipality of Franca; and the Plasma Gasification System using solid waste from plants, which is in the process of being implemented at the Barueri STP.

Technical cooperation agreements are another way to promote the development of technologies on topics that are a priority for Sabesp, such as loss reduction, energy efficiency and alternatives for the treatment and disposal of sludge. The technology for the use of ceramic membranes for ultrafiltration of silicon carbide for the recovery of wastewater from water treatment plants is being compiled, based on an agreement that was signed with a representative of a Danish company.

The Deed of Undertaking that was signed in 2017 with the Federal University of Minas Gerais, in connection with the project “Evaluation of the energy generation potential of the biogas produced in anaerobic reactors applied to the treatment of domestic sewage in Brazil” made it possible to finalize the measurements and assessments of the production of biogas at the STP in the municipality of Várzea Paulista, in June 2018, which resulted in the publication of various technical papers in a technical journal of the sector.

2018 also saw the signing of a letter of intent with the Associação Pró-Ensino Superior in the municipality of Novo Hamburgo for a technical cooperation agreement with a fiber optics company to evaluate the technical, economic and commercial viability of inserting fiber optics for telecommunications in sewage networks. Another technical cooperation agreement, which was signed in 2018, with the “Júlio de Mesquita Filho” State University of São Paulo was initiated to evaluate the technical and environmental feasibility of the use of sludge from a water treatment plant as a raw material for the base and sub-base of road surfacing.

Also worthy of mention is the application of raw water for verifying the matrix of dissolved organic matter, which was carried out in eight of the SPMR’s water-producing systems, using an artificial intelligence project design developed by the University of Akron (USA) to manage the formation of by-products based on operational and fluorescence data.

In addition, a technical cooperation agreement is being formalized with a company that manufactures photovoltaic energy powered aerators. The goal is to improve the efficiency of sewage treatment by increasing organic load removal. The performance of the intermittent aeration increment will be analyzed in technical and economic terms, and the fluctuating structure of photovoltaic energy generation will be evaluated.

Reduce, reuse and recycle

Since 2008 Sabesp has had a program for the management of solid waste generated by administrative activities – the Programa Sabesp 3Rs (Sabesp 3Rs Program), with the objective of organizing and standardizing selective collection initiatives. As a result of this, actions and practices have been defined to minimize the generation of waste, to reuse it and forward it for recycling. Over this time more than two thousand employees were trained and around 2,500 tons of recyclable waste was correctly earmarked.

In 2018, to strengthen the culture of responsible consumption, in the municipality of Botucatu, activities for the revitalization of the Sabesp 3Rs Program were developed, based on the diagnosis made, as well as the dissemination of the guiding actions of the program. One of the initiatives implemented, related to the reduction of consumption of administrative materials, was the progressive replacement of fluorescent lamps with LED

CREATING VALUE FOR CUSTOMERS AND PROMOTING CITIZENSHIP

Sabesp understands that social responsibility must be a position adopted within and outside the Company. Guided by ethics, such conduct is present every day in the relationship of transparency and respect for the client, efficiency in the services rendered and appreciation of the competence of its employees. The large investments in the expansion of sanitation infrastructure and the strengthening of partnerships with society result in the promotion of citizenship, with the provision of health and quality of life for the population served.

Voluntary adhesions and representativeness 102-12; 102-13

Since 2007, Sabesp has been a signatory of the United Nations Global Compact, demonstrating its commitment, in an international business network, to the sustainability issues of the planet. The Pact is based on respect for human rights, labor issues, the environment, transparency and the fight against corruption. The Company's participation in the Pact is based on its commitment to incorporate these principles into its management strategy.

The Company supports and encourages the 17 Sustainable Development Goals (SDGs), plus one of UN's initiative that aims to stimulate actions over the next 15 years in areas of crucial importance to humanity, the planet, countries and businesses. The SDGs are integrated into the Corporate Volunteer Program, which has the purpose to carry out actions and encourage changes in behavior that contribute more broadly to the social development of the population that is under its influence.

Institutional programs and partnerships

For the 15th consecutive year, Sabesp renewed the Child's Friend Company Seal of Abrinq Foundation, reinforcing the company's image and its socially responsible performance, helping to disseminate a culture of citizenship through initiatives aimed at Brazilian children and youth. The renewal of the seal reiterates the company's commitment to carry out actions in favor of children and adolescents, conditions that stand out in the companies recognized in the Child's Friend Company Seal.

In addition, it maintains the granting of the São Paulo Diversity Seal, established by the State Government of São Paulo, which aims to encourage public, private and civil society organizations to insert this subject in their human resources management and highlight good business practices as a strategic action for equal rights.

The Company maintains an agreement with the Associação Amigos Metroviários dos Excepcionais (AME or Subway Employees' Friends of the Exceptional Association), via which a number of people with disabilities operate at our customer service stations.

The Corporate Volunteer Program seeks to generate transformations in communities in which it acts, motivating and generating the involvement of the largest possible number of employees. In addition to the campaigns, the program acts in several social inclusion actions, learning and care for children, the elderly and those with special needs, establishing partnerships with the communities in the surrounding area, schools, orphanages and day care

centers, among other segments. Volunteer actions are coordinated by a group of employees, with representatives from all boards, who interconnect with the network of volunteers.

The Winter Clothing Campaign organized by FUSSESP – the State of São Paulo’s Solidarity and Social and Cultural Development Fund, is one of the most complete and most successful corporate actions. With more than 1.5 million pieces, including warm clothing, blankets and other items, the number surpassed the collection of 2017 and 2016, a proof of the strength of Sabesp’s volunteer work. Among the 497 beneficiaries of the campaign are social and religious entities, hospitals, shelters, day care centers, orphanages, asylums and community centers, among others.

In all, there were 223 events held in three months of many charitable actions, such as breakfasts, parades, tolls, lunches and suppers. Such mobilization demonstrates that, besides bringing quality of life to the population of the State of São Paulo through sanitation services, Sabesp also takes on the commitment of engaging in social actions that reduce differences and contribute to better world. Since 2002, the year in which it officially began its participation, Sabesp has already collected more than 48.2 million pieces.

Institutional campaigns

Pink October – October is the month chosen to educate our employees about the importance of breast cancer prevention. Sabesp carries out several actions aimed at raising awareness about the disease. This year the company mobilized employees to collect headscarves and turbans, which were donated to the Cancer Institute of the State of São Paulo (Icesp), contributing to the self-esteem of women who are in treatment of the disease.

Blue November – Concerned about the health of its employees and their families, Sabesp has launched another action to raise awareness and prevention of prostate cancer. Every Friday in November, employees were invited to wear a blue garment or accessory in support of the Blue November Campaign, contributing to the worldwide movement that calls attention to the importance of prevention and early diagnosis of cancer.

Blood Donation – Already traditional at Sabesp, blood donation campaigns are part of the annual Quality of Life program. 177 employees were mobilized, contributing with 137 blood bags between employees, interns, outsourced workers and family members, which were used to donate blood to the blood banks of Hospital Samaritano and Hospital Sírio-Libanês.

Institutional Programs focused on the social area

Apprentice Program – Aligned with its objective of evolution as a company, which by vocation is socially responsible and in compliance with Law 10.097/2000, Sabesp, since 2006 the company develops the Apprentice Program, which contributes to developing citizenship and professional qualification of young people from 14 to 22 years old.

The purpose of the program is to contribute to the training of young people, giving them an opportunity to enter the labor market, as well as offering practical learning, exchange of experience and integration between Sabesp employees, interns and apprentices. As indirect positive impacts of this program, we highlight a consistent technical-professional training in the administrative, accounting, financial and human resources segments. In addition, young people contribute to family income because they receive remuneration and benefits. This initiative has already opened opportunities for 3,792 young people.

With an 18-month contract between theory and on-the-job training, the program is developed in partnership with the National Service of Industrial Learning – Senai/SP. In 2018, 485 young apprentices were admitted, and the Distance Learning training course was used to train apprentices who work in municipalities far from the SENAI schools, thus innovating the process. This project had strategic importance, because it serves the geographical distribution of the company, and can be expanded in the next classes.

Support and Sponsorship

By means of financial and/or institutional support, Sabesp takes part in cultural, social, educational, sports and environmental actions, promoting social development in partnership with a number of civil society organizations, via the allocation of funds from budget funds and tax incentives. These are actions and projects that contribute to the respect for human rights, promotion of social inclusion, mitigation of social impacts and encouragement of volunteering.

Culture Project: The participation of Sabesp in cultural projects is significant; in 2018, about R\$15 million were distributed in 69 projects, disseminating the culture in different artistic languages, such as music, cinema, theater, dance, visual arts and literature. Sabesp believes that the dissemination of culture is an important source for the transformation of lives and that access to culture, the arts, memory and knowledge is a fundamental condition for the full exercise of citizenship. The productive chain of culture is also a source of opportunities to generate work and income.

Sports Incentive: Sabesp also recognizes the transformational power of sports and has been supporting several sports projects, both aimed at high performance and sport as an instrument of education. In 2018 more than R\$3.5 million were made available to sponsor organizations. They offer activities that go beyond sports, promoting health, education, citizenship and knowledge. This service is not limited to children and young people directly benefited but extends to the families and people around the communities, who are also impacted.

Cancer Care Projects: With the purpose of contributing to the improvement of cancer treatment in the country, since 2015 Sabesp has been supporting projects of the National Program of Support to Cancer Care (PRONON). In the last 4 years, the allocation of resources of approximately R\$13 million has enabled the training of professionals, the expansion and qualification of diagnostic and surgical services, the use of more modern techniques and the provision of excellence for cancer patients.

Projects for the Elderly, Children and Adolescents: The State Fund for the Rights of Children and Adolescents (FEDCA) includes special resources to assist this audience. The funds are a key to make the Statute of the Child and Adolescent (ECA) feasible and finance the implementation of policies to care for children and adolescents. In São Paulo, it is managed by Condeca-SP.

The State Fund for the Elderly is intended to finance programs and actions related to the elderly population, especially to ensure their social rights and create the conditions to promote their autonomy and effective participation in society. The use of the resources destined to the Fund is carried out through the Call for Proposals, which allows, in a more just and equal way, the selection and financing of the best projects.

Sabesp allocated R\$3.7 million to each of these funds in 2018.

Financial Incentives	2012	2013	2014	2015	2016	2017	2018
Incentive to Culture – Rouanet Law	9,280	7,341	4,304	396	7,210	8,678	12,001
Incentive to audiovisual	4,672	6,908	5,572	1,188	7,252	6,001	3,000
Sports Incentive	2,872	3,379	2,130	396	3,615	3,600	3,700
Incentive to cancer care	0	0	0	396	3,600	3,600	3,750
Condeca	3,000	3,300	2,100	0	3,600	3,690	3,700
Fund of the Elderly	0	0	0	0	3,600	3,690	3,700
Total	19,824	20,928	14,106	2,376	28,877	29,259	29,851

Supply Chain Management

For Sabesp, the supply chain management goes beyond the acquisition of products, materials and services, seeking to establish partnerships, through which values and principles are shared.

Our bidding procedures are executed based on **Sabesp's Internal Regulation on Bidding and Procurement**, which is the instrument that specifies the procedures to be adopted in compliance with the standards established by Sabesp.

Bids and contracts require documents and premises that prove the company's qualification for the business relationship. In addition, the supplier is advised to comply with labor, tax and environmental laws, including the responsibility for irregular acts or facts practiced by any subcontractor and/or outsourced, on behalf of its employees and agents.

102-9 Currently, there are 10,463 representatives of companies with an approved/accredited link to participate in bids throughout the State of São Paulo. The amount spent on suppliers in 2018 was approximately R\$4.2 billion related to investments and expenses. The main hiring are related to electrical energy followed by chemical products for water and sewage treatment, technical engineering services (project, works management, works execution and operation of water and sewage services) and computer/telephony services.

103 | 301 Sabesp also uses the Third-Party Service Studies of the Government of the State of São Paulo – Specific Social and Environmental Instructions in the definition of its technical specifications. This study establishes environmental actions, such as: rational use of water and energy and electricity, reduction of production of solid waste, etc., either through training employees of the contracted party, or through raising awareness of all involved, or through specific actions identified especially in the Technical Specifications and obligations of Sabesp and the contracted party.

To that end, our contractual instruments have a clause requiring the compliance with the positions of the Municipal, State and Federal legal provisions that interfere in the execution of the works or services, highlighting the environmental legislation, especially CONAMA Resolutions and State Law 12684/07.

In addition to the purpose of reporting on the performance of Sabesp's hiring areas, this instrument provides important information on suppliers' good practices and their awareness and actions for sustainable development. The toxicological risks of the products used are also evaluated to guarantee the safety of use in both the water treatment plant and the final consumer.

This process also includes the following analyzes: assessment of the production process, from the raw material to the finished product; the verification of aspects related to the environment and social responsibility; and the promotion of fair trade, selecting suppliers with the same level of quality and, under these circumstances, seeking the lowest price.

Qualification of Suppliers – Sabesp has its own process for the qualification of suppliers and their respective products, for the purchase of strategic materials. Supplier qualification covers a number of requirements, including the production process, from the raw material to the final product, and includes checks on environmental liability, such as the product's toxicological risks, and social responsibility, such as combating forced labor and the use of child labor.

At this point, the qualification work of suppliers of fluorsilicic acid, known as fluorine, which is added to the end of water treatment, as established by Law 6050/1974, and its regulatory decree 76872/1975, deserves special mention.

This material, which undergoes strict quality control, is evaluated according to procedures established by ABNT NBR 15.784:2017 and must also comply with the parameters established by Administrative Rule 5 of September 28, 2017 (Ministry of Health), resulting from the reuse and purification of materials from the processing of phosphate rock, which contributes to the preservation of natural resources while protecting the oral health of the population, strengthening dental enamel.

Transparency in Processes – The Company seeks to provide the market with the maximum possible clarity in relation to its procurement and contracting process, using electronic bidding procedures, with preconditions for taking part, requirements for contracting and guidelines with norms and principles imposed in its Internal Bidding and Procurement Regulations. Electronic processes, in addition to reducing costs, offer suppliers and the population a greater transparency, efficiency and agility.

Committed to conducting its business in a legal, ethical, transparent and professional manner, in accordance with the general requirements of anticorruption laws, the Company extends to its suppliers, who represent it, the obligation to assimilate, accept and enforce those requirements by means of a declaration in which the supplier registers that its business conduct is lawful.

In addition, the participation and regional contracting of local suppliers is encouraged by the Company, as provided for under Supplementary Law No. 123/06 and its supplements.

In compliance with State Decree No. 53.336/08, which established the State Program for Sustainable Public Procurement, each year Sabesp releases its Report on Sustainable Public Procurement, which is drawn up in accordance with the guidelines established by the Government of the State of São Paulo's Program for Sustainable Public Procurement, with the main socio-environmental actions and best practices applied to its supply chain.

103 | 301 Compliance – The potential risks identified in the procurement and inventory processes are continuously monitored and reassessed, with new action plans implemented whenever necessary to act directly on the causes of these risks. In addition, Sabesp has a Procurement Policy with Business Procedures, an Editing Committee, which establishes rules and standards for hiring the company, a Bid Management System (SGL) and an Integrated Information System (SiiS).

From the Bidding Management System (SGL) and the Integrated Information System (SIS) it is possible to obtain management and operational information, which can be grouped, analyzed and monitored according to the Company's management needs. Sabesp also has functional authorities in its operating processes, determining rules, procedures and standards for its activities. In addition, the requirements of the Sarbanes Oxley Act, Anti-Corruption Law, Bidding Law, Code of Conduct and Integrity, Audit Committee, etc. must be met.

Child labor – Sabesp plays its part in maintaining human rights

The bidding procedures at Sabesp set as a condition of Qualification that the bidder declares its regular status at the Ministry of Labor regarding the prohibition of night shift or dangerous/unhealthy work to minors under eighteen years old and any work under sixteen years old. At the bidding stage, failure to comply with this rule determines the disqualification of the bidder and, during the contractual execution, any disclosure of a breach of the rule may lead to termination of the contract. In another front related to the measures taken to contribute to the effective eradication of child labor, we renewed the certificate granted by the Abrinq Foundation for the 15th consecutive year.

The process of qualification of suppliers and their respective products also evaluates the production process, from the raw material to the final product, checking aspects related to social responsibility, regarding the use of child labor.

Forced Labor

The measures taken by Sabesp to eliminate all forms of forced or slave labor are the result of the study carried out by the National Pact on the productive chains of employers, which used labor analogous to slave labor. Actions involving the registration of suppliers and participation in bids and hiring were forwarded, at the time, to the Management Committee of the National Pact for the Eradication of Slave Labor.

Among the actions applied we highlight the following: a) consult our area of registration to the “dirty list” of the Ministry of Labor and Employment, to verify if any of Sabesp’s suppliers are using labor analogous to slavery; b) the obligation for bidders interested in participating in bids or, in qualifying their respective products in Sabesp, to declare that they do not use labor analogous to slavery in their productive chain and; c) the contractual provision that the contracted company will assume responsibility for the eventual use of labor analogous to slavery in its productive chain. Therefore, we emphasize that the use of labor similar to Forced or Compulsory Labor constitutes a ground for termination of a contract with Sabesp.

Relations with Customers

Respect for society and for the customer, with the offer of quality products and services, adequate tariffs and effective customer service is one of Sabesp’s strategic guiding principles, which focus on boosting technology as a pillar for improving excellence in the provision of the services.

Sabesp relies on the traditional service channels: telephone and in-person, through 396 agencies installed in the municipalities served and 13 mobile service units and 02 Service Centers, and, digital service channels – Virtual Agency and Sabesp mobile, where the client can request the payment in installments of overdue accounts, second copy of the bill – including paid bills, copy of the barcode to pay via bank app, inform the bill payment, report lack of water, make new requests for water and sewage connections, among others.

Besides these options, the Company has been investing in the use of technology to give more comfort and ease to the life of the client. In March 2018, Sabesp inaugurated the Agency Laboratory of Relationship, which was installed in its largest movement agency, in a region in need of the city of São Paulo, Av M'Boi Mirim. This agency aims to function as a laboratory for new technologies, processes, procedures and physical structure. Currently, 20% of this agency’s services have already been converted into digital services, reducing from 14 to 9 in-person service stations.

To increase the access and inclusion of hearing impaired clients, the new in-person service contracts have a clause where the provider must include service in Libras (Brazilian Sign Language) to customers.

The Ombudsman's Office, which is a qualified channel for customer service, in the second instance, to handle complaints, suggestions, reports of wrongdoing, criticism and information. In 2018, from January to November, the Ombudsman's Office received about 81 thousand contacts, which was a 20% decrease vis-à-vis the same period in 2017.

102-43; 102-44 In order to improve its service, Sabesp conducts a Satisfaction Survey on an annual basis, taking into account the best market practices. In 2018, 6,216 interviews were carried out throughout the entire State of São Paulo, which makes it possible to obtain results with a 1.23% margin of error and a 95% confidence level. The overall satisfaction indicator was 81%, which means that out of every 10 customers, 8 stated that they were satisfied or very satisfied with Sabesp.

People Management **103 | 401**

With the focus on Promoting Professional and Personal Development, the People Management at Sabesp is directly related to the strategy through the "People Valuation Guidelines". 2018 was a challenging year for people management at Sabesp, with the adaptations to the new Labor Law, the implementation of E-social and adjustments to the Integrated System of Information Sabesp (SiiS) implemented in April 2017.

Thus, the Company sought to adopt a more innovative and flexible management model for people management. Several projects were developed to integrate and leverage the efforts in a main purpose of potentiating the organizational values to the future challenges, seeking the commitment with the goals and business results.

An important innovation implemented in 2018 was **Sabesp's Network App**, an (mobile) application developed by the Information Technology Superintendency focused on ensuring fast access to various services and also having a direct connection with the programs of people management.

Sabesp adopts the **People Management by Skills** model, which has been improved with the purpose of offering a value proposition to the employees, capable of increasing their commitment and engagement. Its principles are: valuing people, managing the career and improving skills. Reviews are continuously being made in the search for excellence and to generate results. The 14,449 employees are the basis to ensure operational excellence and are always under our attention, in addition to the 956 interns and 485 apprentices.

Of the total, 158 jobs are occupied by people with disabilities, 37% of whom are physically handicapped, 9% are hearing impaired and 14% are visually impaired. The average length of time that the employees have been with the Company is 19.2 years. In 2018, the company had a 4.5% turnover rate, while overtime in relation to normal hours worked was equal to 11.2% and the absenteeism rate was 2.2%. With regard to maternity leave, of the 46 women who took advantage of this benefit, 57% returned to work.²¹

Career management is carried out on an ongoing basis, and is guided by the Positions and Wage Plan, approved in 2012, which establishes the development structure of the professionals

²¹ Further information available in the chapter Detailed Quantitative Information

in their respective categories and positions. This process enables employees to evolve and focus on their ongoing development in such a way as to meet the business challenges.

The **Positions and Wage Plan** has a structure of three categories of positions: Operational, Technical and University, which differ by activity characteristics and educational prerequisites. The model is guided by a regulation approved and aligned to the guidelines established by the controlling entities of the Government of the State of São Paulo, and any change must be submitted to their approval.

For the full exercise of each position, specific minimum requirements must be met such as: educational background, ability to deal with complexity, records in class entities and improvement courses.

A **Skills and Performance Assessment** process is carried out on an annual basis between the employees and the managers and, after determining the level of skills, an Individual Development Plan is drawn up, which allows the progression of the essential skills so that Sabesp can meet the challenges it has assumed.

The process also included the perception of the **Organizational Environment**, which allows the analysis of the internal environment and monitoring the employee's satisfaction, allowing to identify the motivation of employees in aspects such as leadership, relationship, pride, valorization, among others. In 2018, the Action Plans to Improve the Organizational Climate were monitored.

From the point of view of labor relations and the level of employment, people management has repercussions on the operations and, therefore, on the financial results of the company. The level of employment refers to the challenge of dimensioning the workforce in an efficient way, to meet operational needs, avoiding both excess labor (idle capacity) and scarcity, which can lead to excessive overtime and risk of labor claims.

Indicators related to People Management are mostly generated from data from the functional records (from admission and payroll processes, among others) contained in the SAP ERP System. These data are extracted from the SAP in the form of reports, which are then processed for the purpose of establishing personnel indicators, which are used to make strategic decisions.

Remuneration and Benefits

Sabesp uses a Skills Compensation model, to attract, retain and develop qualified and committed professionals, by offering career prospects and compensation that are compatible with the market. To this end, Sabesp adopts a single salary policy which is linked to the Positions and Wage Plan, which seeks to maintain internal and external balance, and which is guided by salary surveys that are undertaken on an annual basis by specialized external consultants.

Benefits:

Benefits	
Granted by the Company	
Meal Voucher and Food Voucher	In the flexible benefit format, the monthly credit in the amount of R\$1,228.35 corresponding to R 857.04 of meal voucher and R\$371.31 of food voucher is distributed in the respective benefits according to the percentages available.

Extraordinary Break Time	Amount of R\$35.71 to those who extend the working day for at least 2 hours
Christmas Bonus	Additional credit of R\$371.31 to all employees on the Basic Food Supply card, in compliance with the Collective Agreement 2018/2019.
Children's Coexistence Center – CCI	Daycare managed by Sabesp with third party service, at Ponte Pequena. Capacity for 100 children up to five years old
Job Security	Employment guarantee to 98% of the staff on May 1, 2018 (except: dismissal for just cause, employee's initiative, retirement, death, termination of contract and voluntary/incentive dismissal program)
Complementary Sickness Aid	Payment of the difference between the salary and the amount of the benefit paid by INSS, to the retired due to illness or accident at work, for a period of up to 6 months
Vacation Bonus	Fixed amount of R\$1,861.51 + 50% of the difference between the fixed value and the salary + ATS
Medical Care (Fundação Sabesprev)	Health Plan Sabesprev Pleno – employees' contribution of 3.21% on the basic remuneration with the onlending of Sabesp. The benefit is extended to dependents without adding value. Sabesp contributes with 7.4% of the Gross Payroll
Private Pension Plan (Sabesprev Foundation)	Plano Sabesprev Mais (CD): wages up to R\$5,337.80, contribution of 0.5% or 1%. Above this amount, an additional up to 8% of the difference is paid. Basic Benefit Plan (BD) – Suspended adhesions and is linked to compensation. Formula: Remuneration up to R\$5,337.80 x 2.9648% and above R\$5,337.80 x 25.1910%.
Legal	
Additional Paym. Night Shift	Additional 20% of the value of nighttime, according to current legislation
Weekly Paid Rest	Compensation of overtime provided on holidays and paid rest at 100% of the regular time value, on the impossibility of granting compensatory leave in the following week
Overtime	Paid with a 100% increase to the normal time value
Additional Paym. on Hazardous Work	Payment to employees exposed to chemical, physical and biological agents (household sewage, noise, humidity, chlorine and others). Additional 20 and 40% of the minimum wage
Additional Hazard Work	Payment to employees exposed to dangerous agents (flammable fuel, explosives, ionizing radiation and electric power). Additional payment of 30% of the employee's base salary
Childcare Aid and Special Childcare Aid	Reimbursement of childcare expenses for employees with children in the age group: up to 01 year = R\$1,100.03; up to 06 incomplete years = R\$367.24 and employees with children with disabilities = R\$734.49
Uniform Cleaning	Monthly supply of products for washing and disinfecting uniforms, to employees working in activities with risks of contamination by biological agent (sewage)
Distance Duty	Additional paid at the rate of 1/3 of normal hourly salary for employees who remain on notice
Transportation Voucher	Provided to the system's employees, the company subsidizes expenses that exceed 6% of the employee's basic salary, according to legislation

Private Pension Plan: Sabesp also offers the option to participate in a Private Pension Plan, whose purpose is to supplement the retirement. In the Company, there are two pension plans managed by Sabesprev: the G1 Benefits Plan and the Defined Contribution Plan – Sabesprev Mais. Since 2010, the employee can only opt for the Sabesprev Mais social security plan, since the Benefit Plan (G1) has been suspended due to its deficit characteristics. Currently, the Pension Plan has 12,573 employees – 4,363 are from Benefit Plan – G1 and 8,510 from Sabesprev Mais – in addition to more than 8,000 retirees/pensioners currently assisted by the plans

Other Benefits	
Social Service	PARE – Service to chemical dependent employees: Alcohol, Tobacco and Other Drugs, with subsidized treatments in specialized clinics (hospitalization, outpatient care with Social Work)
Group Life Insurance	Through the Sabesp Association, it offers a Group Life Insurance plan that guarantees compensation in the event of death or disability in the amount of 20.9 base salaries of the employee (without Sabesp allowance)
Supermarket/Drug Store Card	Agreements with supermarkets and drug stores, with total discount of the amount used in payroll in the following month (without Sabesp subsidy)
Minimum Wage Engineer	According to collective bargaining agreement (8.5 minimum wages applied on the base date – May) R\$7,964.50 (May 2018)

In addition to the direct benefits, by means of **Sabesp's Corporate University**, the Company offers educational subsidies and arrangements for courses at various levels of training and formal education in undergraduate degree programs, postgraduate degree programs, secondary technical education courses, language courses, professional development and distance learning. Subsidies are offered exclusively to employees while the educational arrangements are extended to family members of all ages.

Relationship with labor organizations

Historically, the Company has a good relationship with the representative entities (trade unions and associations), seeking to meet the employees' main demands, always observing the limits of its financial capacity and the legal and governmental guidelines. In its labor relations, Sabesp prioritizes negotiation as a way of resolving conflicts, substantially reducing the occurrence of strike movements, which can compromise efficiency and operational results. Out of the total number of employees, around 70% are members of trade unions.

The main trade unions in the several professional categories are:

Union	Representativeness		
	Sabesp Base	Number of Partners	% partners in the base
Sintaema (Union of Workers in Water, Sewage and Environment of the State of São Paulo)	10,708	7,552	70.53
Sintius (Union of Workers in Urban Industries of Santos, Santos Coast, Southern Coast and Vale do Ribeira)	1,037	795	76.66
SEESP (Union of Engineers of the State of São Paulo)	699	195	27.90
SASP (Union of Lawyers of São Paulo)	176	41	23.30
SINTEC (Union of Industrial Technicians of the State of São Paulo)	347	185	53.31

Note: 1500 employees are represented by trade unions of their respective professional categories.

The main representative entities are:

Entities and purpose	Partners
Associação Sabesp – development of leisure, sports, social and cultural activities	5,978
Sabesp Association of Retirees and Pensioners – AAPS – defense of retirees and pensioners and active employees eligible for retirement and also the improvement of their quality of life	287
Association of University Professionals of Sabesp/APU – represents employees of all levels, to collaborate and influence the management of sanitation, to expand the channels of participation in the Company's management and to improve and develop professionals	409
Association of Administrators of Sabesp/ADMSabesp – defense of interests and desires, promoting professional valorization, taking care of the strict observance of professional and functional ethics	138
Association of Engineers of Sabesp/AESabesp – integration and defense of national and international projection interests and promotion of technical and cultural development	1,006
Loan and Savings Cooperative of Sabesp/CECRES Employees – offers more affordable credit lines	9,989
Sabesp Foundation of Social Security – Sabesprev – a private supplementary pension entity responsible for the administration of the pension plans (12,024) and medical care (13,065)	13,676
Brazilian Association of Sanitary and Environmental Engineering/ABES – contribution to the knowledge and improvement of the quality of life of Brazilian society. Participates at national and state level of CONAMA, National Council of Water Resources – CNRH, CONFEA, State Environmental Councils and others	
Brazilian Association of Infrastructure and Base Industries/ABDIB – development of the Brazilian infrastructure and national-based industry market and its strengthening in international competitiveness standards	

Collective bargaining 102-41

Employee claims are negotiated between Sabesp and the Unions, always respecting the limit of their financial capacity and legal and governmental guidelines, covering 100% of their staff. In May 2018, there was the collective bargaining for the period 2018/2019, in which the benefits were maintained and the salary readjustment of 1.29%.

Profit Sharing

The Company has adopted a Profit-Sharing Program, which is used on an annual basis to encourage employees' commitment to organizational objectives. The Program follows the general guidelines set forth by Federal Law no. 10.101/2000 and by State Decree no. 59.598/2013 and is the subject of annual negotiations with the Unions.

Distribution of annual profit sharing

Professional category	2012	2013	2014	2015	2016	2017	2018
	(R\$)	(R\$)	(R\$)	(R\$)	(R\$)	(R\$)	(R\$)
Operational	2,344	2,285	2,755	2,552	3,128	3,534	3,975
Technicians	3,122	3,054	3,698	3,382	4,082	4,564	5,244
University Students	5,416	5,262	6,533	5,958	6,995	7,969	8,927
Managers	10,849	10,870	13,161	11,435	13,781	15,842	17,884
Sabesp Average	3,585	3,542	4,281	3,904	4,703	5,289	6,041

* Average values by professional category

Sabesp's Business University

In November 2001, Sabesp's Business University (UES) was created. This project brought great value to the human capital and development of the professional, in order to enrich the

knowledge and skills of the employees. In a strategic way, the Business University emerged at a key moment for the future of learning, the digital era and distance education.

Accompanying the need to bring knowledge to all Sabesp units spread throughout the state of São Paulo, UES is aligned with the market and has the online platform, an important tool that connects the entire company. The environment is multiplatform, that is, the courses can be held on the desktop and also on mobile devices (smartphone, tablet). With a modern and practical interface, UES's new learning environment is more attractive. In addition to enabling the management and monitoring of employee courses, it incorporates new learning resources such as Corporate Social Networking, Practical Communities, Learning Paths, Dashboard for Managers (charts), Discussion Forums, Knowledge Repository, among others.

Its main programs are: Technical training; Skill development; Educational background (postgraduate / graduation / technical-vocational / extension / certification / languages); Knowledge management; Distance learning; Social responsibility; Quality of Life Leadership Development; Training of Management Successors. The Identification of the demands comes from the Strategic Plan (Institutional Demands) and the Skill Assessment and Performance (Individual Demands) and offers training opportunities for Employees, Interns, Apprentices, Community and Third Parties.

A process in which the UES had an outstanding presence of extreme importance was the SAP implementation. The dissemination of knowledge was crucial to the success of all employees when learning about the system.

Another important challenge was to prepare the workforce for all the changes implemented in the Code of Conduct and Integrity. A **learning path** has been developed to address issues such as integrity, ethics, sexual and moral harassment, diversity, corruption, fraud, conflict of interest and nepotism, among others.

Through the virtual learning environment of Sabesp's Business University, employees periodically receive related subjects in different and modern formats, such as homepage, videos, digital booklets, infographic, whiteboard animation and dissemination of channels of direct communication with the employee. The intention, when exploring different technological resources, is to bring knowledge on the theme in an easy, attractive and understandable language to all.

	2012	2013	2014	2015	2016	2017	2018
Average Hours	48.8	67.0	72.7	33.0	39.9	47.1	68.9
Participation	92,372	128,903	134,986	63,948	87,157	96,761	88,658
Total Investment (R\$ thousand)	8,442	10,669	11,642	4,716	6,202	9,716	16,132
Per capita investment	563	711	789	332	439	711	1,116

Leadership Development and Management Succession

In recent years, Sabesp's Business University has enabled the participation of managers and potential successors in management development programs, and this will continue to be a highlight in its annual development planning.

Sabesp's Management Training Program

The Business University made possible Sabesp's Management Training Program, directed to Officers and Directors, in an online format with a 32-hour workload, the course content of which was approved by the Superintendency of Risks and Compliance.

The program was conceived in view of Federal Law 13303/16, known as the State Law, which required significant changes in the governance and management of state-owned and mixed-economy enterprises. One of the main changes is related to the requirement of mandatory annual training for all Directors on corporate and capital market legislation, disclosure of information, internal control, code of conduct, Federal Law 12846/2013 (Anti-Corruption Law) and other subjects related to the activities of the public company or of the mixed-capital company.

Sabesp's Management Training Program was taught by Dom Cabral Foundation [FDC – *Fundação Dom Cabral*], an institution with proven excellence in Corporate Governance and which has trained hundreds of managers of state-owned companies throughout Brazil and 300 federal state board members (SEST / Ministry of Planning).

Integration Program

On November 1st, when the company celebrated its 45th anniversary, about 1,000 new employees participated in the Onboarding Program for new people hired, to bring them closer to the company's business and show their commitment to society and the environment.

Joining Sabesp's team is not an easy task. More than 135 thousand registered for an opportunity in the company, which is the fourth largest in the world in population served. Intense months of study and dedication. The new people hired have the purpose of strengthening the structure of the operation and management areas according to the challenges of Sabesp's strategic planning for the universalization of sanitation and maintenance of excellence in customer service.

Recognition Program

The More Knowledge (Mais Conhecimento) Program aims to increase the schooling and qualification of employees, as well as to promote professional recognition, by granting educational subsidies that can reach 80% of the monthly tuitions for technical courses at the high school level, undergraduate, graduate, university extension and languages.

The percentage varies according to the budget available and the evaluation of the respective manager as to the applicability of the knowledge in the company. For professional certification exams, the subsidy is 100%.

Also within this Program, the Business University made the MBA course in Environmental Sanitation possible, in partnership with the Foundation School of Sociology and Politics of São Paulo (FESPSP).

The course is designed to qualify and improve professionals who work in the sanitation sector and, among other items, includes an international module that is given by LSE Enterprise, which is the executive education and consulting arm of the London School of Economics and Political Science (LSE). Due to the relevance for Sabesp's business, the subsidy for this course was set at 90%. 70 professionals received the subsidy, indicated by their respective boards.

In total, 701 educational subsidies were granted in 2018, with an investment in raising the educational level of the order of R\$ 3.4 million. In October, a survey on Education and Training

was carried out, which obtained around 2,700 responses, with the objective of identifying the interests in participating of the Program for the 2019 cycle.

Sabesp Entrepreneur Award

Always focusing on innovation, the development of projects, the recognition of the work of its employees and the incentive to generate ideas, Sabesp implemented the Sabesp Entrepreneur Award in 2018. The initiative is the result of the consolidation of other isolated actions of the boards: Best Practices, of the Metropolitan Board; Excellence and Innovation, of the Regional Systems Board; Technological Innovation, of the Technology, Entrepreneurship and Environment Board; and Creativity, of the Corporate Management Board.

There were 1,028 entries in the four program categories: Project, Management Practice, Successful Technical Experience and Ideas. Out of this total, 54 papers were classified for the final phase, of which 38 were submitted to an in-person presentation to the examining committee, a stage that was organized in partnership with the Brazilian Association of Sanitary and Environmental Engineering (Abes). The papers of the “Idea” category, in turn, were evaluated by university professors.

As final result, 12 projects received awards in the four categories, involving 28 employees. In 2019, the program’s commitment is to put into practice what was generated by the participants of the award, in addition to launching the 2nd edition, which is expected to further increase the employees’ participation.

Endomarketing / Recognition Program

The Endomarketing/Recognition Program, launched on the People Management event in March, was created to reward and recognize professionals who strive to produce the best result for the Company and, as a result, contribute to the achievement of the organization’s goals. The program provides for the possibility of recognition for Personal Attitudes, Management Practices, Special Projects (indicated by the Board) and Tributes.

To start the program’s recognition actions, employees considered eligible in the last skills and performance evaluation and who do not have disciplinary sanctions were awarded 50 points, depending on their anniversary in the company (Tributes axis). 14,449 employees were recognized. The points have been converted into electronic card credits, which can be used for travel, appliances, electronics, clothing, entertainment, dinners, among others.

In the second semester, 495 employees of Baixo Tietê and Grande (RT) Business Unit were recognized with 50 points because the unit was the winner of the Winter Clothing Challenge. In 2019, new axes of recognition will be launched with their respective endomarketing campaigns.

International Training Program

The International Training Program provides employees with opportunities to take part overseas in congresses, conferences, forums, seminars, trade shows and technical visits. In a globalized and connected world, it is very important for Sabesp’s team to get to know the innovations perpetuated by other cultures, adapting these sanitation solutions for the company to continue delivering the best service to the population.

The Program is coordinated by the Superintendency of People Management in partnership with the Superintendence of Research, Technological Development and Innovation. In 2018, Sabesp promoted two trips abroad for events in Portugal and Ecuador, where employees

presented technical papers related to the Sabesp business and participated in lectures and technical visits in the sanitation sector.

Knowledge Retention Program

The purpose of the Knowledge Retention Program – PRC/2018 is to provide conditions for personnel planning and to mitigate the impact of losing employees who have strategic knowledge, which has been acquired over the course of their professional careers at Sabesp.

The purpose of the program is to set criteria and procedures to grant incentives for voluntary redundancy of employees, and for planned phasing of the process, allowing for the transmission of knowledge and preventing the activities of the various areas from suffering disruption.

The program is intended for all Sabesp employees who, at the date of enrollment of the program are active, and on the scheduled date of the dismissal, are not legally stable.

Quality of Life Program

With the purpose of intensifying the actions of the Quality of Life Program (PQV) and contributing to the improvement of the work environment, an interest survey was conducted with employees to participate in initiatives related to the PQV axes.

The purpose is to enable initiatives compatible with the interests of employees to promote well-being and the balance between professional and personal life. The first survey was related to the Mental Axis, specifically on Education and Training. This survey helps to measure the demand for the More Knowledge Program and effective participation in the program will depend on budgetary approval and pertinence, based on the current Business Procedure.

Sabesp Open Games

Thinking about the quality of life of its employees, Sabesp promoted the first edition of the Sabesp Open Games. The initiative was held in the city of Caraguatatuba. The purpose of this initiative was to encourage the practice of sports and socio-cultural activities among the 560 athletes who took part in 17 sports disciplines, such as races, running, jumping, soccer, basketball, futsal, table tennis, chess and others.

In addition to sports, one of the actions that involved the entire company was the collection of geriatric and infant diapers, sheets for beds, bath towel and long-life milk. 22,704 items were collected and handed over to the Social Solidarity Fund of Caraguatatuba. Once again Sabesp's employees showed the example of solidarity and volunteering.

The event was organized by the Industry Social Service of São Paulo (Sesi-SP), responsible for coordinating and supervising all the matches held and was present in all arenas, guaranteeing the exemption in the results.

Organizational Culture Diagnosis

Sabesp carried out research to identify the current Organizational Culture in the company, following the Sabesp Management Improvement Plan, based on the MEG Management Excellence Model of the National Quality Foundation.

The purpose of this research is to strengthen the value relationship between company and employees; build a conducive environment for change; to align the human resources

management practices with the expectations and needs of the employees; and improve the perception of value in relation to the policies and practices of the company.

Internal Selection

The Internal Selection allows the company to take advantage of its existing human capital, and has been increasingly adopted in Sabesp's People Management, providing motivation, recognition and professional prospects. The internal selection process, in addition to being open and democratic, is a great opportunity for participating employees to evaluate their knowledge and identify development opportunities.

In 2018, two internal selection processes were carried out for the positions of Division Manager and six vacancies for the composition of the Department of New Business and Market Expansion. For this, specialized consultants were hired using recognized tools in the market and specific methodologies to evaluate the assignments required for the positions, and for each vacancy are established steps that favor the identification of the best professional for the vacancy.

External Selection

Sabesp, as a mixed capital and publicly held company, complies with the Federal and State Constitutions, which requires a public admission exam to hire employees, interns and apprentices. This is the recruitment and selection process adopted to ensure the admission of skilled professionals, qualified, motivated and aligned with business' goals.

The public admission exam is a democratic method to select candidates, as it offers everyone the same chance of getting a good job, without restrictions of social level, professional experience, ethnicity or gender.

In January 2018, a Public Admission Exam was approved for employees, as well as the hiring of 661 employees to work in various positions and regions. To complement all expectations, in a second suit 341 additional vacancies were approved, totaling the hiring of 1002 new employees. This admission exam obtained a record of enrollments, totaling 138,031 registered, which related to the number of places, enabled a group of very well prepared and competitive candidates.

To meet all the company's units, a Public Admission Exam was also held to fill 956 vacancies for interns, which had a total of 6,563 enrolled. In recent years, the following admission exams have been held:

	2012	2013	2014	2015	2016	2017	2018
Employees	-	624	-	-	-	-	1,002
Apprentices	552	-	565	-	565	485	-
Interns	-	1,030	747	826	1,026	-	956

Opportunities Database

This is a dynamic communication channel that identifies and gathers information about those employees who are interested in transferring, in other words, changing their business unit and/or place of work, reconciling the interests of the employees and the company.

To integrate and share the possibilities of transfers and changes of units, the new Opportunities Database is available in the People Management Portal, to meet the demands and interests of employees changing of Municipality, Unit or even workplace.

The management of the process is under the responsibility of the People Management areas, and the validation of the process is under the responsibility of the managers involved, who will have another instrument to manage their team. This system seeks to make the staff change more flexible, democratizing the opportunities for change, expanding the professional prospects throughout the company and improving the climate and organizational results. Up to November, the system had enabled 94 transfers of employees between the various departments.

Health and Safety

The Health and Safety actions are focused on promoting the development of prevention culture among employees and service providers, with the purpose to ensure the improvement of working conditions and quality of life, in line with the fundamentals of the Model of Excellence Management – MEG. The main actions developed are:

Standardization and Programs

Occupational Health and Safety Procedures are critical to establish policies, guidelines, and specific rules for risky activities in the Company and service providers. In 2018, all of them were revised and updated, thus improving its application and full compliance with legislation.

Another key management tool is the Environmental Risk Prevention Program (PPRA) generated by SAP, which covers the more than 500 Sabesp sites, identifying environmental risks by Homogeneous Exposure Groups (GHE), defining control measures and corrective actions, reviewed annually, as required by law.

The qualification of employees in unhealthy and/or dangerous GHE complies with the Unhealthy and Hazardous Procedure, which is periodically reviewed by the Specialized Services in Safety Engineering and Occupational Medicine – SESMT, in order to keep information updated and validated Superintendencies.

With regard to the Medical Occupational Health Control Program (PCMSO), it enables creating a health profile of all employees, apprentices and interns, subsidizing health and quality of life programs, as well as complying with legal aspects, reviewed annually, so as to be permanently in line with the PPRA.

To act in the effective prevention of infectious diseases, in 2018 the vaccination program was intensified with the application of 11,087 doses of the influenza vaccine for employees, apprentices and interns, which corresponds to 75% of the Company's staff. Since 2017 a computerized application for registration and control of vaccination has been used.

In this sense, given the imminence of a yellow fever outbreak, a priori, in the northern region of the city of São Paulo, leading to the interdiction of some parks, we deemed necessary an immediate immunization action of the employees who work in areas close to the occurrences. An application was developed to monitor the vaccination status of Sabesp's population in the state of São Paulo.

CIPA Program in Action

The strategic plan for 2015-2018 was continued with the 144 Internal Commissions for the Prevention of Accidents – CIPA, with preventive actions, contributing to the improvement of working conditions and reduction of rates of accidents and occupational diseases. Electronic elections for voting are carried out since 2017, making the process and its control easier. CIPA Member Training

at Sabesp Business University (UES) was redesigned to provide agility in meeting the deadline required by Law, in video lessons, divided into 05 modules, totaling 20 hours.

The 290 Emergency Brigades present in all the company's units, carried out actions such as meetings, inspections and emergency simulation, to keep the fire brigadiers always ready to take care of the emergency situations. 380 Emergency Plans are in force, which cover the entire company and are controlled and available in the system, including impacts on neighboring communities. We highlight the general emergency simulation that occurred in the Administrative Complex Ponte Pequena on October 1, 2018, with the participation of the Fire Department.

In 2018 Sabesp made a public admission exam, which resulted in hiring SESMT's professionals in several areas of Sabesp, regularizing the framework according to legal and preventive criteria, which contributed to the better service to employees regarding safety issues and work health.

Training and Awareness

This year, 50,943 participations in on-site and virtual training were computed by UES. The distance learning courses were intensified, considering the ease and the quick access of the employees.

The practice of quick discussions with the Prevention Minute, organized by CIPA, SESMT and the people in charge, with employees, on specific issues, Health and Safety warnings with informative articles, videos, links and different media available.

The Internal Workplace Accident Prevention Week (Sipat) of 2018 took place in August, with the subject "Safe behavior: it is not enough to know, you have to practice", when actions were taken in favor of occupational safety and health, totaling more than 40 thousand participations throughout the company.

The 43rd edition of SIPAT aimed to reinforce the care that employees must take to prevent accidents in the workplace, as well as to warn them to the importance of health prevention.

Health and Safety Campaigns

The campaigns take place with newsletters, lectures and preventive actions with themes such as: Fighting *Aedes aegypti*; Ergonomics; You in Traffic – Safe driving for motorcyclists; Conjunctivitis; Influenza and Yellow Fever.

The "Xô Mosquito!" Campaign, implemented and executed by Sabesp since 2016, aims to eradicate the main mosquito breeding sites. With the great support of the CIPAs and all employees of the company, the work done has already given positive results. The units are getting cleaner and safer, decreasing even the presence of other insects.

At Sabesp, the *Aedes aegypti* Brigades include 1,448 people, with CIPA inspectors, who are instructed to carry out a weekly inspection of the areas where they work, seeking possible mosquito breeding sites to eliminate them. These inspections are recorded on the Fighting *Aedes* website (SIGELU), so that the entity can monitor the actions developed throughout the State to control the mosquito infestation.

Security Audit and Control

Safety Inspections: Carried out by SESMT and CIPA, with computerized records, to improve the reliability and intensify information, facilitating management controls.

Occupational Health and Safety Module

Composes SAP-EHS, allows the planning, control and management of activities. Monitoring actions and adjustments of the safety and occupational medicine routines were implemented in SAP-EHS, seeking the effective use of existing transactions (environmental risk management, medical care, occurrences, safety inspections and delivery of PPE) and issuance of reports (PPRA, PCMSO, PPP and others).

Main Indicators

SST performance indicators	2012	2013	2014	2015	2016	2017	2018
Accidents (nr.)	143	169	160	133	158	180	126
Occupational medical exams carried out (nr.)	12,475	15,456	15,119	16,130	16,313	12,184	13,299
Employees vaccinated against influenza (nr.)	11,343	12,256	13,037	13,417	16,264	11,586	11,087
Opportunities in SST training (nr)	42,033	38,363	37,606	24,662	49,632	28,651	50,943

	2012			2013			2014			2015			2016			2017			2018		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
SABESP																					
Frequency Rate	6.20	1.70	5.40	7.23	4.6	6.74	7.7	1.8	6.5	6.7	4.3	5.8	7.5	3.7	6.8	7.5	2.9	6.3	4.97	2.1	4.40
Severity Rate	209	20	175	1,102	443	982	389	85	334	537	32	445	284	34	238	176	27	134	827	57	673
Occupational Disease	5	1	6	68	5	73	13	67	80	10	30	40	20	2	22	7	2	9	6	1	7
Absenteeism (%)	2.0%			3.0%			2.0%			2.0%			1.8%			1.6%			2.2%		
Deaths	1	0	1	3	0	3	1	0	1	2	0	2	2	0	2	0	0	0	2	0	2
REGION 1 (RMSP, VALE DO PARAÍBA AND SANTOS COASTAL REGION)																					
Frequency Rate	5.10	2.10	4.70	6.81	4.6	6.54	8	2.2	6.8	7.1	1.8	6	7.1	2.7	6.2	6.4	4.9	6.1	4.37	2.8	4.1
Severity Rate	150	25	124	831	447	750	342	105	292	695	39	558	249	16	199	163	50	140	661	82	545
Occupational Disease	0	0	0	35	3	38	48	11	59	23	10	33	16	2	18	4	1	5	2	1	3
Absenteeism (%)	3.0%			3.0%			2.0%			2.0%			1.8%			1.6%			2.2%		
Deaths	1	0	0	2	0	2	1	0	1	2	0	2	2	0	2	0	0	0	1	0	1
REGION 2 (REGIONAL SYSTEMS EXCEPT VALE DO PARAÍBA AND SANTOS COASTAL REGION)																					
Frequency Rate	8.60	0.00	7.70	8.11	4.6	7.7	6.7	1.2	5.9	5.9	1.3	5.4	8.3	7.8	8.3	7.8	2.4	6.7	6.28	0.6	5.1
Severity Rate	335	0	296	1,681	427	1,535	490	0	434	191	2.6	169	362	119	334	145	12	118	1194	0.6	955
Occupational Disease	5	1	6	32	2	34	2	19	21	7	0	7	4	0	4	3	1	4	4	0	4
Absenteeism (%)	2.0%			3.0%			2.0%			2.0%			1.8%			1.6%			2.2%		
Deaths	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1
<ul style="list-style-type: none"> • Frequency Rate (tf): number of accidents at work with injury and leaves of absence per million man-hours worked per year. • Severity Rate (tg): days lost plus days debited due to work accidents by millions man-hours worked per year. • Occupational Disease: number of absent employees separated by disease produced or triggered by the work. • Absenteeism: percentage that measures the reduction of the total workload due to absences from work. 																					

Diversity and equal opportunities 103 | 405

All business segments suffer, in their own way, the impacts of globalization and the cultural and demographic changes of societies. For many companies, the adoption of diversity in the workforce, in addition to being an ethical commitment, has been shown to be a path to competitiveness.

Sabesp's diversity work highlights the fight against prejudice and discrimination, valuing differences as a strategy for business and social development. Practicing diversity implies changing behaviors and requires an express commitment from its leaders so that the value is assumed by the company as a whole. Sabesp makes very clear in its code of conduct and integrity the values and conduct related to diversity, human rights and respect for people.

People spend much of their time in the workplace and establish professional, interpersonal and institutional relationships of great relevance. By stimulating diversity and acting against discrimination, the company is strengthening mutual respect among people, recognizing their particularities and stimulating their creativity and cooperation.

At Sabesp, inclusion is part of the ethical commitment to promote diversity, respect differences and reduce social inequalities. We understand that the inclusive company reinforces the team spirit of its employees, strengthens the synergy around common goals, expresses its values collectively and improves the organizational climate.

In addition, we believe that the values and behavior that the company adopts have repercussions on its relationships with customers, suppliers and the community. The practice of pluralism and non-discrimination has a high potential for multiplication among these partners, positively reflecting on the relationship with customers and suppliers.

Sabesp, as a mixed-capital company, a member of the indirect public administration, is constitutionally obligated to contract through a public admission exam. The hiring process occurs for positions set forth in the Positions and Wage Plan, which has no gender pay distinctions. It is possible for employees to advance in their career on the basis of “salary referrals”, which are also gender-neutral. In this sense, it is noted that Sabesp practices equal pay between men and women.²²

Overall, in 2018 the company’s salary averages were R\$5,338.91 for men and R\$6,352.40 for women. The average is due to the large number of men concentrated in the operational category, reducing the average salary for the male group.

Sectoral Legacy and Equal Opportunities

Sabesp does not establish different remunerations by gender. The wage variations perceived within the categories occur for different reasons, such as the concentration of the masculine gender in certain positions, the company time, among others. The operational category, composed of 96% of men, presents greater wage variation between the genders and can be explained by the difference between the average company time, being 17 years for men and 9 years for women.

In the university category, the second largest variation, the difference is related to the fact that the position of engineer, 32% of the category and mostly composed of men (81%), has an initial and average remuneration higher than other posts in the university category. The Technical category showed a slight variation between average wages and has a slightly longer company average time for men (21 years, as opposed to 18 years for women).

Since 2014, Sabesp has adopted a single Salary Policy for the entire State of São Paulo, and the compensation of employees is composed of base salary, profit sharing, bonus and benefits. The current Positions and Wage Plan (PCS), approved by the Wage Policy Committee, does not make gender distinctions, in such a way that the bonuses are equal for men and women, as well as the base salary for occupants of the same position and reference.

Committed to sustainable and responsible management, Sabesp has as one of its main challenges the continuous development of its professionals. In this sense, the Evaluation of Skills and Performance is one of the management practices of people management adopted in a way

²² Further information available in the Detailed Quantitative Information chapter

aligned to the corporate strategy. This important management tool, used since 2002, has the purpose of identifying the degree of knowledge and the development of the skills necessary to execute the business strategies and to obtain better results. Its principles are: valuing people, managing the career and improving skills.

The evaluation process is carried out annually between employees and managers, in which skills are defined and evaluated. With this, it is expected the clarity of the objectives, as well as the increase of the contribution of each one to the business management. After determining the level of skills, an Individual Development Plan (PID) is drawn up, which allows advances and achievements of a new level of essential skills so that the company can meet the challenges it has assumed.

Career Plan, Salaries and Jobs

This process enables employees to evolve and focus on their ongoing development in such a way as to meet the business challenges. The Positions and Wage Plan, implemented in November 2012, has a structure of three categories of positions: Operational, Technical and University, which differ by activity characteristics and educational prerequisites. For each category, two salary tables are established, considering the complexity and classification, in order to better adjust the remuneration that has been proven to be different, and thus allow the hiring at the beginning of the career with salaries more adequate to the market.

The model is guided by a regulation approved and aligned to the guidelines established by the controlling entities of the Government of the State of São Paulo, and any change must be submitted to their approval. For the full exercise of each position, specific minimum requirements must be met such as: educational background, ability to deal with complexity, records in class entities and improvement courses. After the Skills and Performance Assessment, held annually, managers define the employees' career movements. In recent years, the evaluation cycles have provided the following results:

2012	Implementation and qualification of 14,658 employees in the new PCS
2012-2013	Evaluation and movement of 5,340 employees (2% payroll)
2013-2014	Evaluation and movement of 3,640 employees (1% payroll)
2015	Evaluation and personal advantage of 3,640 employees (1% payroll)
2016	Evaluation and movement of 4,530 employees (1% payroll)
2017	Evaluation and movement of 6,085 employees (1.7% payroll)
2018	Evaluation and movement of 4,212 employees (1% payroll)

In November 2018, the 6th (sixth) Evaluation cycle was carried out, and in February 2019, the movements Aligned to the Evaluation are foreseen in Sabesp's Positions and Wage Plan, considered a fundamental part of people management, since it guarantees the flexibility of management and attractiveness in relation to the labor market, favoring the retention of talent.

The current PCS, implemented in November 2012, is being improved in partnership with Mercer Brasil, considering the main aspects and the suggestions of the Officers, the Managers, the employees and the representative entities of the employees. The implementation of the improvement points is planned for 2019, and thus it is hoped to establish a new level of the Plan, which will enable the full advance and continuous growth of each professional.

Mitigation of Labor Liabilities

Since 2016, the labor legal area has been part of the Superintendency of People Management with the purpose of acting in a preventive way in management, and consequently in the reduction of labor lawsuits related to employees, former employees and outsourced/service providers. In

2018, actions were taken to improve the process and information systems, with the purpose of contributing to organizational performance, with a focus on internal consulting in personnel management and labor disputes with opportunity to mitigate liabilities, labor risks and prevention.

The control points for risk identification and the discussion on best practices were improved. The expected results are the reduction of costs with labor lawsuits, reduction of the number of lawsuits, rationalization of the activities of lawyers with a focus on the preventive and advisory area with a view to improving the Company's image.

DETAILED QUANTITATIVE INFORMATION

Internal Social Indicators

102-8 Organization size

Number of employees by functional level	2012			2013			2014			2015			2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Managers	485	117	602	485	114	599	493	119	612	474	117	591	478	120	598	475	126	601	485	139	624
University Students	1,733	973	2,706	1,735	983	2,718	1,702	957	2,659	1,607	902	2,509	1,627	902	2,529	1,537	837	2,374	1,681	869	2,550
Technicians	4,499	1,768	6,267	4,434	1,754	6,188	4,358	1,714	6,072	4,143	1,667	5,810	4,196	1,670	5,866	4,073	1,611	5,684	4,223	1,656	5,879
Operational	5,284	160	5,444	5,314	196	5,510	5,223	187	5,410	5,132	181	5,313	4,960	184	5,144	4,835	178	5,013	5,202	194	5,396
Sub-total	12,001	3,018	15,019	11,968	3,047	15,015	11,776	2,977	14,753	11,356	2,867	14,223	11,261	2,876	14,137	10,920	2,752	13,672	11,591	2,858	14,449
Interns	443	445	888	443	481	924	446	496	942	447	412	859	360	330	690	463	447	910	340	316	656
Apprentices	362	198	560	317	174	491	359	200	559	327	183	510	265	165	430	332	208	540	259	215	474
Total	12,806	3,661	16,467	12,728	3,702	16,430	12,581	3,673	16,254	12,130	3,462	15,592	11,886	3,371	15,257	11,715	3,407	15,122	12,190	3,389	15,579

Number of employees by type of employment	2012			2013			2014			2015			2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Part-time	1,224	261	1,485	1,337	302	1,639	1,326	296	1,622	1,301	294	1,595	1,302	300	1,602	1,277	292	1,569	1,305	303	1,608
Full-time	10,777	2,757	13,534	10,631	2,745	13,376	10,450	2,681	13,131	10,055	2,573	12,628	9,959	2,576	12,535	9,643	2,460	12,103	10,286	2,555	12,841
Total	12,001	3,018	15,019	11,968	3,047	15,015	11,776	2,977	14,753	11,356	2,867	14,223	11,261	2,876	14,137	10,920	2,752	13,672	11,591	2,858	14,449

Total work force, by gender	2012			2013			2014			2015			2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Employees	12,001	3,018	15,019	11,968	3,047	15,015	11,776	2,977	14,753	11,356	2,867	14,223	11,261	2,876	14,137	10,920	2,752	13,672	11,591	2,858	14,449
Hired			0			0			0			0			0			0			0
Total	12,001	3,018	15,019	11,968	3,047	15,015	11,776	2,977	14,753	11,356	2,867	14,223	11,261	2,876	14,137	10,920	2,752	13,672	11,591	2,858	14,449

Total workforce by region and gender	2012			2013			2014			2015			2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Employees																					
Region 1	8,777	2,569	11,346	8,790	2,605	11,395	8,638	2,542	11,180	8,369	2,463	10,832	8,322	2,478	10,800	8,050	2,365	10,415	8,592	2,459	11,051
Region 2	3,224	449	3,673	3,178	442	3,620	3,138	435	3,573	2,987	404	3,391	2,939	398	3,337	2,870	387	3,257	2,999	399	3,398
Sub-total	12,001	3,018	15,019	11,968	3,047	15,015	11,776	2,977	14,753	11,356	2,867	14,223	11,261	2,876	14,137	10,920	2,752	13,672	11,591	2,858	14,449
Hired																					
Region 1			0			0			0			0			0			0			0
Region 2			0			0			0			0			0			0			0
Sub-total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	12,001	3,018	15,019	11,968	3,047	15,015	11,776	2,977	14,753	11,356	2,867	14,223	11,261	2,876	14,137	10,920	2,752	13,672	11,591	2,858	14,449

Sabesp does not hire outsourced labor, only signing agreements to provide services, according to business needs. No data was submitted on third parties, because the SAP system is still under implementation, and it is not possible to extract this information.

401-1 New hiring and turnover rates

Turnover, by:	2012			2013			2014			2015			2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Gender																					
	5,50%	4,40%	5,30%	3,60%	3,60%	3,60%	1,90%	2,60%	2,00%	3,78%	4,05%	3,84%	3,00%	3,68%	3,14%	1,56%	2,33%	1,72%	4,66%	4,16%	4,56%
Age Group																					
20 to 40 years old	5,10%	5,60%	5,20%	3,90%	5,20%	4,20%	2,20%	3,30%	2,50%	2,40%	2,50%	2,43%	9,20%	8,12%	8,93%	0,90%	0,65%	0,83%	17,95%	12,32%	16,50%
41 to 55 years old	3,00%	2,60%	3,00%	2,10%	2,20%	2,10%	0,80%	1,70%	1,00%	2,14%	2,80%	2,27%	1,10%	1,11%	1,10%	0,41%	1,13%	0,55%	1,69%	1,02%	1,56%
Over 55 years old	15,30%	10,80%	14,70%	8,30%	6,10%	8,00%	4,40%	4,60%	4,50%	9,52%	11,51%	9,83%	2,21%	5,16%	2,66%	4,81%	8,58%	5,41%	1,67%	2,52%	1,81%
Region																					
RMSP	5,40%	4,00%	5,10%	4,10%	3,30%	3,90%	1,40%	1,20%	1,40%	4,69%	4,36%	4,61%	3,61%	4,27%	3,78%	5,69%	0,86%	2,05%	5,05%	4,13%	4,83%
Inland and coast	5,60%	5,30%	5,60%	3,10%	4,40%	3,30%	2,40%	5,60%	2,80%	2,75%	3,37%	2,84%	2,30%	2,33%	2,30%	7,12%	0,28%	1,27%	4,21%	4,22%	4,22%
Total of the company	5,50%	4,40%	5,30%	3,60%	3,60%	3,60%	1,90%	2,60%	2,00%	3,78%	4,05%	3,84%	3,00%	3,68%	3,14%	1,56%	2,33%	1,72%	4,66%	4,16%	4,56%

Employees hired	2012			2013			2014			2015			2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Total	697	218	915	405	131	536	19	7	26	237	63	300	477	128	605	13	5	18	850	169	1.019
% hired	5,80%	7,20%	6,10%	3,40%	4,30%	3,60%	0,20%	0,20%	0,20%	2,01%	2,12%	2,03%	4,20%	4,46%	4,25%	0,12%	0,17%	0,13%	7,78%	6,14%	7,45%

Composition of the governing bodies 405-1

Average remuneration by functional category	2012			2013			2014			2015			2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Gender																					
Board of Directors and Fiscal Committee	14	1	15	11	2	13	13	2	15	14	1	15	11	1	12	13	0	13	13	1	14
Audit Committee	3	0	3	3	0	3	3	0	3	3	0	3	3	0	3	3	0	3	3	0	3
Total	17	1	18	14	2	16	16	2	18	17	1	18	14	1	15	16	0	16	16	1	17
Age Group																					
20 to 40 years old	0	0	0	1	0	1	0	0	0	1	0	1	1	0	1	2	0	2	4	0	4
41 to 55 years old	6	0	6	1	1	2	2	1	3	0	1	1	1	1	2	1	0	1	2	1	3
Over 55 years old	11	1	12	12	1	13	14	1	15	16	0	16	12		12	13	0	13	10	0	10
Total	17	1	18	14	2	16	16	2	18	17	1	18	14	1	15	16	0	16	16	1	17

405-1 Composition of the staff

By Gender

Number of employees, by:	2012			2013			2014			2015			2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Gender	12.001	3.018	15.019	11.968	3.047	15.015	11.776	2.977	14.753	11.356	2.867	14.223	11.261	2.876	14.137	10.920	2.752	13.672	11.591	2.858	14.449
Age Group																					
19 to 40 years	3.313	1.029	4.342	3.100	989	4.089	2.685	880	3.565	2.316	776	3.092	2.284	774	3.058	1.997	694	2.691	2.375	761	3.136
41 to 55 years old	6.749	1.678	8.427	6.649	1.677	8.326	6.565	1.641	8.206	6.435	1.616	8.051	6.275	1.589	7.864	6.079	1.523	7.602	5.999	1.484	7.483
Over 55 years old	1.920	308	2.228	2.209	377	2.586	2.526	456	2.982	2.605	475	3.080	2.702	513	3.215	2.844	535	3.379	3.217	613	3.830
Total	11.982	3.015	14.997	11.958	3.043	15.001	11.776	2.977	14.753	11.356	2.867	14.223	11.261	2.876	14.137	10.920	2.752	13.672	11.591	2.858	14.449
Service time																					
Up to 03 years	2.028	571	2.599	2.068	610	2.678	1.358	461	1.819	975	293	1.268	835	240	1.075	481	128	609	1.261	274	1.535
04 to 10 years	764	194	958	546	91	637	950	188	1.138	1.312	338	1.650	1.803	493	2.296	2.064	583	2.647	2.023	578	2.601
11 to 20 years	5.262	1.301	6.563	4.889	1.183	6.072	4.957	1.166	6.123	4.435	1.065	5.500	4.251	1.004	5.255	3.809	902	4.711	2.795	699	3.494
Over 20 years	3.947	952	4.899	4.465	1.163	5.628	4.511	1.162	5.673	4.634	1.171	5.805	4.372	1.139	5.511	4.566	1.139	5.705	5.512	1.307	6.819
Total	12.001	3.018	15.019	11.968	3.047	15.015	11.776	2.977	14.753	11.356	2.867	14.223	11.261	2.876	14.137	10.920	2.752	13.672	11.591	2.858	14.449
Average time	17,0	16,3	16,9	17,4	16,7	17,3	18,0	18,0	18,0	18,9	18,2	18,8	18,9	18,3	18,8	19,7	18,9	19,5	19,3	18,8	19,2
Academic Background																					
Elementary School	2.198	101	2.299	1.712	58	1.770	1.589	52	1.641	1.595	53	1.648	1.375	43	1.418	1.299	38	1.337	1.175	33	1.208
High School	6.164	1.121	7.285	6.462	1.125	7.587	6.346	1.073	7.419	6.079	1.053	7.132	6.104	1.043	7.147	5.963	999	6.962	6.369	935	7.304
Higher Education School	3.639	1.796	5.435	3.794	1.864	5.658	3.841	1.852	5.693	3.682	1.761	5.443	3.782	1.790	5.572	3.658	1.715	5.373	4.047	1.890	5.937
Total	12.001	3.018	15.019	11.968	3.047	15.015	11.776	2.977	14.753	11.356	2.867	14.223	11.261	2.876	14.137	10.920	2.752	13.672	11.591	2.858	14.449

By Ethnicity

Ethnicity																					
White	9.889	2.540	12.429	9.790	2.545	12.335	9.637	2.491	12.128	9.225	2.387	11.612	9.072	2.374	11.446	8.791	2.269	11.060	9.298	2.351	11.649
Black and Brown	1.870	357	2.227	1.928	379	2.307	1.893	368	2.261	1.899	364	2.263	1.950	380	2.330	1.936	368	2.304	2.083	381	2.464
Yellow	202	116	318	209	118	327	206	113	319	187	111	298	194	117	311	183	115	298	200	125	325
Indigenous	7	0	7	7	0	7	7	0	7	11	0	11	11	0	11	10	0	10	10	0	10
Not declared	33	5	38	34	5	39	33	5	38	34	5	39	34	5	39	0	0	0	0	1	1
Total	12.001	3.018	15.019	11.968	3.047	15.015	11.776	2.977	14.753	11.356	2.867	14.223	11.261	2.876	14.137	10.920	2.752	13.672	11.591	2.858	14.449
Ethnicity and functional category																					
Managers																					
White	450	111	561	451	108	559	455	111	566	436	110	546	437	112	549	435	115	550	444	126	570
Black and Brown	17	4	21	16	4	20	19	4	23	22	4	26	23	4	27	24	5	29	25	6	31
Yellow	18	2	20	18	2	20	19	4	23	16	3	19	17	4	21	16	6	22	16	6	22
Indigenous	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Not declared	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	0	0	0	0	1	1
Sub-total	485	117	602	485	114	599	493	119	612	474	117	591	478	120	598	475	126	601	485	139	624
University Students																					
White	1.493	827	2.320	1.487	832	2.319	1.459	810	2.269	1.372	756	2.128	1.388	751	2.139	1.315	697	2.012	1.430	721	2.151
Black and Brown	139	86	225	143	89	232	141	89	230	140	88	228	140	91	231	133	84	217	156	84	240
Yellow	96	60	156	100	62	162	97	58	155	90	58	148	94	60	154	88	56	144	94	64	158
Indigenous	1	0	1	1	0	1	1	0	1	1	0	1	1	0	1	1	0	1	1	0	1
Not declared	4	0	4	4	0	4	4	0	4	4	0	4	4	0	4	0	0	0	0	0	0
Sub-total	1.733	973	2.706	1.735	983	2.718	1.702	957	2.659	1.607	902	2.509	1.627	902	2.529	1.537	837	2.374	1.681	869	2.550
Technicians																					
White	3.750	1.485	5.235	3.683	1.472	5.155	3.622	1.439	5.061	3.438	1.396	4.834	3.444	1.383	4.827	3.334	1.331	4.665	3.439	1.365	4.804
Black and Brown	671	227	898	671	226	897	658	221	879	634	218	852	679	231	910	678	228	906	718	237	955
Yellow	65	52	117	67	52	119	66	50	116	58	49	107	60	52	112	58	52	110	63	54	117
Indigenous	3	0	3	3	0	3	6	0	6	4	0	4	4	0	4	3	0	3	3	0	3
Not declared	10	4	14	10	4	14	9	4	13	9	4	13	9	4	13	0	0	0	0	0	0
Sub-total	4.499	1.768	6.267	4.434	1.754	6.188	4.361	1.714	6.075	4.143	1.667	5.810	4.196	1.670	5.866	4.073	1.611	5.684	4.223	1.656	5.879
Operational																					
White	4.196	117	4.313	4.169	133	4.302	4.101	131	4.232	3.979	125	4.104	3.803	128	3.931	3.707	126	3.833	3.985	139	4.124
Black and Brown	1.043	40	1.083	1.098	60	1.158	1.075	54	1.129	1.103	54	1.157	1.108	54	1.162	1.101	51	1.152	1.184	54	1.238
Yellow	23	2	25	24	2	26	24	1	25	23	1	24	23	1	24	21	1	22	27	1	28
Indigenous	3	0	3	3	0	3	3	0	3	6	0	6	6	0	6	6	0	6	6	0	6
Not declared	19	1	20	20	1	21	20	1	21	21	1	22	20	1	21	0	0	0	0	0	0
Sub-total	5.284	160	5.444	5.314	196	5.510	5.223	187	5.410	5.132	181	5.313	4.960	184	5.144	4.835	178	5.013	5.202	194	5.396
TOTAL OF THE COMPANY	12.001	3.018	15.019	11.968	3.047	15.015	11.779	2.977	14.756	11.356	2.867	14.223	11.261	2.876	14.137	10.920	2.752	13.672	11.591	2.858	14.449

405-2 Mathematical reason for the remuneration of men and women

Average remuneration by functional category	2012	2013	2014	2015	2016	2017	2018
Managers							
Women	R\$ 15.322,93	R\$ 16.405,46	R\$ 17.448,40	R\$ 19.293,39	R\$ 21.405,12	R\$ 21.776,60	R\$ 22.437,68
Men	R\$ 15.132,87	R\$ 16.384,11	R\$ 17.258,49	R\$ 18.929,10	R\$ 20.754,51	R\$ 21.534,48	R\$ 21.700,75
Proportion	98,76%	99,87%	98,91%	98,11%	96,96%	98,89%	96,72%
University Students							
Women	R\$ 5.975,50	R\$ 6.604,14	R\$ 7.139,08	R\$ 7.754,62	R\$ 8.417,96	R\$ 8.808,09	R\$ 9.017,59
Men	R\$ 6.656,69	R\$ 7.343,49	R\$ 7.959,60	R\$ 8.671,79	R\$ 9.490,58	R\$ 9.882,30	R\$ 10.033,75
Proportion	111,40%	111,20%	111,49%	111,83%	112,74%	112,20%	111,27%
Technicians							
Women	R\$ 2.981,45	R\$ 3.308,83	R\$ 3.600,74	R\$ 3.986,11	R\$ 4.342,96	R\$ 4.578,46	R\$ 4.728,61
Men	R\$ 3.200,83	R\$ 3.520,58	R\$ 3.816,94	R\$ 4.220,85	R\$ 4.593,65	R\$ 4.812,45	R\$ 4.909,86
Proportion	107,36%	106,40%	106,00%	105,89%	105,77%	105,11%	103,83%
Operational							
Women	R\$ 1.446,49	R\$ 1.558,42	R\$ 1.715,81	R\$ 1.945,70	R\$ 2.167,32	R\$ 2.311,10	R\$ 2.423,38
Men	R\$ 2.029,62	R\$ 2.236,25	R\$ 2.467,29	R\$ 2.749,06	R\$ 3.026,56	R\$ 3.201,22	R\$ 3.226,21
Proportion	140,31%	143,50%	143,80%	141,29%	139,65%	138,51%	133,13%

202-1 Variation of the proportion of the lowest wage, broken down by gender, compared to the local minimum wage in major operating units

Variation between the lowest wage and the minimum wage	2012		2013		2014		2015		2016		2017		2018	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Region 1														
Lowest salary paid by the company	R\$	1.321,00	R\$	1.427,00	R\$	1.501,00	R\$	1.625,00	R\$	1.788,00	R\$	1.854,54	R\$	1.878,46
Minimum wage set by law or trade union	R\$	622,00	R\$	678,00	R\$	724,00	R\$	788,00	R\$	880,00	R\$	937,00	R\$	954,00
Percentage Ratio		212,4%		210,5%		207,3%		206,2%		203,2%		197,9%		196,9%
Region 2														
Lowest salary paid by the company	R\$	1.101,00	R\$	1.189,00	R\$	1.376,00	R\$	1.625,00	R\$	1.788,00	R\$	1.854,54	R\$	1.878,46
Minimum wage set by law or trade union	R\$	622,00	R\$	678,00	R\$	724,00	R\$	788,00	R\$	880,00	R\$	937,00	R\$	954,00
Percentage Ratio		177,0%		175,4%		190,1%		206,2%		203,2%		197,9%		196,9%

AWARDS AND RECOGNITIONS²³

Member of the Board of Governors of the World Water Council – group of commercial organizations, elected during the 8th meeting of the council’s general assembly, which was held in France.

Anefac-Fipecafi-Serasa Transparency Trophy 2018 – Category of Publicly-Held Companies with Net Revenues in excess of R\$ 5 billion, granted by the National Association of Finance Executives, the Financial, Accounting and Actuarial Research Foundation and Serasa Experian, due to the classification of the company’s financial statements among the ten most transparent ones in Brazil.

Datacenter Dynamics Global Awards – champion in the category “Datacenter Operations Team of the Year – Enterprise”, awarded by DatacenterDynamics.

Finalist in the Global Water Awards, in the category “Water Company of the Year”, given by Global Water Intelligence, for the company’s significant contribution to the international development of the water sector.

Valor 1000 Award, in the category “water and sanitation”, granted by the newspaper Valor Econômico.

Modern Consumer Award for Excellence in Customer Services 2018, in the ‘public services’ category, given by the Padrão Group to the Regional Systems Department’s Call Center.

Smart Customer, Services, Telecom & Utilities Award 2018 – first place in the Social Responsibility category, given by Smart Customer to the Metropolitan Department’s Telephone Assistance Division.

National Award for Quality in Sanitation 2018, given by the Brazilian Sanitary and Environmental Engineering Association to several of the Company’s units, most notably the **Level IV award – Quiron Ruby Trophy** to the Metropolitan Department.

São Paulo State Award for Management Quality 2018, given by the *Instituto Paulista de Qualidade da Gestão* (São Paulo State Management Quality Institute) to several of the Company’s units.

“Most successful best practices and experiences in Water and Sanitation in the Americas” Award, given by the Inter-American Development Bank and partners, for the “Metropolitan Green Belt” Program.

Renewal of the ISO 17.025 Accreditation, conferred by the National Institute of Metrology, Quality and Technology, to the microbiology, inorganic, organic and treatment materials’ laboratories.

1st place in the 2018 New Sanitation Ranking of the Instituto Trata Brasil, which recognized Franca as the best Brazilian municipality in sanitation for the sixth year in a row, among the 20 best cities. Other cities considered which are served by Sabesp, included: São José dos Campos (7th position), Taubaté (8th position) and Santos (12th position).

²³The complete list of awards and recognitions received in 2018 can be found at: <https://bit.ly/2TqjrBC>

201-1 Economic Indicators

Component	2018	2017	2016	2015	2014
A – Direct Economic Value Generated	17,642,692	15,819,518	15,404,121	12,900,211	12,369,246
Revenue (a)	17,642,692	15,819,518	15,404,121	12,900,211	12,369,246
B- Distributed Economic Value	12,900,340	12,380,333	12,893,010	9,307,381	10,037,631
Operating costs (b)	6,545,164	6,495,739	7,114,963	6,104,882	5,902,839
Salaries and benefits of employees (c)	2,680,512	2,613,041	2,180,531	1,507,964	2,132,245
Payments to capital providers (d)	1,385,597	1,256,522	1,421,057	885,243	842,286
Payments to governments (e)	2,260,599	1,954,688	2,140,495	798,063	1,128,159
Investments in the community (f)	28,468	60,342	35,964	11,229	32,102
Accumulated Economic Value (AB)	4,742,352	3,439,185	2,511,111	3,592,830	2,331,615

Notes:

(a) Consisting of all operating revenues, financial revenues and other operating revenues, positive monetary and exchange differences and revenues from the construction of assets.

(b) Consisting of operating costs and expenses such as: general materials, treatment materials, services, power and electricity, general expenses (excluding water usage expenses and meals/snacks) and staff training courses. Excludes depreciation and amortization costs and debts written off.

(c) Salaries and employee benefits – Consisting of salaries and charges (excluding courses and training), meals/snacks and sums paid to government institutions (personnel charges and taxes).

(d) Payment to capital providers – Consisting of interest on shareholders' equity/additional dividends proposed, financial expenses paid such as interest, fines and other financial expenses (excludes income tax on remittances abroad), and monetary adjustments and exchange differences paid. Does not include retained earnings.

(e) Payments to governments – Consisting of Cofins/Pasep on operating and non-operating revenues, tax expenses, income and social contribution taxes (excluding the deferred portion), income tax on remittances abroad and water usage.

(f) Investments in the community – Consisting of institutional support, support for events, reception, exhibition and tax incentives distributed between the areas of education, culture, health, sports, fighting hunger and food safety.

Annual Social Balance Sheet / 2018

Company: COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO

1 - Calculation Basis	2018 Value (One thousand Reais)			2017 Value (One thousand Reais)		
Net revenue (NR)	16.085.093			14.608.192		
Operating income (OI)	5.176.655			3.961.668		
Gross payroll (GP)	2.638.152			2.773.327		
2 - Internal Social Indicators	Amount(thou)	% over GP	% over NR	Amount(t)	% over GP	% over NR
Food	193.966	7,35%	1,21%	186.177	6,71%	1,27%
Mandatory social charges	247.632	9,39%	1,54%	232.307	8,38%	1,59%
Private pension plan	38.569	1,46%	0,24%	68.083	2,45%	0,47%
Health	278.659	10,56%	1,73%	181.645	6,55%	1,24%
Occupational safety and health	13.580	0,51%	0,08%	9.154	0,33%	0,06%
Education	3.451	0,13%	0,02%	1.684	0,06%	0,01%
Culture	328	0,01%	0,00%	396	0,01%	0,00%
Professional training and development	13.883	0,53%	0,09%	8.687	0,31%	0,06%
Day care or day-care assistance	2.065	0,08%	0,01%	2.263	0,08%	0,02%
Profits or results sharing	100.671	3,82%	0,63%	85.923	3,10%	0,59%
Other	4.546	0,17%	0,03%	1.731	0,06%	0,01%
Total - Internal Social Indicators	897.350	34,01%	5,58%	778.050	28,05%	5,33%
3 - External Social Indicators	Amount(thou)	% over OR	% over NR	Amount(t)	% over OR	% over NR
Education	0	0,00%	0,00%	298	0,01%	0,00%
Culture	25.437	0,49%	0,16%	31.208	0,79%	0,21%
Health and sanitation	3.750	0,07%	0,02%	7.502	0,19%	0,05%
Sport	3.700	0,07%	0,02%	7.578	0,19%	0,05%
Fighting hunger and food security	0	0,00%	0,00%	0	0,00%	0,00%
Other	7.400	0,14%	0,05%	13.756	0,35%	0,09%
Total contributions to society	40.287	0,78%	0,25%	60.342	1,52%	0,41%
Taxes (excluding social charges)	2.545.759	49,18%	15,83%	2.328.625	58,78%	15,94%
Total - External social indicators	2.586.046	49,96%	16,08%	2.388.967	60,30%	16,35%
4 - Environmental Indicators	Amount(thou)	% over OR	% over NR	Amount(t)	% over OR	% over NR
Investments related to the company's production/operation	nd	nd	nd	7.348	0,19%	0,05%
Investments in external programs and/or projects	nd	nd	nd	12.531	0,32%	0,09%
Total investments in environment	nd	nd	nd	19.879	0,50%	0,14%
Regarding the establishment of "annual goals" to minimize residues, general consumption in the production/operation and increase the efficiency in the use of natural resources, the company	(X) has no goals () meets 51to 75% () meets 0 to 50% () meets 76 to 100%			(X) has no goals () meets 51to 75% () meets 0 to 50% () meets 76 to 100%		
5 - Workforce Indicators	2018			2017		
Number of employees at the end of the period	14.449			13.672		
Number of admissions during the period	1.019			18		
Number of third-party employees*	5.815			nd		
Number of interns	956			910		
Number of employees over 45 years-old	9.362			8.839		
Number of women working in the company	2.858			2.752		
% of management positions held by women	22,28%			20,97%		
Number of black people working in the company	2.464			2.304		
% of management positions held by black people	4,97%			4,83%		
Number of people with disabilities or special needs (including employees and partnership with AME)	269			192		
6 - Relevant information regarding the exercise of corporate citizenship	2018			2019 Goals		
Ratio between the highest and the lowest compensation in	16,9			nd		
Total number of work related accidents	126			117		
Social and environmental projects developed by the company were defined by:	() directors	(X) directors and managers	() all employees	() directors	(X) directors and managers	() all employees
The safety and health standards for the workplace were defined by:	(X) directors and managers	() all employees	() all + Cipa	(X) directors and	() all employees	() all + Cipa
Regarding the trade union freedom, the right to collective bargaining and to internal representation of the employees,	() does not get involved	() follows the OIT standards	(X) encourages and follows OIT	() will not get involved	() will follow the OIT standards	(X) will encourage and follow the OIT
The private pension plan includes:	() directors	() directors and managers	(X) all employees	() directors	() directors and managers	(X) all employees
The profits or results sharing includes:	() directors	() directors and managers	(X) all employees	() directors	() directors and managers	(X) all employees
When selecting suppliers, the same ethical standards and the same social and environmental responsibility standards	() are not considered	() are suggested	(X) are required	() will not be considered	() will be suggested	(X) will be required
As for participation of employees in volunteer programs, the company:	() does not get involved	() supports	(X) organizes and encourages	() will not get involved	() will support	(X) will organize and encourage
Total number of complaints and critics from consumers:	in the company 36,819	at Procon 1879	in Justice JEC / Conc 336	at the company nd	at Procon nd	at Court nd
% of complaints and critics answered or solved:	in the company 98,06%	at Procon 90,3%	at Court 77,98%	at the company nd	at Procon nd	at Court nd
Total value added to distribute (in thousand R\$):	In 2018: 10,231,289			In 2017: 8,757,598		
Distribution of the Value Added (DVA):	26.1% Government shareholders	23.8% employees	6.6% third parties	26.6% Government shareholders	27.4% employees	6.8% third parties
7 - Other Information	21% retained					
"Sabesp does not hire outsourced labor, only signing agreements to provide services, according to business needs."						
"Given the direct relationship between environmental activities and the Company's activities, it is not possible to specifically segregate environmental expenditures from the Company's total operating expenses and investments. Thus, as of 2018, SABESP will no longer report the environmental investment indicator. The data reported until 2017 will be partial and related to corporate environmental management and the rational use of water programs, among other local initiatives."						
"This company does not use child labor or slave labor, has no involvement with prostitution or sexual exploitation of children or teenager and is not involved with corruption."						
"Our company values and respects diversity both internally and externally."						

ABOUT THE REPORT

102-51; 102-52 Companhia de Saneamento Básico do Estado de São Paulo – Sabesp voluntarily publishes its Sustainability Report for the twelfth consecutive year, which has information on its operations and initiatives undertaken to ensure the company’s sustainable development, responding to the main demands and expectations of its stakeholders.

102-54 As in previous editions, this publication follows the guidelines of the Global Reporting Initiative (GRI), an international reference organization for sustainability reporting, with the adoption of the GRI Standards version, in the Essential agreement option. The indicators are referenced throughout the text and can also be found in the GRI Content Summary.

102-10; 102-50; 102-53; 102-56 The content – defined based on the materiality review process (see below) – contemplates the initiatives of the Company’s administrative headquarters and the performance in all municipalities in which operated from January 1 to December 31, 2018. The report was not subject to external verification and there were no significant changes in the reporting period over previous years.

If you have any questions on the contents of this publication, or wish to send suggestions and comments, please contact us at sustentabilidade@sabesp.com.br

Priority of subjects **102-40; 102-42; 102-43; 102-44; 102-46**

The adequate survey of the material subjects of Sabesp is key to preserve the company’s ability to generate sustainable value and to concretize its contribution with modern, fair and competitive practices in its operating segment.

In a continuous process of improving the sustainability management and communication, in 2018 Sabesp revised its materiality matrix, resulting in an update of its (most relevant) material subjects. The process was carried out based on the results of the survey of the matrix prepared in 2017 – which can be found on the Company’s website – complementing the views of investors and the media.²⁴

Both points of view were analyzed and considered in the review of the prioritization of the themes presented in 2017, which resulted in a new list of material subjects, which supported the composition of this report.

Materials Subjects **102-47**

The selected material subjects, in order of priority, were:

1. Promotion of universal access to water and sewage
2. Development of local communities
3. Water Crisis
4. Transparency and engagement with stakeholders
5. Corporate governance and transparency
6. Wastewater and residues management
7. Challenges for the business growth and expansion
8. Improved eco-efficiency of operations

²⁴ Sabesp Sustainability Reports - <https://bit.ly/2FU4GFz>

9. Transparency in relations with regulatory entities
10. Water losses in distribution

102-48; 102-49 The limits each subject listed above, inside and outside the company, were discussed in the relevant chapters of the report, as well as any necessary information or reformulations published in previous reports.

GRI SUMMARY 102-55

Standard Contents - General Disclosures				
Organizational profile				
GRI Standard	Disclosure	Page/URL	Principles of the UN Global Compact	Sustainable Development Goals
GRI 102: 2016 General Disclosures	102-1 Name of the organization	8		
	102-2 Activities, brands, products and services	8		
	102-3 Location of the headquarters	São Paulo/SP		
	102-4 Location of the operations	8		
	102-5 Nature of ownership and legal type	15		
	102-6 Markets served	8		
	102-7 Organization size	8		
	102-8 Information on employees and workers	83	6	8
	102-9 Supply Chain	64		
	102-10 Significant changes in the organization and its supply chain	93		
	102-11 Precautionary approach or principle	13, 14		
	102-12 Initiatives developed externally	61		
	102-13 Participation in associations	61		
Strategy				
GRI Standard	Disclosure	Page/URL	Principles of the UN Global Compact	Sustainable Development Goals
GRI 102: 2016 General Disclosures	102-14 Statement of the senior decision maker	4, 5		
	102-15 Main impacts, risks and opportunities	4, 5		

Ethics and integrity				
GRI Standard	Disclosure	Page	Principles of the UN Global Compact	Sustainable Development Goals
GRI 102: 2016 General Disclosures	102-16 Values, principles, standards and behavior standards	8, 17, 19	10	16
Governance				
GRI Standard	Disclosure	Page	Principles of the UN Global Compact	Sustainable Development Goals
GRI 102: 2016 General Disclosures	102-18 Structure of governance	11		
	102-22 Composition of the highest governance body and its committees	11		5, 16
	102-23 Chairman of the highest governance body	11		16
	102-24 Selecting and appointing the highest governance body and its committees	11		5, 16
Engagement of the Stakeholders				
GRI Standard	Disclosure	Page	Principles of the UN Global Compact	Sustainable Development Goals
GRI 102: 2016 General Disclosures	102-40 List of stakeholder groups	92		
	102-41 Collective bargaining agreements	71	3	8
	102-42 Identification and selection of stakeholders	92		
	102-43 Approach to stakeholder engagement	67, 92		
	102-44 Main subjects and concerns raised	67, 92		
	102-45 Companies included in the consolidated financial statements:	8		

	102-46 Defining the contents of the report and the limits of the subject	92		
	102-47 List of material subjects	92		
	102-48 Reformulations of information	93		
	102-49 Changes in the report	93		
	102-50 Reporting period	95		
	102-51 Date of most recent report	95		
	102-52 Report Cycle	92		
	102-53 Contact point for questions about the report	92		
	102-54 Option according to GRI Standards	92		
	102-55 GRI Content Index	94		
	102-56 External assurance	92		
Material topics				
Economic performance				
GRI Standard	Disclosure	Page	Principles of the UN Global Compact	Sustainable Development Goals
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its limits	45	7	
	103-2 Management approach and its components	45	'	1, 5, 8, 16
	103-3 Evolution of the management approach	45		
GRI 201: 2016 economic performance	201-1 Direct economic value generated and distributed	90		2, 5, 7, 8, 9
	201-2 Financial implications and other risks and opportunities due to climate change	13	7	13
	201-4 Financial assistance received from government	Does not receive		

Presence in the market				
GRI Standard	Disclosure	Page	Principles of the UN Global Compact	Sustainable Development Goals
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its limits	67, 68	6	
	103-2 Management approach and its components	67, 68	6	
	103-3 Evolution of the management approach	68		
GRI 202: 2016 presence in the market	202-1 Variation of the proportion of the lowest initial wage compared to the local minimum wage	88	6	1, 5, 8
Indirect economic impacts				
GRI Standard	Disclosure	Page	Principles of the UN Global Compact	Sustainable Development Goals
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its limits	42, 55		
	103-2 Management approach and its components	42, 55		
	103-3 Evolution of the management approach	42, 55		
GRI 203: 2016 indirect economic impacts	203-1 Development and impact of investments in infrastructure and services offered	37, 42		2, 5, 7, 9, 11
	203-2 Significant indirect economic impacts	37, 42		1, 2, 3, 8, 10, 17
Fight against corruption				
GRI Standard	Disclosure	Page	Principles of the UN Global Compact	Sustainable Development Goals
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its limits	12, 13, 14	10	
	103-2 Management approach and its components	12, 13, 14	10	
	103-3 Evolution of the management approach	12, 13, 14	10	
GRI 205: 2016 fight against corruption	205-1 Operations subject to risk assessments related to corruption	11	10	16

	205-2 Communication and training on anti-corruption policies and procedures	Not available	10	16
	205-3 Confirmed cases of corruption and measures taken	13	10	16
Unfair competition				
GRI Standard	Disclosure	Page	Principles of the UN Global Compact	Sustainable Development Goals
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its limits	42, 55		
	103-2 Management approach and its components	42, 55		
	103-3 Evolution of the management approach	42, 55		
GRI 206: 2016 unfair competition	206-1 Lawsuits brought on by unfair competition, trust and monopoly practices	Not available		16
Materials				
GRI Standard	Disclosure	Page	Principles of the UN Global Compact	Sustainable Development Goals
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its limits	64, 65	7, 8	
	103-2 Management approach and its components	64, 65	7, 8	
	103-3 Evolution of the management approach	64, 65		
GRI 301: 2016 Materials	301-1 Materials used by weight or volume	9	7, 8	8, 12
	301-2 Used materials from recycling	9	8	8, 12
Electric Power				
GRI Standard	Disclosure	Page	Principles of the UN Global Compact	Sustainable Development Goals
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its limits	60	7, 8, 9	
	103-2 Management approach and its components	60	7, 8, 9	

	103-3 Evolution of the management approach	60		
GRI 302: 2016 Energy	302-1 Consumption of energy within the organization	9	7, 8	7, 8, 12, 13
	302-3 Energy intensity	9	8	7, 8, 12, 13
	302-4 Reducing electricity consumption	9, 44, 58	8, 9	7, 8, 12, 13
	302-5 Reducing the energy needs of products and services	9	8, 9	7, 8, 12, 13
Water				
GRI Standard	Disclosure	Page	Principles of the UN Global Compact	Sustainable Development Goals
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its limits	20	7, 8	
	103-2 Management approach and its components	20	7, 8	
	103-3 Evolution of the management approach	20		
GRI 303: 2016 Water	303-1 Total water collection by source	9	7, 8	6
	303-3 Percentage and total volume of water recycled and reused	10	8	6, 8, 12
Biodiversity				
GRI Standard	Disclosure	Page	Principles of the UN Global Compact	Sustainable Development Goals
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its limits	27	8	
	103-2 Management approach and its components	27	8	
	103-3 Evolution of the management approach	27		
GRI 304: 2016 Biodiversity	304-1 Own, leased or managed operating units within or adjacent to protected areas and areas with high biodiversity located outside protected areas	28	8	6, 14, 15

Emissions				
GRI Standard	Disclosure	Page	Principles of the UN Global Compact	Sustainable Development Goals
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its limits	57	7, 8	
	103-2 Management approach and its components	57	7, 8	
	103-3 Evolution of the management approach	57		
GRI 305: 2016 Emissions	305-1 Direct emissions of greenhouse gases (Scope 1)	10, 57	7, 8	3, 12, 13, 14, 15
	305-2 Indirect emissions of greenhouse gas (Scope 2)	11, 57	7, 8	3, 12, 13, 14, 15
	305-3 – Other indirect greenhouse gas emissions (Scope 3)	10, 57	7, 8	3, 12, 13, 14, 15
Wastewater and residues				
GRI Standard	Disclosure	Page	Principles of the UN Global Compact	Sustainable Development Goals
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its limits	35	8	
	103-2 Management approach and its components	35	8	
	103-3 Evolution of the management approach	35		
GRI 306: 2016 wastewater and residues	306-3 Significant leaks	Not applicable	8	3, 6, 12, 14, 15
Job				
GRI Standard	Disclosure	Page	Principles of the UN Global Compact	Sustainable Development Goals
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its limits	67	6	8
	103-2 Management approach and its components	67	6	8
	103-3 Evolution of the management approach	67		
GRI 401: 2016 Jobs	401-1 Rates of new hiring and employee turnover	84	6	5, 8

Diversity and equal opportunities				
GRI Standard	Disclosure	Page	Principles of the UN Global Compact	Sustainable Development Goals
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its limits	79	6	
	103-2 Management approach and its components	79	6	
	103-3 Evolution of the management approach	79		
GRI 405: 2016 diversity and equal opportunities	405-1 Diversity in governance bodies and employees	84, 85	6	5, 8
	405-2 Mathematical reason for wages and salaries between women and men	87	6	5, 8, 10
Local communities				
GRI Standard	Disclosure	Page	Principles of the UN Global Compact	Sustainable Development Goals
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its limits	29, 37, 42, 55	1	
	103-2 Management approach and its components	29, 37, 42, 55	1	
	103-3 Evolution of the management approach	29, 37, 42, 55		
GRI 413: 2016 local communities	413-1 Operations with implemented programs of local community engagement, impact assessment and local development	55	1	1

Principles of the UN Global Compact:

1. Respecting and protecting human rights
2. Preventing violations of human rights
3. Supporting the freedom of association of work
4. Abolish forced labor
5. Abolish child labor
6. Eliminate discrimination in the workplace
7. Supporting a precautionary approach to environmental challenges
8. Promoting an environmental responsibility
9. Encouraging technologies that do not harm the environment
10. Fight corruption in all its forms, including extortion and bribery

Sustainable Development Goals (SDGs):

1. End poverty
2. End hunger
3. Ensuring health and well-being
4. Ensure quality education
5. Achieving gender equality
6. Ensure water for all
7. Ensuring a sustainable energy
8. Promote economic growth
9. Promoting inclusive and sustainable industries
10. Reducing inequality among peers
11. Building inclusive cities
12. Promoting a sustainable consumption
13. Fight climate change
14. Sustainable use of the oceans
15. Promoting terrestrial ecosystems
16. Promote peaceful cities
17. Strengthening global partnerships

CORPORATE INFORMATION

2018 Sustainability Report – Suggestions/Comments: sustentabilidade@sabesp.com.br

SOCIALNETWORKS

[youtube.com.br/user/saneamentosabesp](https://www.youtube.com.br/user/saneamentosabesp)
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SERVICE

Virtual Agency: your service agency on the internet. Request a second copy of the bill, fix leaks, check the consumption history and learn where to make payments.

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

Sabesp Mobile: Application compatible with Android and iOS operating systems. Request second copy, consumption history, guidance on automatic debit and notices on maturity of debits and increased consumption. The customer may also report leaks of water and sewage.

Online service: seek our attendants and ask your questions on the services.

From Monday to Friday from 8 a.m. to 9 p.m. and Saturdays from 8 a.m. to 5 p.m.
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Service Agencies: Find the nearest service agency for your residence on the website or on the water bill delivered at your residence.

sabesp.com.br • Option: customers and services

SERVICE CENTER

195 (toll-free) – For emergencies such as lack of water, leaks and blocked sewage.
24 hours, every day.

COMMERCIAL SERVICES

For information on accounts, request of second copies (in case of loss or non-receipt), request for services, addresses, useful telephone numbers and explanatory leaflets.

São Paulo Metropolitan Region: 0800-0119911 (toll-free) – Monday to Friday from 7 a.m. to 9 p.m. and Saturdays from 8 a.m. to 5 p.m.

Inland and coast: 0800-0550195 (toll-free) – 24 hours, every day.

OMBUDSMAN

0800-0550565 (toll-free) – With the protocol number in hand, users can register complaints about services already requested. In addition, it is possible to send criticisms, denunciations or compliments. From Monday to Friday, from 8 a.m. to 6 p.m.

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