

# SUSTAINABILITY REPORT



sabesp



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### **Edison Airoidi** (until February 20, 2020)

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# USING THE INTERACTIVE MENU

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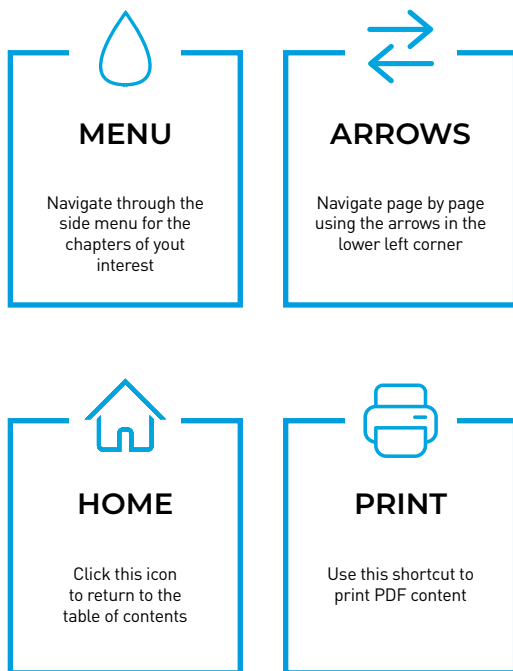
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MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS **GRI 102-14 | 102-15**

# WORKING TO IMPROVE QUALITY OF LIFE AND THE ENVIRONMENT

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**MARIO ENGLER**  
Chairman of the Board of Directors

Sabesp's high level of investment to strengthen infrastructure for water supply and expand sewage collection and treatment services reaffirms the Company's important role in the economic and social development of the São Paulo state. These actions reinforce the priority of these issues in the agenda set out by the Government of the State of São Paulo.

In 2019, investments totalled R\$5.1 billion and served 372 municipalities (accounting for approximately 64% of the state of São Paulo), maintaining Sabesp at the leading position among companies that most invest in the

country. This represents more than 30% of all investments that were allocated for basic sanitation across Brazil, according to the past eight editions (2011-2018) of the consolidated data issued by the National System of Sanitation Information (SNIS).

A total of R\$2.6 billion was invested in sewage collection and treatment services, and another R\$2.5 billion was invested for water supply infrastructure since the severe water crisis in 2014-2015, demonstrating Sabesp's commitment to expand the sanitary infrastructure in the regions where it operates and its focus towards universal sanitation services.

Within this context, it is important to mention the Company's positive performance for the business goals that were set for 2019. Throughout the year, 237,000 new sewage connections were installed, 4.4% more than expected for the period, in addition to 204,800 new water connections, 10% higher than the established goal. The improvement in water loss indicators was also within the expected result.

The intensity and efficiency in which the Company's sanitary structure has been improved is expected to continue through an investment plan of R\$20.2 billion over the next five years (2020 - 2024), of which R\$8.1 billion will be allocated to water supply and R\$12.1 billion for sewage collection and treatment

services. In the municipalities served at the end of 2019, 91% of customers were connected to the sewage collection structure and 78% of households<sup>1</sup> received sewage treatment services.

These are very positive indicators when compared to the national scenario. However, we are aware that we need to advance, especially in regions with greater urban complexities for the expansion of services, such as the São Paulo Metropolitan Region (SPMR) and the coastal region. To address this situation, the Company structured the **Tietê Project** and **Onda Limpa (Clean Wave) Program**, which results are detailed along this report. ▶

“

**These are very positive indicators when compared to the national scenario. However, we are aware that we need to advance.**

1 – 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.



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In 2019, we were approved for two strong financing lines from the Inter-American Development Bank (IDB) and the World Bank (IBRD), which will be used to expand sanitation infrastructures in the SPMR. More than US\$850 million (including Sabesp's counterpart) will be used to continue the execution of key construction works in phase IV of the Tietê Project, in the expansion of the collection system of the Guarapiranga basin, to reduce water loss and to regularize water and sewage connections in highly vulnerable communities.

It is important to remember, however, that, despite expansion in sanitary structures, this

alone will not achieve its noble social and environmental objectives if society does not collaborate. For example, there are customers who do not install sewage connections at their homes. And people often continue to dump sewage into water galleries even when a collection structure is available.

Cities in which irregular waste disposal activities take place also have increased levels of pollution and this is another attitude that needs to be changed through awareness actions. Selfish and negligible behaviors are not civilized principles and end up delaying the gains that sanitation services bring to the entire community.

At the state's inland region, improvements in our network resulted in visibly better health index for the population and water quality indexes at the main rivers. In terms of water supply, we began the construction of the Rio Pardo dam, in Botucatu, ensuring the municipality water security for the coming decades.

The advancement in projects aiming for photovoltaic generation technology and automated treatment plants is key for operational sustainability. These projects are the result of our pioneer organizational research and innovation culture, always in partnership with academic institutions and other entities that excel in promoting technological development.

In terms of corporate governance, we continue to increase our integrity and compliance mechanisms towards mitigating business risks and preventing fraud and corruption. Simultaneously, our team carried out well-being programs to help those in need, such as the record collection of pieces for the Warm Clothing Campaign of the São Paulo Social Fund (FUSSP). This effort symbolizes our strong commitment with solidarity actions.

The remarkable results achieved in 2019 prove that we are seeking customer satisfaction and quality services, and also reflects our efforts to improve processes and increase operational efficiency and innovation. Thus, we continue to generate value for society, for our business and shareholders. We are guided by belief that increasing access to basic services can profoundly impact and transform lives by improving health conditions and enhancing citizenship values. ■



Expansion of the sanitary infrastructure of the Novo Rio Pinheiros program, on Avenida Faria Lima, in São Paulo



MESSAGE FROM THE CEO GRI 102-14 | 102-15

# MAKING PROGRESS IN BENEFIT OF PEOPLE AND THE ENVIRONMENT

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**BENEDITO BRAGA**  
CEO

The year of 2019 was marked by the significant progress made within our mission to provide and improve the life quality of people and the environment. We continue to expand the business and our actions always guided by a results-oriented agenda. We began to operate in the municipalities of Santo André, Guarulhos and Aguaí, reaching a total of 372 municipalities under our operations. Additionally, we signed an operating agreement with the municipality of Tapiratiba in October 2019, with operations expected to begin in April 2020.

As part of our legal and regulatory diligence with the granting authority, we renewed our

Service Agreement with seventeen municipalities, being them: Espírito Santo do Turvo, Guarujá, São Bernardo do Campo, São Sebastião, Oriente, Bertoga, Itanhaém, Mongaguá, Alambari, Lavrinhas, Peruíbe, Caraguatatuba, Pedra Bela, Vargem, Nazaré Paulista, Águas de São Pedro and Paraguaçu Paulista.

On the operational front, our professionals demonstrated their extreme competence in solving issues regarding the lack of water that, for decades, punished the populations of Guarulhos and Santo André on a weekly basis. Our goal was achieved through interventions that allowed us to interconnect and add water to the distribution systems, putting an end to the recurring shortage of water in the system. We also began to operate the Guarulhos sewage system, which will now provide significant benefits to the city's population and gradually reduce pollution load dumped in the Tietê river.

Our concerns on the revitalization of metropolitan water bodies motivated us to participate in the Novo Rio Pinheiros Project challenge, launched by the State Government. At the beginning of the year, we made a diagnosis and began a hiring process to implement structures in certain regions, with the goal of providing sewage treatment services to more than 500,000 households by the end of 2022.

Given the complexity of the task, we brought important innovations. The contract

performance template foresees remuneration based on the number of new properties connected to the sewage treatment system and improvements on the quality of the affluent waters that stream into the Pinheiros river. In terms of technology, we designed equipment that treat affluent waters in regions where there are technical and legal restrictions for the deployment of conventional networks due to poor and irregular land occupations.

This noble initiative directly impacts the success of an even greater goal: to universalize water and sewage services in the São Paulo Metropolitan Region (SPMR). Initiated 27 years ago by the Tietê Project, this effort has already received investments of over US\$ 3 billion in works that have tripled the sewage treatment capacity and expanded sewage collection and treatment to an additional 11 million people, a population similar to Portugal.



**372**  
municipalities served

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In 2019, we advanced in this project and highlight the progress achieved at the Interceptor Tietê 7 (ITi-7) works, a mega tunnel located under the Tietê highway, with 18 meters in depth, 7.5 km long, 3.4 meters wide and 2.6 meters in height. The structure, which was inaugurated in the beginning of 2020, is integrated with three other key works and began to provide sewage treatment for 2.2 million people, incorporating 350 thousand properties in the city of São Paulo to the collection and treatment service network.

We continue to execute nearly 20 key construction sites for the interception, removal and sewage treatment in 13 metropolitan areas, focusing on the extreme North and East and West regions, in addition to works at the Pró-Billings Program to improve the sewage services of one of our largest metropolitan reservoirs.

Our efforts to expand our sanitation services does not exempt us from permanently striving for stronger water security. Therefore, we continued to execute large infrastructure investments for the transportation, reservation and fight against water loss in light of the severe water crisis we faced in 2014-2015. If these investments had not made, the low rainfall during 2019 would have caused the Cantareira System's water level to reach zero in November, triggering a new water crisis.

In addition to the robust infrastructure, the consolidation of more rational consumption habits by the population, a behavior that was repeated along 2019, was another important legacy from the previous water crisis.


We also continued to advance in benefit of socially vulnerable areas, where inhabitants receive poor and precarious water supply, through the Água Legal (Legal Water) Program,

which was awarded by the Brazil Network of the UN Global Compact. In 2019, we connected 20 thousand properties to our supply network. Since 2017, this initiative has benefited 114 thousand families with quality water supply. We also granted social tariffs to over 71 thousand families, reaching a total of 506 thousand families served by this benefit.

The rebalancing of agreements with the majority of the coastal cities we serve allowed us to restart the environmental sanitation activities of the Onda Limpa (Clean Wave) Program. In the inland regions of the State of São Paulo, we inaugurated six sewage treatment plants (STPs) and are expanding services to communities located remotely from urban centers.

Internally, we concluded the migration of the Health plan, improved the SAP environment (for greater reliability of data management) and advanced with the strengthening of an organizational management aimed at the developing leadership competencies.

The implementation of new Lab Agencies and other improvements in relationship channels demonstrate our ongoing concern to satisfy our customers. We were also recognized for the maturity of our corruption and fraud preventions programs and received the Empresa Pró-Ética award, granted by the Office of the Comptroller General (CGU).

Finally, we continue to maintain a close eye on the discussions regarding the new basic sanitation framework. For any outcome, we continue to advance in terms of competitiveness by enhancing our human capital, fostering innovation and improving processes, products and services. These strategic efforts reaffirm our perseverance for efficiency and results aimed at the universal access to sanitation services in the operated area. 



**Novo Rio Pinheiros' actions directly impact the success of an even greater goal: universalization throughout the São Paulo Metropolitan Region through the Tietê Project.**



**Expansion of sanitation does not exclude from our priorities the permanent strengthening of water security.**



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**GRI 102-43 | 102-44** Companhia de Saneamento Básico do Estado de São Paulo – Sabesp voluntarily publishes its Sustainability Report annually and in line with its commitment towards maintaining transparency and an open dialogue with all stakeholders. In this report, we present information on the Company, how we conduct our business, our strategy for sustaining and generating value and the performance we achieved in 2019.

We have been adopting the Global Reporting Initiative (GRI) since 2007. GRI is a set of international guidelines used by the Company for its transparency and sustainability indicators, allowing readers to compare results between periods. In 2019, Sabesp adopted the Essential agreement option of the GRI Standards.

In addition to the standard information provided herein, at the end of this report you will find an index explaining each GRI indicator and on what page it can be found. The GRI indicator is also provided for each topic addressed in this report. More information on GRI guidelines is available at <http://bit.ly/2vuohrV>.

**If you have any questions or wish to send suggestions and comments, please contact us at [sustentabilidade@sabesp.com.br](mailto:sustentabilidade@sabesp.com.br)**

## Priority of Subjects

**GRI 102-43 | 102-44 | 102-46 | 102-47**

As an ongoing process to improve sustainability management and communication, in 2019 we reviewed our materiality matrix and identified the priority themes that offer us the greatest potential for a sustainable development, always considering our stakeholders' interests and the market scenario.

The process was done by making a sector assessment and ranking and relevant themes for the top ten domestic and international players in the industry, as well as analyzing stakeholder demands and interests, including:

- ▣ **Customer** demands identified in the 2018 Satisfaction Survey;
- ▣ Articles on Sabesp published by the **media** in 2019
- ▣ Issues raised by **investors** in conference calls during the first three quarters of 2019;
- ▣ Stakeholder demands raised in the Sabesp Management Model.

As a result of this analytical process, we identified the following relevant themes, which unfolded in the GRI indicators elaborated in this report:

Promotion of universal access to water and sewage

Development of local communities

Water security

Ethics and Corporate governance

Wastewater and Residues Management

Financial performance

Operational eco-efficiency

Water losses in distribution

People management

## Commitment to Sustainable Development


**GRI 102-12 | 102-13** Our efforts are guided by innovation, ethics and transparency with our stakeholders and we promote actions that reflect quality of life, social inclusion and citizenship values. Sabesp has been a signatory to the United Nations Global Compact since 2007, which encourages the corporate community to adopt social responsibility and sustainability policies

related to the ten principles regarding human rights, work, environment and corruption.

Our activities also contribute to the advancement of the United Nations Sustainable Development Goals (SDGs), comprised of 17 objectives aimed at the promoting a more equal

and environmentally sustainable world. Our main contribution is related to SDG 6 – Clean Water and Sanitation, however we can bring important impacts on many other objectives.

We are also a partner of the Child Friendly Company initiative of the Abring Foundation,

we maintain an agreement with the Associação Amigos Metroviários dos Excepcionais (AME, or Subway Employees' Exceptional Friends Association) and we are certified with the São Paulo State Diversity Seal, granted by the Government of the State of São Paulo. 

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### Principles of the Global Compact

- 1  Support and respect the protection of internationally proclaimed human rights
- 2  Make sure that they are not complicit in human rights abuses
- 3  Uphold the freedom of association and the effective recognition of the right to collective bargaining
- 4  The elimination of all forms of forced and compulsory labour
- 5  The effective abolition of child labour
- 6  The elimination of discrimination in respect of employment and occupation
- 7  Support a precautionary approach to environmental challenges
- 8  Undertake initiatives to promote greater environmental responsibility
- 9  Encourage the development and diffusion of environmentally friendly technologies
- 10  Work against corruption in all its forms, including extortion and bribery

**In this Report, we present our key contributions to the achievement of the SDGs and the principles of the Global Compact.**



Installation "17 ODS for a Better World" on display at Sabesp's headquarters in São Paulo. Learn more at <https://www.17odsparaummundomelhor.com.br/>

### 17 Sustainable Development Goals

# PANEL OF INDICATORS

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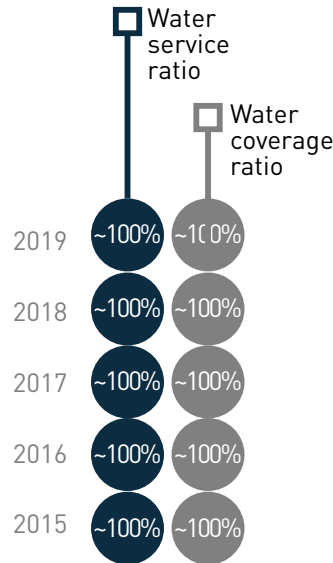
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Sewage collection service ratio <sup>(2)</sup>



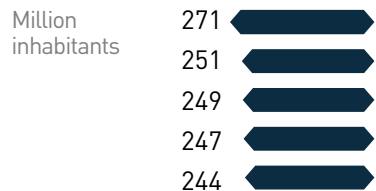
Sewage collection coverage ratio <sup>(2)</sup>



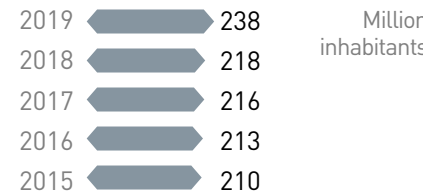
Ratio of households connected to sewage treatment <sup>(3)</sup>



Resident population supplied with water <sup>(4)</sup>

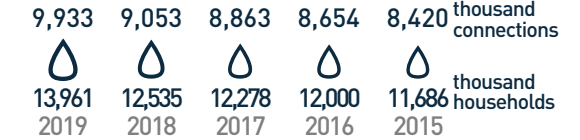


Resident population provided with sewage collection <sup>(4)</sup>

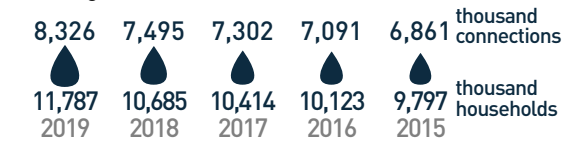


## OPERATIONAL

Water connections <sup>(6)</sup>



Sewage connects <sup>(6)</sup>



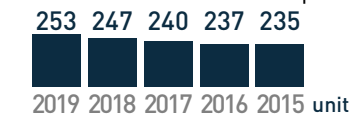
Length of water network <sup>(7)</sup>



Length of sewage network <sup>(7)</sup>



WTP - Water treatment plants



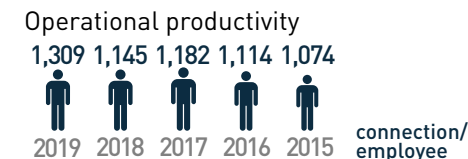
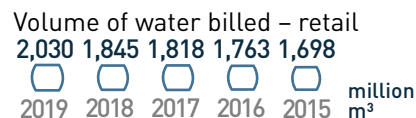
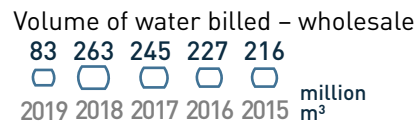
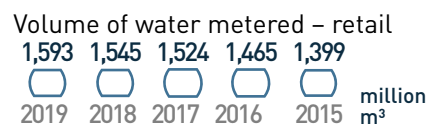
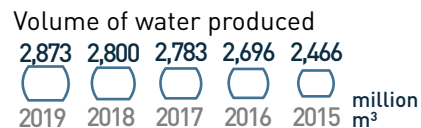
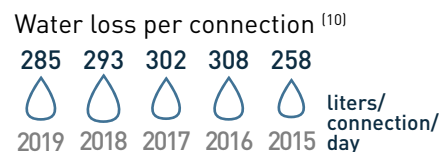
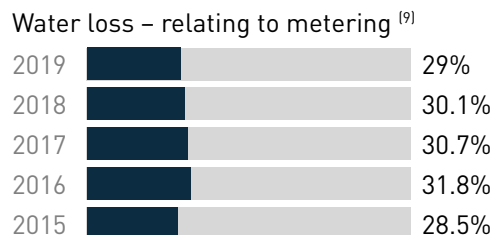
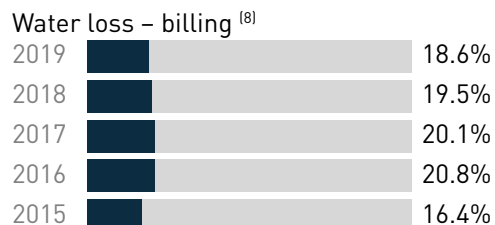
Wells



STP - Sewage treatment plants



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## FINANCIAL

	Unit	2019	2018	2017	2016	2015
Gross revenues	R\$ million	19,080.6	17,056.3	15,374.6	14,855.1	12,283.5
Net revenue	R\$ million	17,983.7	16,085.1	14,608.2	14,098.2	11,711.6
Adjusted EBITDA <sup>(12)</sup>	R\$ million	7,510.5	6,540.6	5,269.3	4,571.5	3,974.3
Adjusted EBITDA margin	% net revenue	41.8	40.7	36.1	32.4	33.9
Adjusted EBITDA margin excluding construction revenues and costs	% net revenue	49.5	48.8	45.4	43.3	46.6
Operating income <sup>(13)</sup>	R\$ million	5,711.6	5,176.7	3,961.7	3,429.6	3,044.0
Operating margin <sup>(13)</sup>	% net revenue	31.8	32.1	27.1	24.3	26.0
Income (net profit/loss)	R\$ million	3,367.5	2,835.1	2,519.3	2,947.1	536.3
Net margin	% net revenue	18.7	17.6	17.2	20.9	4.6
Net debt over Adjusted EBITDA <sup>(14)</sup>	Multiple	1.5	1.55	1.86	2.20	2.89
Net debt over shareholders' equity <sup>(14)</sup>	%	50.8	51.8	56.1	65.4	83.7
Investment <sup>(15)</sup>	R\$ million	5,068.0	4,177.4	3,387.9	3,877.7	3,481.8

## ENVIRONMENTAL

	Unit	2019	2018	2017	2016	2015
301-1 – Chemicals used in the treatment of water and sewage	T	293,039	245,197	271,396	261,326	279,200
301-2 – Percentage of chemicals used in the treatment of water and sewage from recycling <sup>(17)</sup>	%	3.00	3.78	3.49	3.45	3.06
302-1 – Total consumption of electricity <sup>(18)</sup>	Terajoules (TJ)	9,123	8,940	8,341	7,895	7,726
302-3 – Consumption of electricity/m <sup>3</sup> of water produced	kWh/m <sup>3</sup>	0.72	0.73	0.68	0.67	0.72
302-3 – Consumption of electricity/m <sup>3</sup> of sewage treated	kWh/m <sup>3</sup>	0.47	0.45	0.46	0.43	0.47
302-4 – Reduction of electricity consumption for water produced – J	%	-0.84	-8.5	-4.3	-2.0	12.4
302-4 – Reduction of electricity consumption for sewage produced treated – J	%	-4.3	-2.3	-13.4	-3.0	-0.7
302-5 – Reductions in requirements of electricity/m <sup>3</sup> of water produced – kWh/m <sup>3</sup>	%	0.7	-7.8	-1.5	6.7	-1.4
302-5 – Reductions in requirements of electricity/m <sup>3</sup> of sewage treated – kWh/m <sup>3</sup>	%	-3.3	1.7	-7.0	7.7	-9.3
303-1 – Total intake of water – Surface	Million m <sup>3</sup>	2,705	2,630	2,602	2,539	2,397
303-1 – Total intake of water – Underground	Million m <sup>3</sup>	175	176	172	168	168
303-3 – Percentage of water consumption in WTP treatment <sup>(19)</sup>	%	2.7	2.7	2.8	3.0	1.7
303-3 – Percentage of washing water recovery from filters and decanters in WTPs <sup>(19)</sup>	%	77.4	86.3	84.6	84.3	76.6
Direct and indirect emissions of greenhouse gases <sup>(20)</sup>	t CO <sub>2</sub> e	N/D	2,223,172	2,369,715	1,979,677	2,204,464
305-1 – Direct emissions of greenhouse gases (GHG) (Scope 1)	t CO <sub>2</sub> e	N/D	2,021,759	2,130,164	1,771,135	1,909,847
305-2 – Indirect emissions of greenhouse gases (GHG) from electricity acquisition (Scope 2)	t CO <sub>2</sub> e	N/D	180,802	215,494	178,724	267,117
305-3 – Other indirect greenhouse gas emissions (GHG) emissions (Scope 3)	t CO <sub>2</sub> e	N/D	20,610	24,057	29,818	27,500
303-3 – Volume of reuse water supplied <sup>(21)</sup>	thousand m <sup>3</sup>	1,369.42	1461.47	1579.2	1,683.6	1,851.8
303-3 – Percentage of reuse water sold oversewage treated with reuse water at STPs <sup>(21)</sup>	%	0.76	0.43	0.35	0.40	0.52
303-3 – Percentage of reuse water supplied over installed capacity <sup>(21)</sup>	%	32.40	38.30	36.02	32.19	35.67
Number of STPs and WTPs with environmental management system (EMS) <sup>(22)</sup>	Unit	390	271	177	129	95
Number of STPs and WTPs ISO 14001 certified <sup>(22)</sup>	Unit	35	35	35	35	35
Number of people in monitored visits of sanitary and environmental education in the operational units	People	62,384	75,078	65,266	71,122	77,580
Seedlings planted voluntarily	Unit	24,568	6,138	11,358	9,500	12,214
Volume of recyclables collected in Sabesp's 3Rs	T	274	224	140	177	268
Average consumption of fuel alcohol	liters/vehicle	2,820	2226	2,470	3143	2827
Alcohol consumption on total fuel	%	58	58	57	62	57
Positive public perception of Sabesp's environmental responsibility <sup>(5)</sup>	%	68	69	64	57	60

# SOCIAL

## Accidents with leave of absence frequency rate



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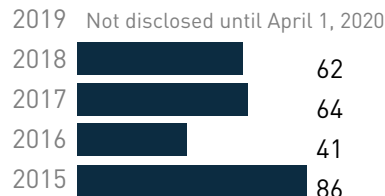
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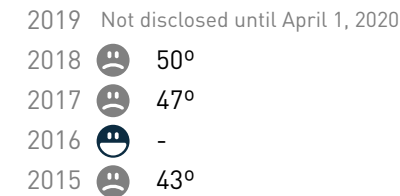
### Positive public perception of Sabesp's social responsibility



### Ranked Procon complaints



### Position in Procon's ranking



**NOTES** (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 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 2019 by GMR Market Intelligence, with 9,606 interviews across the entire operating base with a margin of error of 1% 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 income and expenses. (14) Net debt consists of debt, minus cash and cash equivalents. (15) Does not include financial commitments assumed in program agreements (R\$177 million, R\$6 million, R\$121 million, R\$207 million and R\$331 million in 2015, 2016, 2017, 2018 and 2019, respectively). (17) Refers to the amount of the chemical "fluorosilicate acid" in relation to the total chemicals used in the treatment of water and sewage. (18) From the total electricity consumption, 81,0% was used in the water process (collection, production, adduction and treatment), 18,1% in the sewage process (collection, removal and treatment) and 0,9% in the administrative process. (19) Refers to the water treatment plants of the Metropolitan Board, not including data from Guarulhos' Isolated System. (20) The 2018 inventory indicates that sewage collection and treatment activities are the largest source of GHG emissions, accounting for approximately 90.4% of the total amount. Electricity contributed with 8.1% and other activities represented approximately 1.5%. The annual GHG inventory for 2019 is under development in 2020. Biomass emissions in 2018 were 106,823 tCO<sub>2</sub>e. The global warming potential adopted for CH<sub>4</sub> is 21 and for N<sub>2</sub>O is 310 (Global Warming Potential values of the second report of the IPCC, Second Assessment Report - SAR. (21) Refers to the STPs Jesus Netto, Parque Novo Mundo and São Miguel, which produce reuse water. The amounts in 2019 do not consider the volume of 360 L/s of wastewater treated and supplied by Aquapolo Ambiental. (22) Since 2015, Sabesp has been working with a mixed model to implement the Environmental Management System (SGA) in STPs and WTPs, with the ISO 14001 standard applied to the certified scope and for other plants, uses 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) When not informed, it means that Sabesp was not among the top 50 companies with the highest number of complaints in the Procon rating.



# SERVING ONE OF THE WORLD'S LARGEST POPULATION

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**GRI 102-1 | 102-2 | 102-4 | 102-6 | 102-7 | 102-16 | 102-10** Companhia de Saneamento Básico do Estado de São Paulo – Sabesp, founded in 1973, is the largest sewage company in the Americas and the serves the fourth largest global population . The Company provides water for 28.1 million customers, of which one million are residents in cities with wholesale agreements – Mauá, Mogi das Cruzes and São Caetano do Sul – and 27.1 million are customers directly served. Of this total amount, approximately 23.8 million customers receive sewage collection service.

The Company provides basic and environmental sanitation services in the state of São Paulo and treated water and wholesale sewage services in the São Paulo Metropolitan Region (SPMR). At the end of 2019, Sabesp had a total of 13,945 employees, split between its head office, administrative units and 17 business units, which operate 81.3 thousand km of water distribution networks and 56 thousand km of sewage collection networks, outfalls and interceptors; 253 water treatment plants (WTPs) and 569 sewage treatment plants (STPs).

In 2019, the Company's investments total R\$5.1 billion, net revenue reached R\$18 billion and net income totaled R\$3.4 billion. Total assets were R\$46.5 billion and market value reached R\$41.4 billion on December 31, 2019.

With the start of operations in the municipalities of Guarulhos, Santo André and Aguaí in 2019, the Company ended the year providing water and sewage collecting and treatment to 372 municipalities. Sabesp also signed an operating agreement with the municipality of Tapiratiba in October 2019, with operations expected to begin during the first half of 2020.

The Company also renewed its water and sewage services contracts for another 30 years in 17 municipalities located on the north coast, Baixada Santista and Bragantina regions, in addition to a service contract with the municipality of São Bernardo do Campo, in the SPMR.

Sabesp is a minority shareholder of sanitary service companies located in four other municipalities, namely Águas de Castilho S.A., Águas de Andrada S.A., Saneaqua Mairinque S.A. and SESAMM – Serviços de Saneamento de Mogi Mirim S.A.

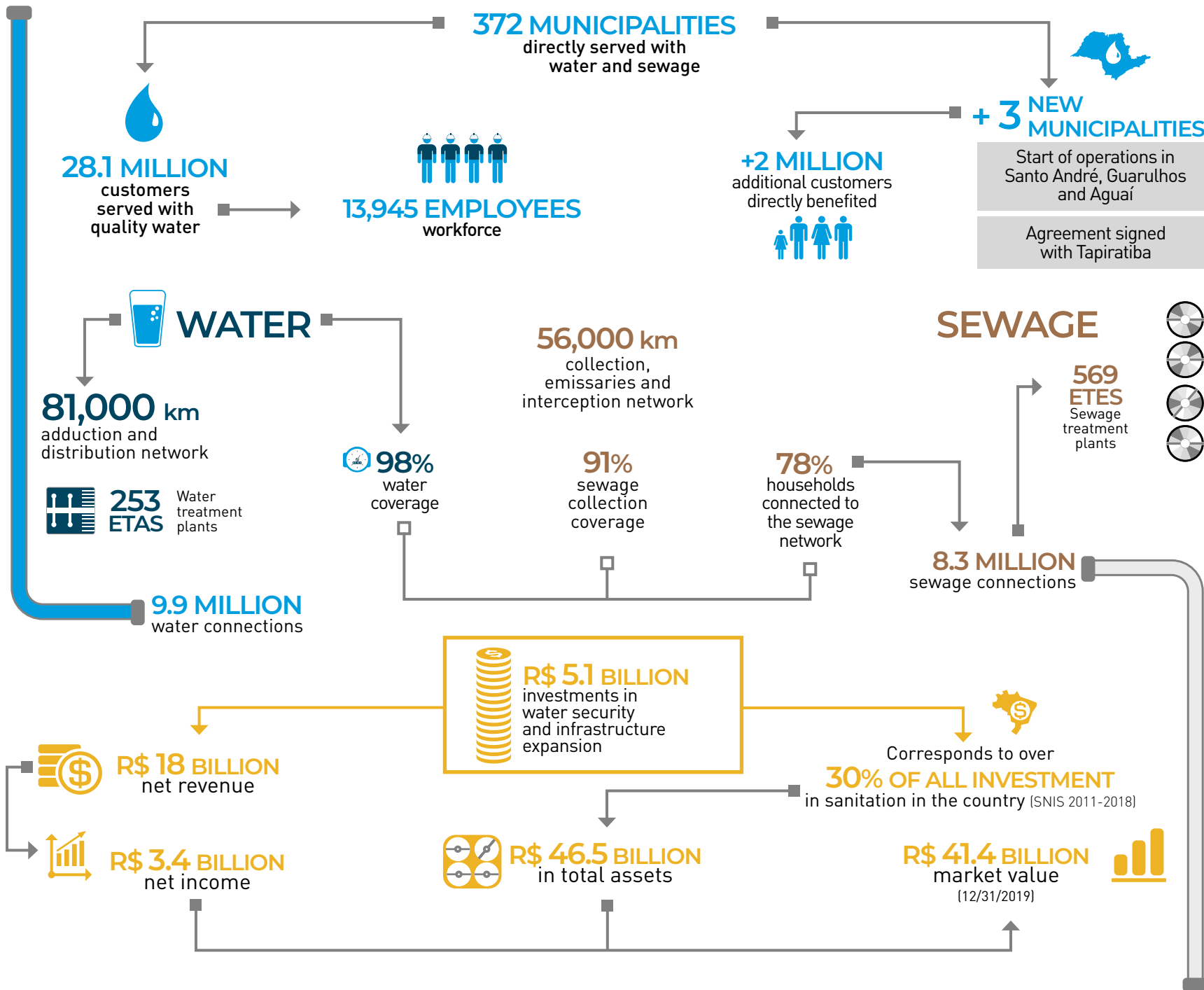
We offer consulting services on the rational use of water and on financial, commercial, and operational management and planning based on our experience in Panama. We are also qualified to carry out activities in the drainage, urban cleaning services, solid waste and energy management markets in other states and countries.

We also hold equity stakes in companies such as Aquapolo Ambiental (reuse water), Attend Ambiental (non-domestic sewage) and Paulista Geradora de Energia S.A. (electric energy), being the latter in pre-operational phase. For more information on these companies, please refer to Explanatory Note 11 of the Financial Statements available at <https://bit.ly/2UsgwMM>. □



Guarú Water Treatment Plant, in São Paulo

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# CORPORATE FUNDAMENTALS



## MISSION

To provide water and sanitation services, contributing to improving the quality of life and the environment.

## VISION

To be a global benchmark in the provision of water and sanitation services in a sustainable

## ETHICAL VALUES

- ▣ Respect for society and customers
- ▣ Respect for the environment
- ▣ Respect for people
- ▣ Integrity
- ▣ Competence
- ▣ Citizenship

## STRATEGIC GUIDELINES

- ▣ Water security
- ▣ Service excellence
- ▣ Sustainability
- ▣ Stakeholder engagement
- ▣ Employee value proposition
- ▣ Innovation and technology
- ▣ Expansion of water treatment

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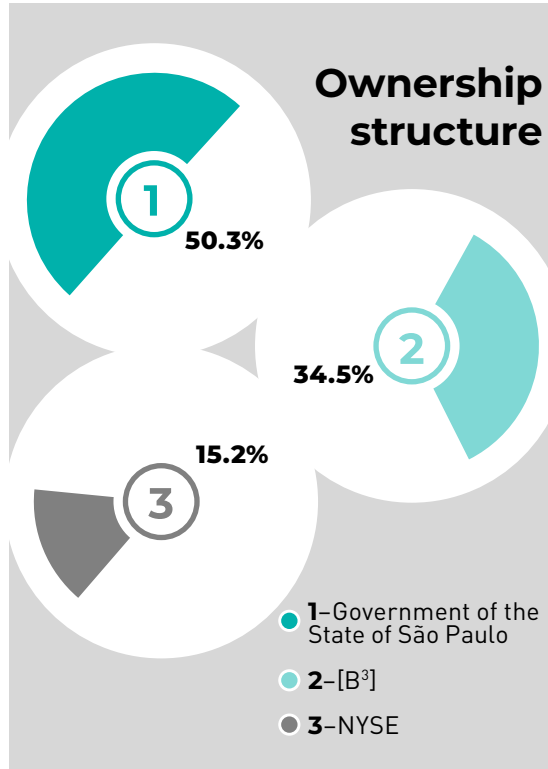
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**GRI 102-5 | 102-7 | 103-1 | 103-2 | 103-3**

Sabesp is a mixed capital corporation, with shares traded on the Novo Mercado of B3 and on the New York Stock Exchange, operating in a regulated sector. Therefore, the Company is subject to legislation, regulation and sector inspections of both the Brazilian and the American capital markets, in addition to regulations applicable for state-controlled companies.

The Company's share capital consists of 683,509,869 common shares (with voting rights), corresponding to a market value of R\$41.4 billion. The Government of the State of São Paulo holds 50.3% of the Company's shares and the remaining shares trade on the São Paulo B3 stock exchange (15.2%) and the New York Stock Exchange (34.5% in the form of ADR Level III).

Compliance with these rules reinforce the Company's strong corporate governance structure, commitments and practices, enabling it to guarantee transparency, equality and accountability for its shareholders and creditors, in addition to offering quality services for customers and ethics standards in the course of its mission.

### Enhancing Elevated Governance Standards

Despite its strong governance structure, throughout 2019 the Company further enhanced its transparency and governance practices in accordance with Federal Law No. 13.303/16, State Decree 62.349/16, the Novo Mercado Listing Regulations and the Brazilian Code of Corporate Governance.

It is also worth highlighting that Company has recently revised its Internal Regulation for Bidding and Hiring Processes and its training courses for Management and members of the

Fiscal Council on topics related to corporate governance and integrity, in addition revising the Integration Program for incoming members of the Board of Directors, Board Fiscal and Executive Board.

As a result of these efforts, Sabesp were granted with the Empresa Pró-Ética award from the Office of the Comptroller General (CGU) as a recognition of its Integrity Program, being the only company to receive this award in the basic sanitation sector during the 2018/2019 cycle.



**Sabesp was the 2nd company in Brazil to join B3's Novo Mercado, the trading segment with the highest level of corporate governance standards. The Company entered this segment in 2002, which demonstrates its solid record of good governance practices.**



## Governance Structure

**GRI 102-18 | 102-22 | 102-23** Sabesp is managed by a Board of Directors and an Executive Board. Currently, the Board of Directors is comprised of nine members, all male, with a unified two-year term and reelection permitted for a maximum of three consecutive terms.

Among the board members are six independent members, pursuant to the

Novo Mercado Regulation and Federal Law No. 13.303/16, one of which is elected by minority shareholders.

The Company's Chief Executive Officer is on the Board of Directors but cannot occupy the Chairman position. The Chairman of the Board of Directors, in turn, is also not allowed to be on the Executive Board. An employee representative is guaranteed a seat on the Board of Directors, with a mandate that is equal to the other directors. There is

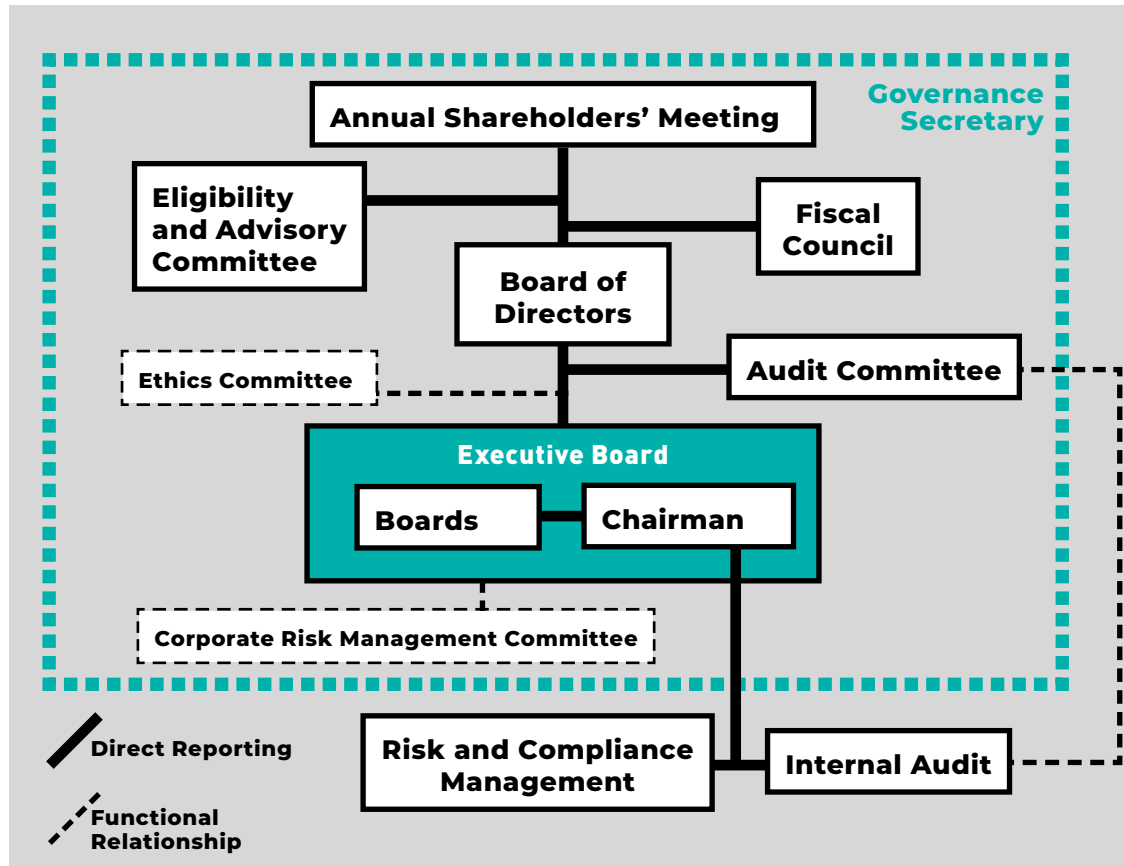
currently no employee representative on the Board of Directors.

The Board of Directors is assisted by an Audit Committee, which is comprised by three directors who cumulatively comply with the following requirements: (i) independent, (ii) technical expertise; (iii) availability; and (iv) agreement and/or compliance with applicable rules of the United States Securities and Exchange Commission and the New York Stock Exchange. One of the members also serves as finance specialist and Committee Coordinator.

According to the Company's Bylaws, the members of the Audit Committee must exercise their role for the duration of their term of office or until otherwise resolved by the shareholders' meeting or the Board of Directors. In addition, after a Committee member has ended his/her term of office, he/she may only rejoin the committee after, at least, three years since the end of the previous term.

The Executive Board is comprised by six members with a unified two-year term and reelection permitted for a maximum of three consecutive terms. The Officers are elected by the Board of Directors, one of whom is appointed as Chief Executive Officer (CEO). The CEO is a member of the Board of Directors while serving as CEO but cannot serve as Chairman.

The responsibilities and roles of the Board of Directors, Audit Committee and Executive Board are defined in the Company's Bylaws and in the internal regulations of each body. For details on the composition of Sabesp's governance bodies, visit the investor relations website available at <https://bit.ly/2GYchkE>.



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## Nomination Policy

**GRI 102-24** Candidates for the Board of Directors and Executive Board are chosen among individuals with flawless reputation and renowned expertise, taking into consideration, whenever possible, diversity of experiences, behaviors, cultural aspects, age, gender, among other criteria.

The Board of Directors must have at least two, or 25%, whichever is greater, of independent members, pursuant to Federal Law No. 13.303/2016 and B3's Novo Mercado Regulation.

The nomination of candidates for the Board of Directors is made by shareholders, controlling shareholders and minority shareholders. The

Company's Executive Board is appointed by the Governor of the State of São Paulo.

Based on the nominations, the Eligibility and Advisory Committee assesses if the candidates comply with the requirements defined in the Nomination Policy and the minutes of these meetings must be made publicly available. The Company's Executive Management team is elected by the Board of Directors and board members are elected at the Annual Shareholders' Meeting.

More information on the Company's Nomination Policy is available at <https://bit.ly/20S3sgB>. To learn more about the Eligibility and Advisory Committee please visit <http://bit.ly/39tUn0>.

## Management Compensation

Guidelines for management, statutory committees and Fiscal Council compensation are defined by the Compensation Policy (available at <http://bit.ly/2Tlf2fL>), and the total annual amount must be approved by the Annual Shareholders' Meeting.

In 2019, total gross compensation, including benefits and legal charges, amounted to R\$6.7 million, of which approximately R\$1.3 million was related to variable compensation for management. For more information on compensation, please refer to item 13 of the Reference Form, available at <http://bit.ly/32Xf8UR>.

## INTEGRITY AND TRANSPARENCY

**GRI 102-16 | 102-17 | 103-1 | 103-2 | 103-3 | 205-1 | 205-2 | 205-3**

Integrity, transparency and ethical principles and conduct, including intolerance against any and all forms of fraud and corruption, are part of Sabesp's culture and reflect its corporate identity. To guarantee the dissemination of this culture, the Company has important drivers that establish the principles and practices that should be widely adopted, as discussed below.

### Integrity Program

**GRI 103-2 | 103-3** Sabesp's Integrity Program, approved by the Board of Directors and backed by the Compliance Policy, establishes the guidelines, principles and attributions of the Company's management and employees in order to ensure they comply with laws, regulations and corporate instruments while preserving the Company's assets, image, integrity and other ethical values.

Sabesp's Integrity Program is aligned with the recommendations of the Office of the Comptroller General (CGU) and the requirement of the Brazilian and North

American Anti-Corruption Laws. In addition, the program's restructuring followed the guidelines of Federal Law No. 13.303/16, the Novo Mercado Regulations and the best practices recommended by the Brazilian Corporate Governance Code (CBGC). Within this scenario, we implement and monitor our compliance with anti-corruption measures that prevent, detect and remedy harmful acts against public administration in two fronts: active corruption and passive corruption.

In 2019, we began a new mapping cycle to analyze risks, fraud, and corruption and the necessary actions to mitigate them. We are currently assessing 14 of our critical

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macroprocesses by interviewing the Executive Board and directors in order to identify their perception on fraud and corruption risks related to the Company's strategic guidelines.

Also in 2019, Sabesp improved its reputational assessment process (Integrity Background Check) for nominating or reappointing executives and Fiscal Council members, nominating candidates for independent positions, signing of agreements and constituting new Special Purpose Companies.

In terms of compliance practices, we emphasize that we encourage our suppliers to adopt integrity measures, which are foreseen in contractual clauses, including mandatory compliance with ethical standards and prohibition of fraud and corruption practices, in addition to monitoring transactions between related parties. As a result of our efforts, no cases of corruption were identified in 2019.

Given the strong relevance of the Brazilian environmental sanitation sector, and aiming at fostering a culture of integrity, Sabesp articulated the implementation and coordination of the Technical and Legal Governance Chamber of ABES – Brazilian Association of Sanitary and Environmental Engineering.

### Conduct and Integrity Learning Trail

In order to disseminate and share the ethics and transparency culture with its internal audience, Sabesp's corporate university, Universidade Empresarial Sabesp (UES – more information on page 83) developed the Conduct and Integrity Learning Trail for all of its employees, offering training initiatives on guidelines, requirements, legal responsibilities

and the role of each employee within the ethics and integrity culture.

This is an ongoing training program with predefined schedules and learning tools that cover the following themes: integrity, ethics, sexual and moral harassment, diversity, corruption, fraud, conflict of interest, among others.

We also highlight the Ethics Visitation Project carried out in 30 municipalities served by Sabesp, in which over 100 lectures were given to more than 6,000 employees of all positions. This Project was created to reinforce the values and principles of Sabesp's Code of Ethics and Conduct and is complemented by other actions, such as articles and survey results which are published in the Company's internal communication channels.

In 2019, Sabesp also conducted on-site trainings on Preventing and Combating Fraud and Corruption aimed at provoking a reflection on the matter, informing national and international laws on the theme and disseminate best practices, in addition to fostering an integrity culture at the Company. The content includes guidelines for preventing fraud and corruption, as well as instructions on how to act with public agents and address conflicts of interests, risks and control processes through concrete examples and case studies that help identify the appropriate integrity measures that should be taken. In addition to the internal audience, the directors and executives responsible for the compliance areas of special purpose companies, in which Sabesp is a minority shareholder, also participated in the training.

The Executive Board and members of the Fiscal Council also received training on themes related to corporate governance and integrity.



**We adhere to the Instituto Ethos Corporate Pact for Integrity and Against Corruption and we participate in the UN Global Compact's Anti-Corruption Working Group.**

Aside from on-site training, over 34,000 hours of virtual training sessions were also held to discuss integrity issues. In 2020, Sabesp expects to increase these initiatives and include other audiences, such as suppliers and business partners.

In 2019, Sabesp also provided specific training sessions regarding its whistleblowing channel for employees who work directly with this issue.

### Disseminating the culture of integrity

Throughout 2019, themes related to the prevention and fight against fraud and corruption were reinforced through the dissemination of information and materials in internal communication channels aimed at fostering an ethics and integrity culture at the Company.



# 34,000

hours of virtual training sessions about integrity

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Sabesp's Communication Plan is updated annually and formalizes the responsibilities of each corporate division during each work phase, as well as the target audience for each communication action. This plan establishes internal disclosure schedules through actions carried out by e-mails ("Sabesp Informa" and "Comunicado Sabesp"), bulletin boards, intranet portal, e-mail signatures and thematic wallpapers. In 2019, the plan was aimed disseminating the policies and procedures of the Integrity Program to all employees, in addition to reinforcing and increasing the use, when applicable, of the Whistleblowing Channel and the Code of Conduct and Integrity principles.

## Code of Conduct and Integrity

**GRI 103-2 | 103-3** Our Code of Conduct and Ethics, which was initially developed as a collaborative project in 2006 and reviewed in 2014 and 2018, establishes the ground rules for the Company's executives and employees to act in an integrated and coherent way when conducting their relations and business with

different counterparties. To learn more about our Code, please visit: <https://bit.ly/3737zfY>.

The Ethics Committee, which is linked to the Board of Directors, is responsible for updating the Code in such a way that it reflect current scenarios. The Committee is also responsible for encouraging executives and employees to engage and commit to the principles established therein.

## Dialogue and Engagement

Our Trust Channel was made available for all employees to guarantee confidentiality and anonymity for all those who wish to clarify doubts regarding ethical behavior when conducting their activities at the Company.

All questions and concerns submitted through the channel are analyzed and reported every six months to the Ethics Committee, and on an annual basis to the Board of Directors. These reports are used to create a statistics log to be used as inputs for training and disseminating awareness.

Externally, Sabesp seeks to engage groups and entities to promote reflection and disseminate themes related to business integrity and ethics. Therefore, the Company sponsored discussion panels in congresses, seminars, market and academic conferences to disseminate the practices and actions of its Integrity Program.

## Whistleblowing Channel

Any person can report situations in which the principles set out in the Code, such as fraud, corruption, illegal acts, and other violations, are being neglected by contacting the Whistleblowing Channel (see page 100 – Corporate Information).

The procedures for investigating breaches to the Code and reports received through this Channel are overlooked by the Audit Committee.

The internal audit team is responsible for processing complaints and making sure all efforts are being taken to ensure anonymity of the complainant and protect the confidentiality of the information and of those involved, in order to preserve rights and make unbiased decisions.

The Whistleblowing Channel received a total of 174 reports in 2019. From the total number of material complaints, 45 own and outsourced employees were penalized, being these 20 written warnings, 2 suspensions and 23 employees were fired. It should be noted that none of these penalties were related with corruption activities.

Also in 2019, Sabesp hired an external channel to store complaints. This initiative will also be implemented in 2020 as it will allow, in addition to the current reporting options, the possibility of complaints to be registered electronically.

## Transparency

**GRI 103-3** Transparency is an essential tool for promoting ethics and integrity. Therefore, Sabesp provide a Transparency Portal (available at <http://bit.ly/32VDGhb>), that gathers and discloses clear and updated information about its operations.

Information provided includes institutional policies, contracts the granting authorities and suppliers, key developed programs and projects, in addition to minutes of the Company's board and committee meetings. The Company also has a Citizen Information Service (SIC) channel, which is required by the Access to Information Law.

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Tank of the Company's largest sewage treatment plant, ETE Barueri, in the west of Greater São Paulo

## RISK MANAGEMENT AND INTERNAL CONTROLS

**GRI 102-11 | 102-15** Sabesp has a solid risk management structure that includes bodies, processes and policies that are aligned with key global and national trends and guided by the principles of mitigation. Thus, the Company maintain a corporate risk map that allows it to foresee and monitor scenarios that may adversely affect its operations.

The risk management division is linked to the Chief Executive Officer and led by a statutory officer appointed by the Board of Directors. The division receives support from the internal audit area and establishes direct dialogues with the Fiscal Council, Audit Committee and Board of Directors whenever irregular conducts are suspected by members of the Executive Board. The risk management division is independent and operates under its own budget.

The Company also has a Corporate Risk Management Committee, comprised by a representative from each operating area, and reports directly to the Executive Board. Our risk management activities are guided by the Institutional Corporate Risk Management Policy, which was approved by the Board of Directors and complies with the COSO – ERM: Committee of Sponsoring Organizations of the Treadway Commission Enterprise Risk Management, as well as the standards issued by ABNT NBR ISO 31.000:2009 and ABNT ISO GUIA 73:2009. The Policy is complemented by Risk Management Principals and Guidelines and the Risk Management Vocabulary.

Risks are identified and measured in terms of their probability of occurrence and how they could impact operations. Once identified, they are subsequently assessed at the appropriate hierarchical levels in order to define the required mitigating actions for each situation and this assessment is updated on an annual basis. Risks are classified into four categories: strategic, financial, operational and compliance.

Significant and critical risks are monitored by the Executive Board and the Board of Directors. This allows mitigating actions to be discussed and developed, aiming to minimize negative impacts from these scenarios and increase the achievement levels of our strategic objectives. The description of risk factors can be found in item 4 of the Reference Form available at <http://bit.ly/32Xf8UR>.

### Internal Controls

Internal controls comprise the adequately elaboration of accounting records, preparing financial statements in accordance with the official regulations and the proper authorization for acquiring, using, and selling the Company's assets.

Over the past 15 years, Sabesp has been promoting a structured and systematic assessment of its internal controls, which is currently guided by the framework of the 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO), which complies with section 404 of the Sarbanes-Oxley Act (SOX) and Law No. 13.303. The internal controls process is reviewed every year to include new risks relating to the preparation and disclosure of financial statements and possible significant changes in computerized processes and systems.



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The assessment carried out on the effectiveness of the 2018 internal controls environment identified only one significant deficiency related to a service account (support for the ERP system) that had privileged access. Management performed tests to the system's accesses and confirmed that users had limited access to the items necessary to feed the system, thus no impacts were caused to the Company's 2018 financial reports. The assessment for the 2019 fiscal year will be concluded in April 2020.

Control tests are carried out by the internal audit team, which reports directly to the Chief Executive Officer and functionally to the Audit Committee.

## External Auditors


External auditors are responsible for auditing our financial statements, as well as reviewing our quarterly reports and financing projects to ensure the reliability of the information presented.

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.

The Audit Committee, in line with the Company's Bylaws, is responsible for assessing the guidelines that establish the hiring of external auditors. The Committee also issues opinions to the Board of Directors regarding on the hiring and dismissal of external auditors, in addition to being responsible for issuing an opinion prior to hiring other services by the audit firm, or companies related to it, that are not common audit activities. KPMG Auditores

Independentes has been the Company's external auditor since the quarterly information (ITR) of June 30, 2016.

In 2019, the Company paid R\$2.9 million for the auditing services of its annual and quarterly financial statements and project financing data, among others. During the same period, KPMG revised the Fiscal Compliance policy and training materials that did not conflict with their audit services and these services did not exceed 5% of the total fees paid to the external auditor.

In 2019, KPMG Auditores Independentes also provided auditing services for Attend Ambiental S.A., one of Sabesp's affiliated companies. 



**The clarity and reliability of Sabesp's Financial Statements has been widely recognized. The Company has ranked among the most transparent financial statements in Brazil, in 18 of the 22 editions issued by the Transparency Trophy granted by the National Association of Finance, Administration and Accounting Executives (ANEFAC).**



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# STRATEGY AND VISION OF THE FUTURE

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**The goal is to install 932 thousand water connections and 1.2 million new sewage connections from 2020 to 2024.**

**GRI 102-42** Our mission is to provide water and sewage services, contributing to improve the quality of life and of the environment and its goal is to become a worldwide reference of sustainable, competitive and innovative sanitation services, always focused on the customer.

Sabesp's strategies and guidelines are defined according to 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.

Since 2018, one of our strategic objectives has been to "Keep and Conquer Markets and New Businesses". In this sense, during 2019, we added approximately two million individuals to our retail operations with the start of services in the municipalities of Guarulhos and Santo

André (more details are available in the "Financial Performance – Wholesale Customers" section).

Sabesp constantly seeks to improve its management processes and, the highlight for 2019 was the start of the implementation phase for the opportunities identified in the Sabesp Management Model Project (concluded in 2018), which consisted of carrying out the Assisted Self-Assessment based on the Management Excellence Model (MEG) of the National Quality Foundation (FNQ).

Through integrated awareness activities, assessments are scheduled for 2020 aiming to develop solutions that will allow us to continue to promote ongoing improvements in management processes, in addition to achieving a systemic vision of the business and sharing good practices to obtain excellent performances. Additionally, a new CRM (Customer Relationship Management) system is being implemented and it is expected to replace the current commercial information systems by 2021.



Team promotes improvements in the Porto Novo sewage treatment plant, in Caraguatatuba (North Coast)



## Balanced Goals

Within the Company's proposed targets for 2019, we highlight the installation of new water and sewage connections, which exceeded goals by 10% and 4.4%, respectively.

The ratio of households connected to sewage treatment reached 78% in 2019, higher the expected 77% for the year (excluding the

municipalities of Guarulhos and Santo André, which began to operate during 2019). The service and coverage goals were met according to the characteristics required for the indicators.

In 2019, Sabesp reduced its water loss rate by 8 liters/connection/day. Although significant, this reduction was not enough to reach the established goal of 283 liters per connection per day. ■

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	Achievements in 2019 and Targets for 2020-2024	Achieved	Targets					
		2019	2019	2020	2021	2022	2023	2024
	<b>Water Supply Service</b>	Tending towards universalization <sup>(1) (2)</sup>	Tending towards universalization <sup>(1) (2)</sup>					
	<b>Sewage Collection Service (%)<sup>(2)</sup></b>	84	85	85	85	86	87	88
	<b>Water Supply Coverage<sup>(2)</sup></b>	Tending towards universalization <sup>(1) (2)</sup>	Tending towards universalization <sup>(1) (2)</sup>					
	<b>Sewage Collection Coverage (%)<sup>(2)</sup></b>	91	91	92	92	93	94	95
	<b>Ratio of Households Connected to Sewage Treatment (%)<sup>(3) e<sup>(4)</sup></sup></b>	78	77	74	75	82	84	85
	<b>New Water Connections (thousands)</b>	205	186	194	187	187	187	177
	<b>New Sewage Connections (thousands)</b>	237	227	240	240	240	233	233
	<b>Water Losses per Connection (liters/connection/day)</b>	285	283	273	267	261	253	249

**(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)** Until 2019, Guarulhos and Santo André were not included in the indicator.





# WATER SUPPLY

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# WATER QUALITY AND SUPPLY SAFETY

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Sabesp provides universal water supply in the regions it operates. However, maintaining efficient service, water security and monitoring geographic and follow the demographic city growth requires permanent actions. The Company's has programs designed to respond to specific needs of different regions, among them the Metropolitan Water Program (PMA), Coastal Water and Inland Water, in addition to the Corporate Program on Loss Reduction, which is present in all regions.

**In 2019, investments towards water services totaled R\$2.5 billion.**

**34**  
new metal tanks installed from 2014 to 2019 in the SPMR

## THE CHALLENGES OF THE METROPOLITAN AREA

**GRI 103-1 | 103-2 | 303-1** With the start of operations in Guarulhos and Santo André, in 2019, Sabesp now provides services to 36 of the 39 municipalities in the SPMR, reaching 21 million people, of which 20 million are directly served by us. Such a large population in a single geographical location (which is located 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.

### Integrated Supply System

**GRI-103-2** Supply for the SPMR comes through collection and treatment of water through nine systems that are strategically located in the SPMR. Together, the São Lourenço, Cantareira, Alto Cotia, Guarapiranga, Rio Grande, Rio Claro, Alto Tietê, and Ribeirão da Estiva systems have a production capacity of 81 thousand liters/second and comprise the Integrated Metropolitan System (SIM).

A large pipeline connection network transports water from the production systems to 241 sector reservoirs installed in the metropolis,

making up the Metropolitan Pipeline System (SAM). The reservoirs storage large volumes of treated water, thus enabling water security to districts that are distant from the main water systems.

In 2019, eight units began operations in Barueri, Carapicuíba, Guarulhos, Cotia (two units) and São Paulo (three units), increasing storage capacity by 61 million liters. From 2014 (beginning of the water crisis) to the end of 2019, a total of 34 metal tanks were installed in the SPMR, expanding the treated water reservoir capacity by 240.5 million liters (equivalent to the daily consumption of approximately 1.8 million people at an average of 130 liters/person/day).

Also in 2019, the Taiapuêba reservoir was completely filled after receiving its environmental license. This represents 37 billion liters and increased the total reservoir volume of the metropolitan water systems by approximately 2%.

### Climate Change and Water Supply

**GRI 103-2** Sabesp has a structured program aimed at expanding its water production, transportation, and distribution systems across the metropolis. Established in the mid-90s, the **Metropolitan Water Program (PMA)** solved the problem of a lack of infrastructure that imposed the need for water rationing for

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approximately five million people in the SPMR. In 2019, the Program invested R\$185 million in the region.

Through long-term planning, the **Metropolitan Water Program (PMA)** considers variables such as population growth and the production and transportation capacity of water to regions with increasing consumption, in addition to seeking the anticipation of events caused by climate changes that can possibly impact the system, such as changes in rainfall, flows, inflow and availability of water sources.

Variables such as population growth, production volumes and transportation capabilities (through pipelines) needed to serve regions with increasing consumption trends are analyzed in order to prepare the works required to fully meet upcoming demands within the Company's regions.

Throughout its nearly 25 years of existence, the PMA has already expanded water production capacity in the SPMR by 23.8 thousand liters/second (from 57.2 thousand liters/second when the PMA began in 1995 to 81 thousand liters/second in 2019). This corresponds to a 42% increase in water production capacity versus a 28% increase in population during the same period.

In 2019, we invested approximately R\$ 185.1 million in the program, in which we highlight the conclusion of the first phase of the Genesis System in 2019, which involved the construction of a 7.7 km pipeline and a 4.4 km distribution networks. This first phase, which connects a water storage center to a 14 km pipeline, will bring more water security for over 350 thousand people in the West region of greater São Paulo area. The second phase, which foresees an additional pipeline of 2.3 km and a reservoir with capacity to store 10 million liters

of water, is expected to be concluded by the end of 2021.

In order to make water supply regularized for the extreme North region of the metropolitan area, the main stretch of the Jaraguá – Perus – Caieiras pipeline is being duplicated, totaling 8 km, with works expected to be concluded in 2020 and to benefit approximately 800,000 people. In addition to neighborhoods in the North region, other municipalities such as Caieiras, Francisco Morato, Franco da Rocha and Cajamar will also be served.

## Water Security in the Metropolitan Area was Challenged in 2019

**GRI 203-1** The actions carried out by PMA are aimed at continuing construction works to face the most severe water crisis in our recent history, in addition to being considered a milestone project for key infrastructure improvements in the metropolitan system.

Through the PMA, Sabesp has been promoting greater integration between production systems (by expanding storage capacity), and began to offer “flex” services in many regions (which now can be supplied by more than one system) in addition to bringing in new supplies of raw and treated water, reducing water losses by managing water pressure and renovating the networks.

The increase in water security resulting from PMA actions was tested once again, in 2019. The low inflow of the Cantareira System (inflow of only 57% of the historical average) it would have emptied the System if it were not for the two major infrastructure works that began to “import” water from other reservoirs out of the Alto Tietê basin, in the SPMR.

One of these systems, the São Lourenço production system, supplies treated water to regions previously served by Cantareira. The Jaguari-Atibainha interconnection carried raw water supply from the Paraíba do Sul basin to the Cantareira System.

In operation since the first half of 2018, both systems added 445 million m<sup>3</sup> of water to the SPMR, corresponding to 45% of the Cantareira system's total volume. In 2019 alone, 250 million m<sup>3</sup> were added, a volume that is similar to the sum of the capacity of the Guarapiranga and Cachoeira metropolitan dams.

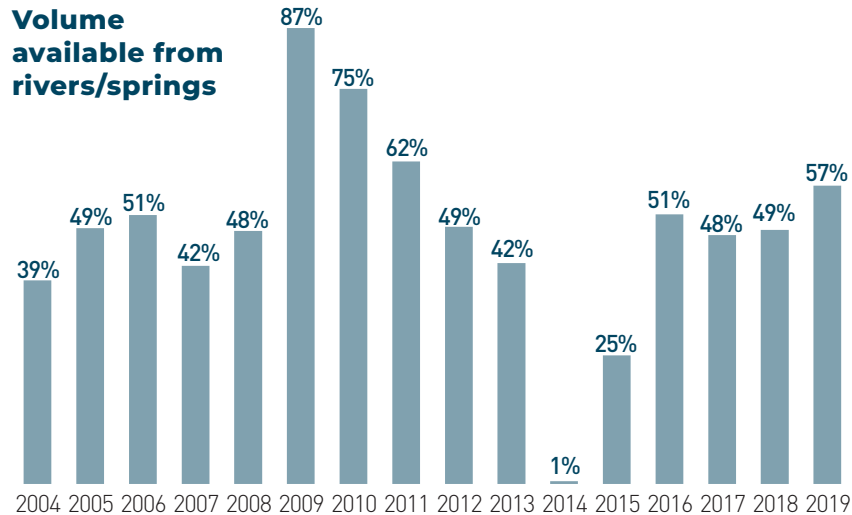
In 2019, with the exception of the Cantareira (which had low water inflows), the System showed satisfactory water levels, with a 14% increase in the total storage volume versus 2018.



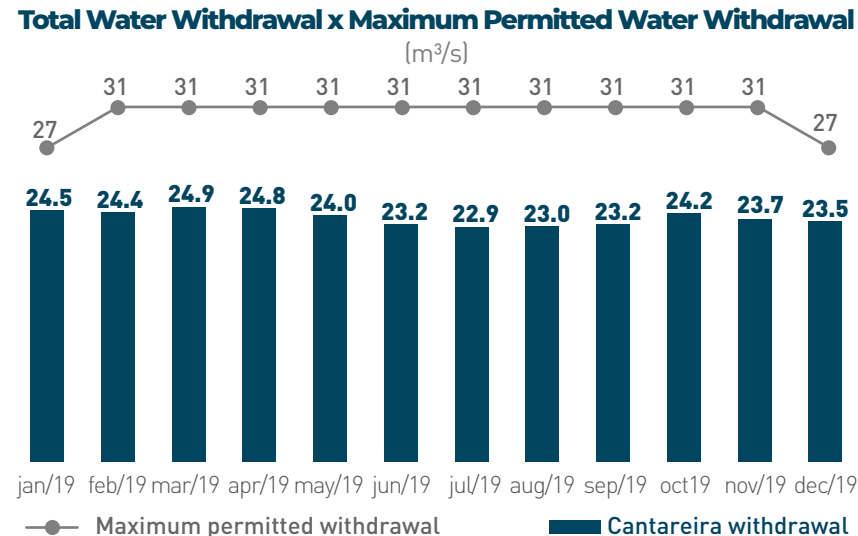
**The low levels of water inflows at the Cantareira reservoir (57% of its historical average) in 2019 would have emptied the System if the two major infrastructure works that “import” water from other systems into the Alto Tietê basin had not been implemented.**

3 – Ver Relatório de Sustentabilidade Sabesp - edições 2015 e 2016. Disponíveis em <https://bit.ly/2FU4GFz>  
4 – Ver Relatório de Sustentabilidade Sabesp - edição 2018. Disponível em <https://bit.ly/2PseEjY>

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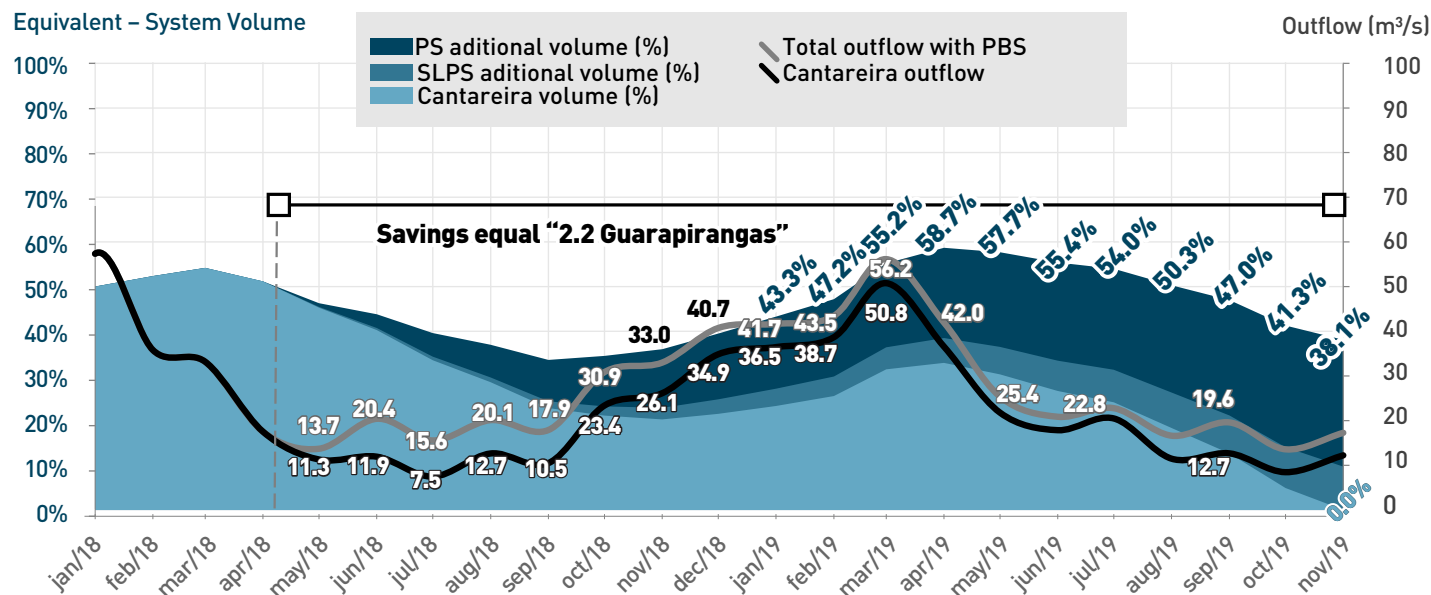


In 2019, the accumulated water volume from rivers feeding the System increase by 14% versus 2018.



The integrated production system reduced Cantareira's dependency as the only water supplier to the SPMR. In 2019, the System's average water withdrawal was 24 thousand liters/second, 20% lower than what is permitted by the concession agreement.

### Cantareira Production System – 2018-2019 (Storage Volume and Outflow Volumes)



Total Saved Volume until 26/11/2019:  
**374 million m³ (38%)**

More water security: simulations indicate that without the increments from the São Lourenço Producer System and the Jaguari-Atibainha interconnection, the Cantareira level would have reached zero in November 2019.



# METROPOLITAN SUPPLY SYSTEM

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**Baixo Cotia**  
Operational until May 2018



**São Lourenço**  
Operational since April 2018



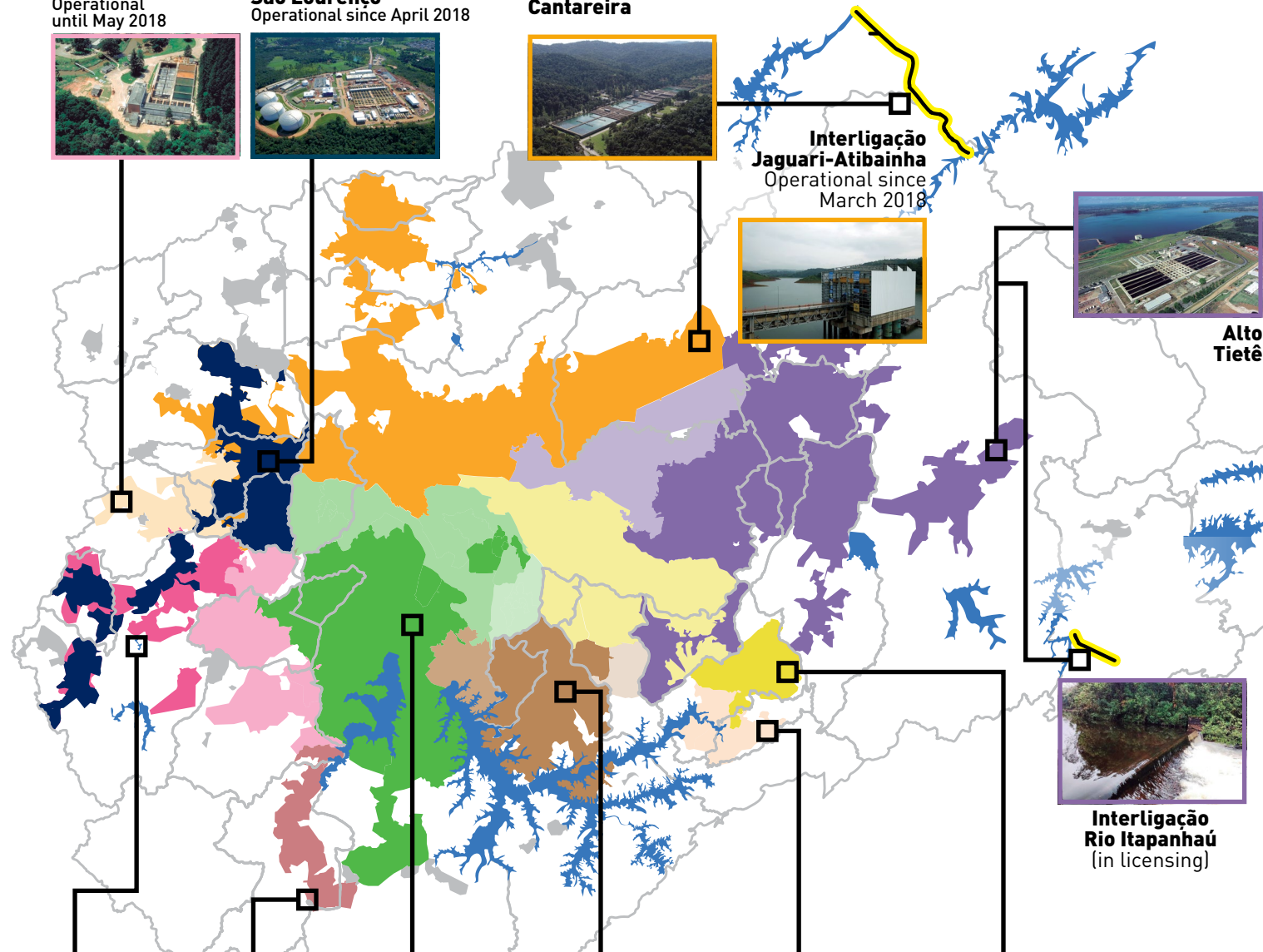
**Cantareira**



**Interligação Jaguari-Atibainha**  
Operational since March 2018



**Alto Tietê**



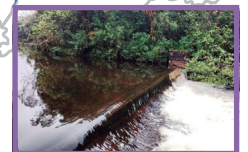
**Areas served by each system**

- Cantareira
- Guarapiranga
- Alto Tietê
- Rio Grande
- Rio Claro
- Alto Cotia
- Capivari
- São Lourenço (projected)
- Baixo Cotia / (intersec. Cantareira)
- Ribeirão da Estiva / (intersec. Rio Claro)
- Isolated Systems

**Systems Intersection Areas**

- Cantareira / Guarapiranga
- Cantareira / Alto Tietê
- Alto Cotia / Guarapiranga
- R. Claro / A. Tietê / Cantareira
- Rio Grande / Rio Claro
- Rio Grande / Guarapiranga
- Guarapiranga / R. Claro / Alto Tietê / Cantareira

**Interligação Rio Itapanhaú**  
(in licensing)



**Alto Cotia**



**Capivari**



**Guarapiranga**



**Rio Grande**



**Ribeirão da Estiva**



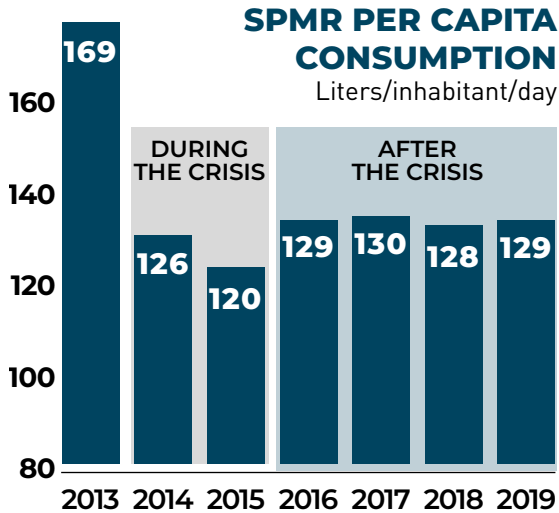
**Rio Claro**

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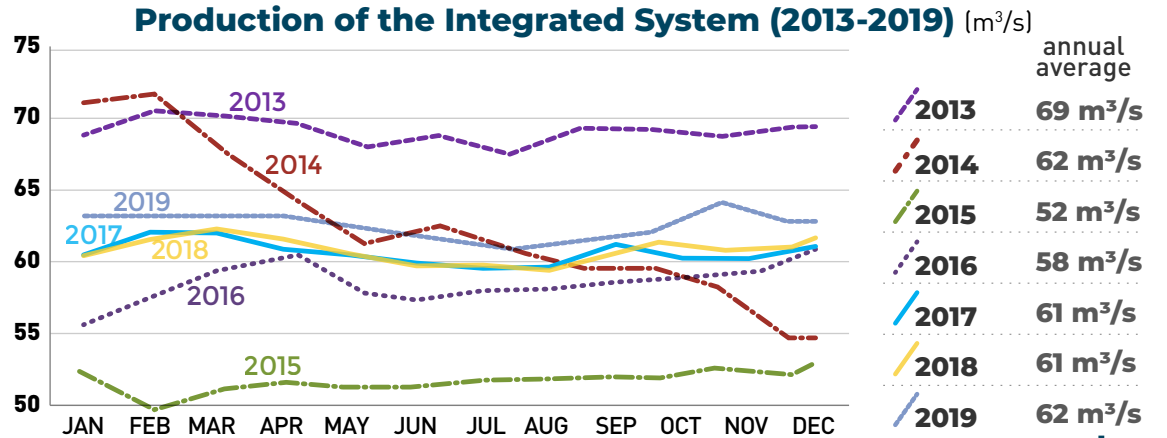
## More Rational Consumption Habits

In 2019, our systems maintained a good storage level and produced 62.6 thousand liters of water/second, in line with the past 3 years and nearly 10% lower than before the water crisis, which reflects the population's more rational water consumption habits.

These new habits are even more evident when analyzing residential consumption. In 2019, households consumed an average of 129 liters/inhabitant/day, maintaining a similar level since 2014 and 24% lower than the 169 liters/inhabitant/day in 2013, the year prior to the water crisis (graph).



**The residential water consumption below 130 liters/inhabitant/day from 2014 to 2019 demonstrates how families have been maintaining more rational water use.**



**The average water production of 62 thousand liters/second in 2019 was approximately 10% lower during the water crisis in 2014-2015.**

## The End of Water Rationing in Guarulhos and Santo André

**GRI 203-1 | 203-2** Amidst a challenging environment scenario, we took on the great mission in 2019, which was to bring more water security to approximately two million new direct customers, in Guarulhos and Santo André<sup>5</sup>, of whom had been facing supply restrictions for years.

Guarulhos, the states' second largest population, only behind the city of São Paulo, was in critical situation. In less than a year after the start of our operations in the municipality, the weekly water rationing that affected nearly 1.3 million inhabitants came to an end.

This achievement was possible due to more than 80 construction works, most of which were significant in size, in addition to over 40 km of

linear works to connect networks and pipelines into the system's regional interconnections. We also highlight the increase in water storage levels, improved pumping capacity and reduction in water losses as permanent actions.

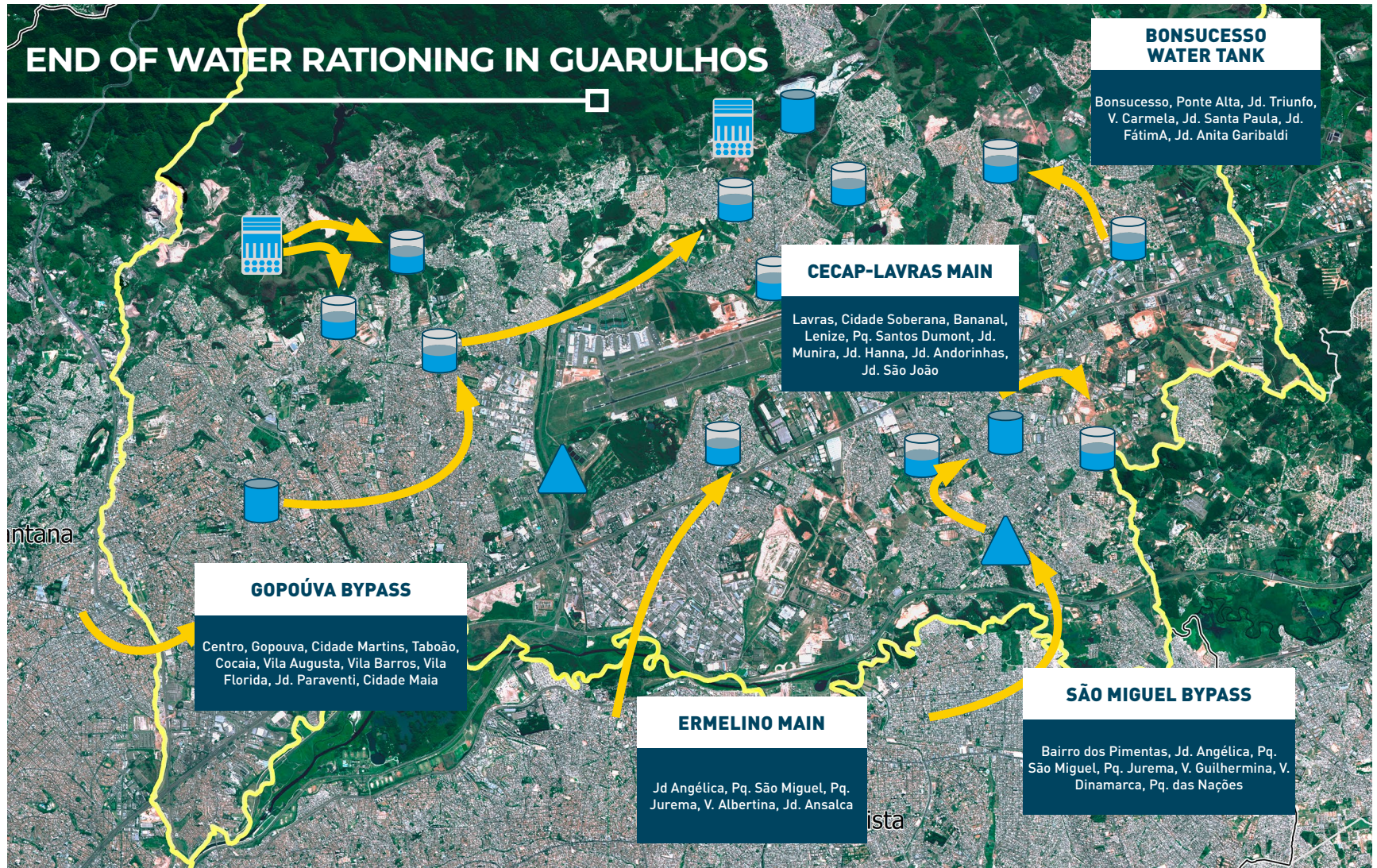
As for Santo André, in less than six months after the start of our operations, three key construction works were completed for the 4.1 km pipeline that brought water security for approximately 700 thousand customers. In December 2019, we announced the end of the city's recurring water rationing.

We continue to undergo adjustments and operational improvements of the municipality's system, aiming at reducing water losses and implementing 51 km of distribution networks in the Parque Andreense and Jardim Clube de Campo neighborhoods, which still depend on water trucks for supply.

5 - Both municipalities were already served by Sabesp with a wholesale agreement in which treated water distributed by municipal companies to end consumers.



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**1.4 million people benefited**

**More than 80 large works**

- new mains
- new pumping system
- network duplication
- network bulding

**End of water rationing to 100% of the population**

**R\$70 million investment**



## Expanding Access to Quality Water

**GRI 103-2 | 103-3 | 203-2 | 413-1** Even with universal water supply in the operated regions, many irregular residential settlements still have precarious water supply with improvised connections that are subject to contamination.

To face this problem, we created the **Água Legal (Legal Water) Program** to promote the installation of supply systems in communities with high social vulnerability once the required legal authorizations are obtained to allow services to be offered at irregular land occupations.

In 2019 alone, the Água Legal Program offered better health conditions to 20,000 families (86,500 customers) in 84 vulnerable communities. By 2025, 250 thousand connections will be made, bringing direct benefits to over 870 thousand people.



The Program was recognized with the “2019 Water and Sanitation – Successful Case Studies” award from the Brazil Network of the Global Compact of the United Nations (UN). The award selected the best Brazilian initiatives that positively impacted the 6th Sustainable Development Objective (SDG) – Water and Sanitation. The Água Legal Program was awarded in two categories: “Water, Sanitation and Hygiene (WASH) and Human Rights” and “Water efficiency in direct operations and supply chains”.

In addition to offering better health and quality of life, the Program plays an important role in terms of citizenship as it enables residents to have a formal proof of address, allowing them to enroll children in daycare centers and schools and facilitate hiring of certain services.

Residents also receive visits from our staff, who explain the importance of rational water consumption and enroll them in the social tariff category, which currently costs less than

**The Program began three years ago and R\$145 million has already been invested to benefit approximately 115 thousand families (nearly 400 thousand customers) in 404 households in the SPMR. Illegal connections were replaced with network pipes and water meters that offer quality water to their homes.**

R\$18/month for water and sewage services for homes that consume up to 10,000 liters/month. Currently, the social tariff is granted to 506 thousand families, of which 71 thousand were granted this benefit in 2019.

The replacement of irregular networks with proper connections also contributes with the significant reduction in water loss.

## Protecting metropolitan water sources

We promote different initiatives to protect the main sources of water supply in the metropolis. These springs have scarce resources due to disorganized urban occupation, deforestation of vegetation surrounding their margins and pollution carried by rain into their water bodies.

In 2019, we planted over 144 thousand seedlings in the vicinity of the Cantareira System, in compliance with the Environmental Recovery Commitment Terms (TCRAs). This initiative is part of the **Metropolitan Green Belt Program**, which was developed to contribute with the protection of riparian forests and reforestation of regions surrounding these dams, in partnership with the **Nascentes (Springs) Program** of the Government of the State São Paulo<sup>6</sup>.

As a whole, 330 km<sup>2</sup> of Atlantic Forest are being preserved in the surrounding areas of water basins, which enables the conservation and preservation of good water quality.

In 2019, the Program was one of the examples of good water availability management brought ▶

<sup>6</sup> – Learn more about the Green Belt Program at <http://site.sabesp.com.br/site/muitoalemdaagua/english.html>

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by “Nature for Water: A Series of Utility Spotlights”, a joint publication between the International Water Association (IWA) and The Nature Conservancy (TNC). The publication states that “in Brazil, the Program helps to demonstrate the potential of Nature-Based Solutions”.

The good results achieved through this initiative can be noticed with the increase in vegetation coverage of the Cantareira System at areas under our administration, which leaped from 61% in the early 1990s to 79% at the end of 2019. In recent years, the Cantareira and Taiaçupeba dams received over two million seedlings.

Through the **Nossa Guarapiranga (Our Guarapiranga) Program**, over the past 9 years we have been cleaning one of the most important metropolitan springs, responsible for supplying water to approximately four million people.

Through the use of collection boats and eco-barriers (floating barriers with metal screens) installed at the mouth of the dam’s tributaries, we removed furniture, plastic containers, televisions, and other waste materials that contaminate the reservoir, the water and cause disruptions to water inflow.

From 2011 to 2019, the Program removed a total of 178 thousand m<sup>3</sup> of waste from the reservoir (equivalent to 8,900 dumping trucks carrying 20 m<sup>3</sup> each, or the volume of the lake at the Ibirapuera park), being 21 thousand m<sup>3</sup> removed in 2019 alone. The program received R\$1.9 million in investments in 2019 and R\$25 million since its inauguration.

## WATER SUPPLY IN THE COASTAL REGION

**GRI 203-1** After SPMR, the coastal region represents the second biggest challenge for water supply due to the high temperatures and large number of tourists during vacation periods.

In order to supply demand in summer months, when temperatures are high and a large number of tourists overload the supply system, services are provided through an integrated effort. In smaller proportions, this mirrors the concept of the SPMR system, which, during periods with high demand, the System transfers treated water from a region with higher reserves to another with higher consumption.

**The water that supplies the nine municipalities of the Baixada Santista region is captured directly from 26 rivers located in Serra do Mar. This water is treated in 16 producing systems that, jointly, have the capacity to produce 11.7 thousand liters/second.**

After treated, water flows from pipelines to 83 sectoral reservoirs, which then distributes it to nine municipalities with approximately 3 million people, including residents and tourists.

The strengthening in water production and distribution capacity at the coastal region is

part of the **Água Litoral (Coastal Region Water) Program**, which brings together permanent actions to increase water security. In 2019, the duplication works of the Mambu-Branco Producer System located in Itanhaém was started and, by the start of 2021, it will double the production capacity from 1,600 liters/second to 3,200 liters/second.

In 2019, in view of the future increase in production, storage capacity of treated water was expanded through four additional reservoirs with a total capacity of 40 million liters. A more robust system will bring more water security and constant supply to more than 3 million residents and tourist in the municipalities of Peruíbe, Itanhaém, Mongaguá, Praia Grande and the mainland area of São Vicente.

In Peruíbe municipality, we inaugurated a water treatment plant (WTP) with the capacity of 270 liters of water per second, as well as the Guaraú Reservation Center to further expand water quality and security in the municipality. In Guarujá, the Company began the execute works for 21.5 km in new networks and pipelines to strengthen the service provided to Vicente de Carvalho district.

The Company also advanced in the north coast, which has 20 water treatment plants and 51 sectoral reservoirs that supply the São Sebastião, Caraguatatuba, Ubatuba and Ilhabela municipalities.

Several improvements were made in these municipalities in 2019, such as the removal of silt from the water collection system, the launching of new pipeline networks and the expansion of reserves and sectorized distribution according to neighborhoods and aimed at reducing system losses and oscillations. In Caraguatatuba, Sabesp also executed the revitalization of networks in



several neighborhoods, directly benefiting approximately 4,500 families.

During the summer seasons, the entire coast region of São Paulo receives real-time reinforcements and water trucks for emergency assistance and the Company allocates a greater number of technicians, equipment, vehicles, and energy generators for emergency situations.

**In 2019, three deep wells were opened in the Jacaré District, in Cabreúva: more water security for its 40,000 residents.**



## WATER SUPPLY IN THE INLAND REGION

**GRI 203-1** As the water supply situation was resolved in the regions operated by the Company, the actions in the inland regions of the state are now more focused on operational improvements to increase efficiencies in services and execute works that have brought, and will continue to bring, more water safety in locations with less water availability.

**One of the beneficiaries was the city of Botucatu, in the central south region of the state. In 2019, construction began at the Rio Pardo Water dam to guarantee the city's water security for the next decades.**

The dam will occupy an area of 150 hectares and will store water to meet public demand. A total of R\$53.5 million will be invested and works are expected to be concluded in the first

half of 2022. Sabesp also inaugurated the P5, P6 and P7 deep wells in Cabreúva, located in one of the regions with the lowest water availability in the inland region, and also inaugurated a treated water adduction in the district of Jacaré, all of which increased water availability by 1.3 million liters/day to benefit more than 40 thousand customers.

The Company has other works underway in the same district: a compact water treatment plant (WTP) with a production capacity of 150 liters/second, two reservoirs and a pipeline. The new system is expected to begin operating in the first half of 2020.

In the Várzea Paulista WTP, located in the same region, the Company concluded the automation of the water treatment plant and doubled its production capacity, from 75 liters of water/second to 150 liters/second, benefiting 110 thousand customers. Also in Várzea Paulista, Sabesp began to construct two reservoirs, each with capacity to treat 2 million liters of water, and to replace 12 km of network in the city's central region. ▶

The start of operations in the municipality of Aguaí, in June 2019, also demanded urgent actions to regularize supply. The Company began to construct a 3.7 km long pipeline and to drill a tubular well 400 meters deep, all of which will directly benefit the city's entire urban population of 32,000 residents.

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# COMBATING WATER LOSS

GRI 203-1 | 103-2 | 103-3 | 303-1

Another fundamental pillar for promoting water security and supply is the reduction of water loss, which is an ongoing challenge for the Company's operations. Renewing aging pipes, equipment, water meters, and eliminating frauds are recurring efforts.

The water loss indicator is subdivided into two categories: real loss and apparent loss (commercial). Real loss correspond to leaks in the pipelines and amounted to a total of 19% in 2019. Apparent loss is water consumed but not accounted for due to fraud, commercial registration failures and inaccurate measurement by the water meters as a result of aging equipment, corresponded to 10% in 2019. The sum of these two indicators results in total loss of 29%.

For over two decades, fighting water losses has been part of Sabesp's operational routine. In 2009, this work was intensified through the **Corporate Loss Reduction Program**. In 2012, the Program began a financial and technological partnership with JICA (Japan International Cooperation Agency), a

development agency in Japan, a country that is a global reference in water loss control technology.

With only a decade since its creation, the Program already invested R\$5.3 billion (current values), to reduce approximately 5.1% of the average operational water loss, from 34.1% (or 430Liters/connection/day) in 2008 to 29% (or 285 Liters/connection/day) at the end of 2019. This reduction represents savings of 138 million m<sup>3</sup>, enough to supply a population of 1.5 million inhabitants during a period of one year.

The regions targeted for improvement works are defined through technical studies that consider factors such as the age of the network and the amount of leak incidents. In 2019, the Company invested R\$930 million to replace 400 km of network, 219 thousand extensions, 1 million water meters, and 186 thousand repairs to networks and extensions.

Também realizamos a varreduras em 26 mil quilômetros de rede para verificação de vazamentos e irregularidades. Complementarmente, promovemos a setorização de 3 áreas e implantamos 89 Distritos de Medição e Controle (DMC), que agilizam a identificação de vazamentos, principalmente os não visíveis, por meio

do acompanhamento das vazões mínimas noturnas.

## Technology Against Water Loss

In 2019, Sabesp began to install 100,000 smart water meters at the consumption units in the SPMR, which will have their consumption measured remotely by the IoT (Internet of Things) technology. This will allow consumption anomalies to be identified more quickly during night shifts, including leaks in the system. The next step will be to make measurements available on the Sabesp Mobile application so customers can manage their consumption levels.

The non-destructive method (MND) is another technology that has been increasingly used to fight water losses. With the help of an equipment known as "tatuzinho", new underground pipelines are installed without then need for demolitions. In addition to mitigating operational inconveniences, especially for pedestrians and vehicles, this technique reduces the execution time necessary for construction works. In the municipality of São Bernardo do Campo, 172 km of networks were substituted in different neighborhoods throughout 2019 and 90% of the work was done through the MND method.

**In 2019, our distribution system recorded a total loss rate of 29%, below the national average, which is 38.5% according to SNIS (2018).**

**At Sabesp, the water reuse technology is available at the São Miguel Paulista, Jesus Neto, Parque Novo Mundo and ABC sewage treatment plants (STP).**

## Water Reuse

**GRI 203-1** Sewage recycling for reused water is an important complementary initiative to encourage sustainable water, especially in regions with low water availability such as in the SPMR.

Reuse water serves for industrial purposes (washing machines, sheds, cooling boilers,

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among other uses), cleaning streets and irrigating parks and gardens. This represents significant savings since clean water is reserved for human consumption.

Aquapolo Ambiental, the largest industrial reuse water production company in South America and the fifth largest in the world, is installed at the ABC STP, located on the border between the cities of São Paulo and São Caetano do Sul. Aquapolo is managed in partnership with GSNima and treats the water generated at the plant with ultrafiltration and reverse osmosis technologies, a treatment process required by industries. The plant currently produces an average 360 liters/second and serves the Capuava Petrochemical

Complex, in addition to three other key industrial players in the ABC region.

The plant has a production capacity of 650 liters/second (with a pipeline dimensioned for a flow of 1,000 liters/second) and the municipalities of Guarulhos and Santo André, which began to be served by Sabesp in 2019, also created new opportunities for this segment to be expanded to new customers.

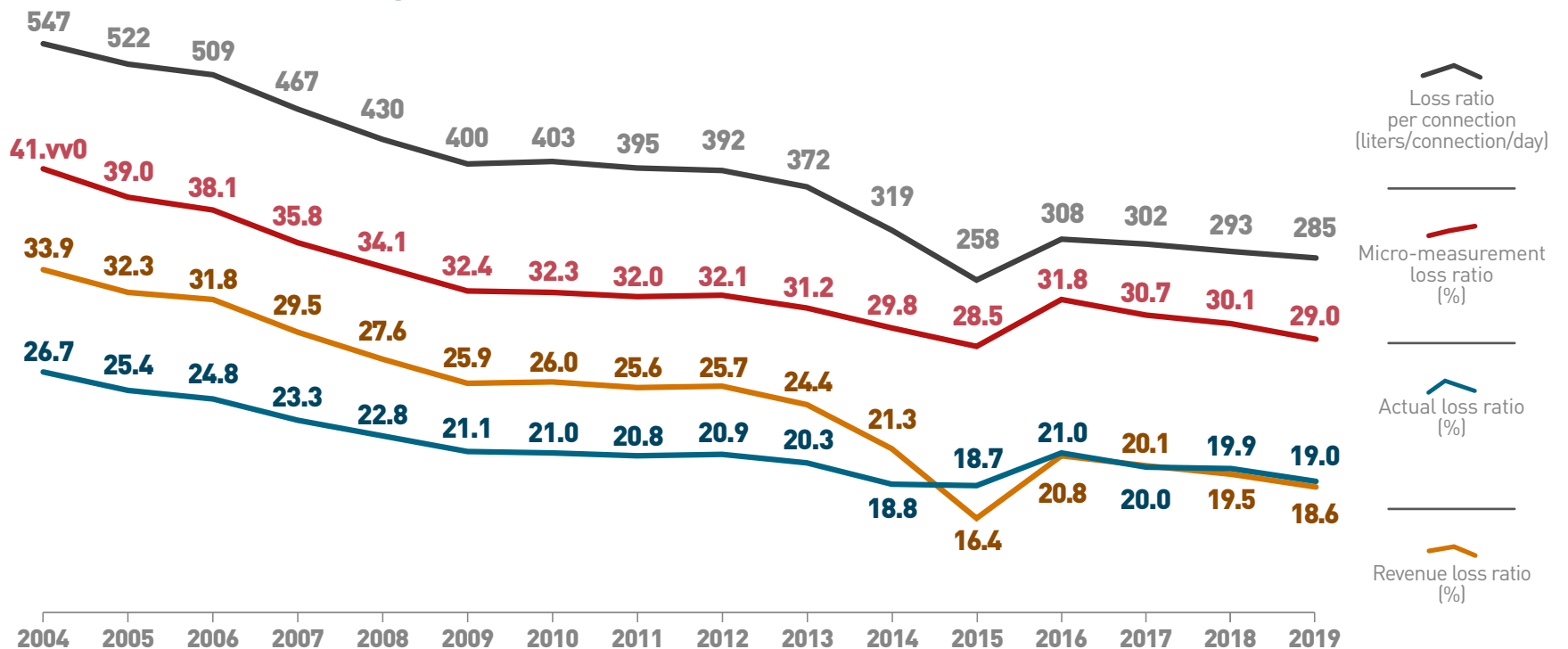
### Rational Water Use

**GRI 103-1 | 103-2 | 103-3** The PURA (Rational Water Use Program) is an initiative that promotes conscious water consumption by

readjusting the hydraulic structure of public administration buildings. Municipal, state, and federal schools, hospitals, public restrooms, jails, and day care centers who join the Program receive low-consumption equipment, new plumbing systems and maintenance support to repair leaks.

At the same time, lectures are held to discuss the conscious use of water, which is aimed at forming multipliers of this sustainability message. The Program was created in 1996 and ended 2019 with approximately 11.3 thousand registered households. Participants are given a reduction goal which, if achieved, entitles them to a 25% discount on their water/sewage bills.

**Sabesp – Water Loss Indicator Track Record**





## QUALITY WATER AS A PRIORITY

Along with water security and operational efficiency, providing quality water is a priority for Sabesp in serving its 28.1 million customers. The quality of the water distributed complies with the parameters required by Health Ministry Ordinance 2.914/11, which establishes the procedures and standards for human consumption.

### Drinking water conditions are measured at collection points before receiving treatment at 253 WTPs and distributed to final consumers.

Sabesp has 16 health control laboratories installed in the SPMR, inland and coastal regions, which perform nearly 90 types of tests and over 90 thousand analyses are carried out each month to measure turbidity, color,

chlorine, total coliforms, metals, and agrochemicals parameters, among others.

Most of the laboratories are accredited by the National Institute of Metrology, Quality and Technology (Inmetro). Since 1996, the Company has maintained a team of 140 specialists, who are trained by chemists and are qualified to taste the water and evaluate possible variations in flavor, aroma, and coloring. The results guide all preventive or corrective adjustments in the processes of the treatment plants. ■

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**Team of tasters analyze variations of flavor, aroma and color, ensuring quality of water to be distributed millions of customers.**



# SANITARY SEWAGE

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Launched in 2019, the Novo Rio Pinheiros Program will reintegrate the main tributary of Tietê to the city's routine

# EXPANSION OF HEALTH INFRASTRUCTURE AND RECOVERY OF WATER RESOURCES

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A proper sanitation infrastructure directly reflects reduction in infant mortality, decrease of hospitalizations from waterborne diseases and improvement in the quality of water in rivers and springs, in addition to helping create jobs and income in the tourism and real estate sectors.

In this sense, the ongoing expansions of our sewage collection and treatment services in 372 municipalities in São Paulo places Sabesp as an important driver of environmental sustainability and socioeconomic development in the State.

To support this universe, from small communities to the SPMR, the Company's infrastructure contains 8.3 million connections and 56 thousand km of collection networks that conducts sewage to be treated at 569 treatment plants. Jointly, they are capable of treating 57.3 thousand liters/second of sewage.

**In 2019, we continued to expand sewage collection and treatment services, which required investments of R\$2.6 billion to set up treatment plants, large pipeline structures, expand the network and connect 237 thousand households to the collection system.**

In December 2019, the municipalities served by Sabesp recorded the following rates: 91% received sewage collection coverage, 84% were effectively connected into the sewage collection networks, and 78% of households were connected to the sewage treatment network.

These indexes are much higher than the average sanitation indicators in Brazil and show that some municipalities served by the Company are among the best in the country, as indicated by sector rankings.

However, important challenges still need to be overcome in the SPMR, Baixada Santista and north coast regions, where we have structured programs aimed at providing universal services.

## SANITATION CHALLENGES OF THE SPMR

**GRI 203-1** Sabesp is responsible for providing sanitation services in 36 of the 39 municipalities<sup>8</sup> that make up the Sao Paulo Metropolitan Region (SPMR), considered one of the largest urban agglomerations

**According to a study prepared in 2019 by Instituto Trata Brasil, 6 municipalities served by Sabesp are among the top 25 municipalities in the country, according to the National Sanitation Information System (SNIS)**

worldwide. Characteristics such as overpopulation, large territorial extension and disorganized housing occupations resulting from little or no urban planning, makes this region one of the most challenging areas for expansion of sewage services.

To operate in this environment requires concentrated efforts to expand the collection and sewage treatment services aimed at improving the population's quality of life and progressively revitalize urban rivers and streams.

7 - Does not include the systems in Guarulhos and Santo André.

8 - Mauá and São Caetano do Sul are not served by Sabesp. Mogi das Cruzes is partially served.

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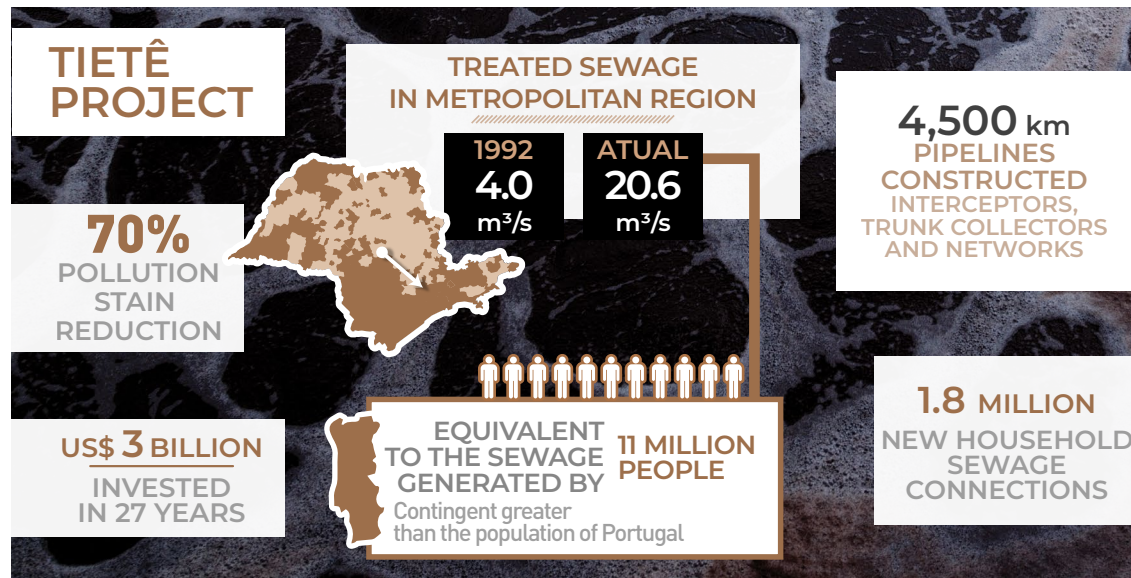
## The Tietê Project

To face this challenge, the Company continues with its works at the **Tietê Project** which, given the volume of investments, is considered the largest environmental sanitation program in the country. Since this Project began, in 1992, sewage collection and treatment services were expanded to over 11 million people in the SPMR, more than the population of Portugal.

In all, we executed 1.8 million household sewage connections and installed 4,500 km of interceptors, trunk collectors and sewage collection to transport sewage from the metropolis to the treatment plants, which had their installed capacity tripled, from 8.5 thousand liters/second, in 1992, to the current 26 thousand liters/second. With the expansion of the collection and transportation infrastructure, the effective treatment increased from 4 thousand liters/second to the 20.6 thousand liters/second during the same period.



**Over 27 years, the Program invested approximately US\$3 billion with its own resources and financings from the IDB, BNDES and Caixa Econômica Federal.**



In 2019, Sabesp invested R\$454 million in the Project, with highlights to the Tietê 7 Interceptor (ITi-7), the Piqueri Sewage Pumping Plant, the new Anhangabaú Trunk Collector, and the Tamanduateí Interceptor (ITa-1J).

Inaugurated in early 2020, this infrastructure work improved the previous structured, dated back to the 1950s, which operated under a restricted network and at the limit of its capacity, when the municipality of São Paulo had slightly over two million inhabitants.

Pipelines were installed through non-destructive methodologies, with service wells located at strategic points for the installation of equipment (Shields) for the construction of underground tunnels or manual excavation (NATM – New Austrian Tunneling Method), depending on the geology of the location, thus eliminating the need for ditches on streets and avenues.

The use of low impact technology engineering, and support from the Traffic Engineering Company (CET) which is linked to the City Hall, were crucial for the minimum disturbances caused in areas with large people flow and intense traffic (such as 25 de Março, Mercado Municipal de São Paulo, Avenida do Estado and Marginal Tietê).

The new system has a capacity to pump 4,000 liters of sewage/second and transport sewage for nearly 2.2 million people, equivalent to the population of Belo Horizonte. Roughly 350,000 new residents in 9 neighborhoods in the south-central region of the city (Bela Vista, Consolação, República, Anhangabaú, Sé, Liberdade, Aclimação, Cambuci and Ipiranga) began to receive sewage collection and treatment.

The collected sewage volume is transported by the Tamanduateí Interceptor (ITa-1J) to the Tietê Interceptor (ITi-7), through a tunnel that is 7.5 km long, 3.4 meter wide and 2.65 meter

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high underneath the Marginal Tietê avenue, arriving at the Piqueri Lifting Station where it is pumped and transported to the Barueri sewage treatment plant.

The Company is carrying out major works in the metropolis, especially at sewage plants located in the far north region (the Laranjeiras STP, in Caieiras, and Franco da Rocha STP, in Franco da Rocha) and the interceptors located in the east region (the Tietê ITi.15 interceptor, in São Paulo and the Itaquaquecetuba and ITi.16 interceptors, in Suzano, Poá and Itaquaquecetuba). We also highlight the works at the Tietê ITi.4 Interceptor, in Barueri, and the Couros trunk collector, located on the border of Diadema and São Bernardo do Campo, among others.

In the municipality of Guarulhos, which recently began to be served by the Company and has very low sanitation rates, needed works are being planned to improve services that benefit the population, the environment and gradually reduce pollution at the Tietê River. Part of the expected works are already under bidding processes and should begin in 2020.

Even with the great challenges ahead to provide universal sanitation services in the SPMR, Sabesp effort to expand services is apparent. In the 1990s, the pollution at the Tietê River could be seen for more than 530 km flowing into state's inland region. According to a report issued by the NGO SOS Mata Atlântica, in 2019, this pollution has been reduced by over 70% and currently reaches 163 km.

These results become even more expressive when we consider the huge populational growth of the metropolis during the period, from slightly over 15 million people in the early 1990s to the current 21 million, demonstrating the effort and complexity required for the Project.

## Joining Forces for the Pinheiros River

In 2019, the actions carried out by the Tietê Project for the universalization of basic sanitation and improvement of the water bodies in the SPMR received support from the **Novo Rio Pinheiros** Project.

The project has the noble objective of reintegrating the Pinheiros river into the city's routine by the end of 2022, eliminating its odors and possibly regaining its aquatic life. Since it is an urban river, water activities will not be feasible, but the population will be able to use its margins for other leisure moments.

The Project is coordinated by the Infrastructure and Environment Secretary and unites Sabesp with several other entities, such as: EMAE (Metropolitan Water and Energy Company), Cetesb (Environmental Company of the State of São Paulo), DAEE (Department of Water and Electricity), government departments, the City

Hall of São Paulo and other private partners. Each member has its own mission within five pillars: sanitation, maintenance, solid waste treatment, revitalization, and environmental communication/education.

Sabesp is responsible for the sanitation theme and its mission is to expand the sanitary infrastructure by bringing connections to new households and installing networks and trunk collectors to send as much sewage as possible to the Pinheiros basin for treatment. The Company aims to expand the sewage transportation capacity at the Barueri STP by 2.4 m<sup>3</sup>/second, from its current capacity of 4.6 m<sup>3</sup>/second to 7 m<sup>3</sup>/second and to offer sewage treatment services to approximately 540 thousand new families.

For this purpose, construction works were divided into 16 blocks and require R\$1.7 billion in total investments to expand sanitation indexes and reduce the organic load that reaches water basins and the Pinheiros River. We know this is a great challenge. The basin



Interventions seek to improve the water quality of the Pinheiros River

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covers an area of 271 km<sup>2</sup> and covers neighborhoods in the municipalities of São Paulo, Embu das Artes, and Taboão da Serra with a population of approximately 3.3 million people, the third largest urban population in Brazil. If it were a municipality, it would only be behind the cities of São Paulo and Rio de Janeiro.

In regions with precarious and irregular occupations, where technical and legal restrictions impede conventional collection structures, water streams will be treated directly at mini treatment plants known as Water Quality Recovery Units (URQs in Portuguese). Five units are expected to be installed.

In 2019, Sabesp began to execute works in six blocks, including at the streams located in Pirajuçara, Corujas/Rebouças, Ponte Baixa/Socorro, Aterrado/Zavuvus, Pedreira/Olaria and Cidade Jardim/Morumbi.

Construction works of these blocks are mainly outsourced and remuneration is based on the contractor's performance level – a model in which payments depend on the number of new properties connected to the sewage treatment system and improvement in stream water quality.

### Recovery of Urban Streams

**GRI 203-2** In 2019, the Company concluded sanitary adjustments in the surroundings of the Córrego Traição river, in the city of São Paulo. These actions belong to the **Córrego Limpo (Clean Stream)** Project, an initiative carried out since 2007 and in partnership with the city of São Paulo, which seeks to improve water quality of urban rivers, in addition to cleaning and maintaining the surrounding areas of these rivers.

Sabesp continued with construction works in the Casa Verde 1, Casa Verde 2, Dois Irmãos, Verde Nascente, Ribeirão Colônia, Tapera, Esmeralda, Spanish and Pacaembu streams. Another commitment made by the Project in 2019 was to revitalize the Ipiranga river stream by 2022, when Brazil celebrates its 200th independence anniversary and the Paulista Museum will be reopened to the public.

The Project is being carried out in partnership with the state's Executive Branch. The Company is responsible for mapping, inspecting, renewing, and extending collection networks, in addition to making new connections based on scans searching for illegal sewage dumping sites. After the structure is in place, the water quality in clean streams is monitored and socio-environmental awareness is promoted at meetings with surrounding communities.

The City Hall is responsible for cleaning stream banks, maintaining rainwater galleries and sewer grates clean, as well as monitoring irregular sewage dumping and identifying homes that are not connected to the sewage network. In addition, it promotes the regularization and re-urbanization of valley floors to enable sewage infrastructure, as well as the evacuation of people from irregularly occupied areas and registering families in housing programs.

### Expansion in the Billings Basin

Based on the **Pró-Billings** Project the Company continues with its cleaning efforts at the basin of one of the most important water sources in the SPMR, thus expanding water security for the metropolis and the quality of life of its residents.



**In 12 years, Sabesp has already invested over R\$295 million, of which R\$9.6 million was in 2019, for the cleaning and maintenance of 152 streams in the capital of São Paulo.**

As the works that began in 2018 continue to be executed, the Company also began the construction of the Couros Trunk Collector, a large pipeline that will transport sewage generated by 382 thousand people in São Bernardo do Campo and Diadema to the ABC STP, located at the border between São Paulo and São Caetano do Sul.

A total of R\$230 million is being invested in the Program through financings by JICA and BNDES. In addition to the Couros collector, works are being carried out in 40 neighborhoods involving the construction of 89 km of network, 42 km of collectors, 39 lifting stations and 83 thousand household connections.

At the same time, 30 km of collection networks and 4,000 new sewage connections were



constructed in the neighborhoods of Ribeirão Pires (Vila Sueli and Jardim Mirante) and Rio Grande da Serra (Parque América and Vila Fordiane), complementing the Program's health benefits in the Billings basin.

**Three phases of the Pró-Billings Program have been concluded and sewage collection and treatment rates doubled in São Bernardo, from 29% to 60%. In Diadema, this rate is expected to leap from the current 55% rate to 84%.**

## Treating Non-Residential Sewage

The irregular sewage disposal from the industrial production process is one of the main causes of water pollution in the most industrialized region of Latin America. In addition to threatening people's health, this pollution increases water treatment costs and, in some cases, may impede water collection for treatment and distribution, thus affecting the region's water availability.

Given this scenario, Sabesp founded Attend Ambiental in 2014, in partnership with Latte Ambiental. Attend is located nearby the Barueri STP and provides pre-treatment of non-residential sewage in compliance with the standards established by environmental legislations.

**Since the start of the Onda Limpa Program, Sabesp has invested around R\$2 billion through our own resources and financings from JICA and BNDES.**

In 2019, approximately 2.1 m3 of this type of sewage was treated, equivalent to 834 Olympic swimming pools. The entire volume then receives conventional treatment at the Barueri STP. Throughout 2019, Sabesp also began to operate the gray (oily compounds), blue (volatile organics) and red (bentonite sludge) lines, expanding the services we offer and increasing our customer portfolio.

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## SANITATION AT THE COASTAL REGION

**GRI 203-1** Over the course of 12 years, Sabesp developed the **Onda Limpa (Clean Wave) Program**, the largest environmental sanitation initiative on the Brazilian coastline. As part of the Program's 2nd phase, two ocean disposal systems began to be constructed at Praia Grande, joining two sewage pre-conditioning plants, a land emissary of approximately 6.5 km and extending each submarine emissary by 650 meters.

Approximately 650 thousand people will benefit from these investments, including tourists and residents. Expected investments total R\$400 million. At the same time, the Company began to

construct networks and improve the collection systems in neighborhoods of Itanhaém, São Vicente, Mongaguá and Praia Grande.

During this period, the sewage collection coverage ratio at the Baixada Santista region jumped from 62% to 82%. This improvement was possible due to the construction of 1.1 km in collection networks, 7 sewage treatment plants, 2 sewage pre-conditioning plants, 116 pumping stations and 110 thousand household connections. In this 2nd phase, we estimate investments of R\$1.4 billion (from 2018 to 2025), with the sewage collection ratio reaching 92%.

As for the state's north coast, 70% of the formal area has a sewage network and 100% of the collected sewage is treated at 21 sewage treatment and pre-conditioning

plants. When the program started more than a decade ago, sewage collection in the region was only 36%. In 2019, construction works began in Caraguatatuba (Jardins das Palmeiras, Gaivotas and Califórnia), Bertioga (Rio da Praia) and São Sebastião (Barra do Una and Engenho).

# 100%



**All sewage collected in the municipalities of the coast of São Paulo receives treatment.**

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**GRI 203-1** Sabesp currently operates in 320 municipalities in the inland region of São Paulo. According to the ranking of the cities with the best sanitation services in Brazil, prepared by Instituto Trata Brasil and based on the National Sanitation Information System (SNIS), the city of Franca ranked first among the 100 largest cities for the seventh consecutive year. When the Company began to operate in the municipality, in 1977, the supply was unpredictable and reached only 70% of households. Half of the population did not have sewage collection services and none of the collected sewage was treated.

In turn, the ABES 2019 Sanitation Universalization ranking, which assesses smaller municipalities (up to 100,000 inhabitants), ranked six municipalities served by the Company among the top fifteen locations, namely Boracéia, Adamantina, Santa Ernestina, Ouroeste, Lins and Guariba.

In 2019, sewage collection and treatment services continued to advance in the inland regions, with the inauguration of 6 treatment plants, in which we highlight the works delivered in Cesário Lange that required R\$10 million in investments to offer universal services in the municipality. We also concluded the construction of treatment plants in Nova Granada (Onda Branca), General Salgado, Cardoso, Iguape (Barra do Ribeira) and Juitiba.

Now that services in urban areas have evolved, efforts are focused on offering services in communities located away from urban centers.

In Vale do Ribeira, one of the regions with the lowest economic and social indicators in the state, Sabesp is committed to further advancing its sanitation infrastructure to contribute with the region's development. In this sense, in 2019 the Company engaged in the **Vale do Futuro Program** launched by the Government of the State of São Paulo and uniting several public policies of 20 state departments, state-owned companies and mixed capital corporations.

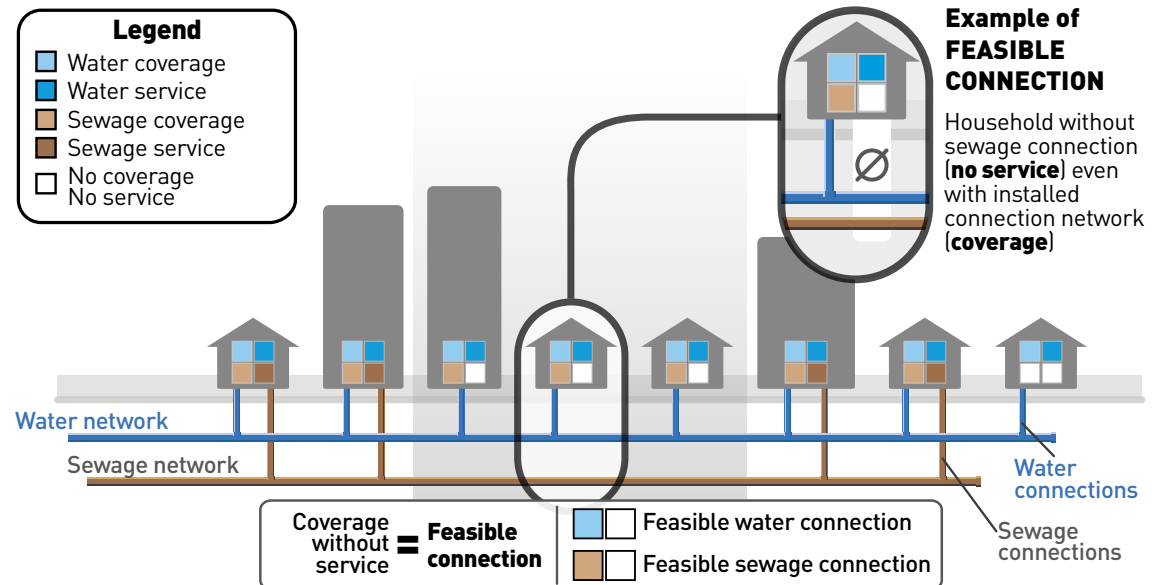
In addition to the two sewage treatment plants delivered in 2019 (Iguape and Juitiba) and the collection networks put into operation in Pariquera Açu, Barra do Turvo, Eldorado and Registro, the Company continues to improve its sewage systems in Apiaí, Barra do Chapéu, Barra do Turvo, Cajati, Cananéia, Iguape, Ilha

Comprida, Itaóca, Itapirapuã Paulista, Itariri, Jacupiranga, Juquiá, Pariquera Açú, Pedro de Toledo, Registro, Ribeira and Tapiraí.

## Uniting Efforts for the common good

Properties located on urban streets where a sewage network is available have the obligation make sure their sewage is connected to the network, in addition to properly using the system. Those who do not connect their properties to the sewage network, even when connects are available, directly harm the entire community. Sewage illegally disposed in rain galleries is the cause of odors at sewer grates, river and stream pollution and contamination risks.

### Feasible connections





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In 2019, Sabesp constructed 237 thousand new sewage connections in the areas it operates. However, many residents insist, even when a sewage collection structure available at their door, in not connecting their properties to the networks. To correct these irregular situations, we have been obligating customers, since 2016, to confirm their connection to the sewage network when requesting new water connections.

In 2019, the Company also began to negotiate with the City Hall of São Paulo an agreement that allows us to notify customers when irregular situations are identified, informing them on the applicable penalties provided for in municipal law and the environmental benefits of being connected to the sewage network. Customers who do not comply with the notification may be fined by the City Hall, which is ultimately responsible for this type of supervision.

In many locations, we work jointly with the Municipal Sanitary Surveillance. In more critical cases, when environmental impacts are identified, we contact the Local Prosecution Office to demand that the property gets connected to the sewage network.

### Sharing Benefits and Responsibilities

**GRI 103-1 | 103-2 | 103-3 | 413-1** In order to advance in its goal, which is to expand access to basic sanitation services and contribute with the improvement in the quality of life of its customers, Sabesp considers that it is essential to strengthen the relationship with the communities in the areas it operates and to create an open communication channel with

this audience and low-income customers. This relationship takes place in different ways, depending on the reality of the region being served.

Since the late 1990s, the Company has been implementing the **Community Participation Program (PPC)** in the SPMR as a response to the growing demand for more access and quality in public services. PPC's current actions are integrated with the *Córrego Limpo*, *Se Liga na Rede*, *Água Legal* and *Novo Rio Pinheiros* programs.

Through individual visits or educational lectures (meetings with communities), Sabesp strengthens its engagement and create a sustainable relationship with the environment by discussing topics such as the risks of incorrect waste disposal, the importance of being connected to the sewage collection network, the risks of poorly structured water supplies and rational use of water. Among the activities, the Company also carries out joint efforts to clean rivers and streams and plant trees.

In 2019, approximately 16,000 people were impacted by health and environmental educational visits in water and sewage treatment plants, another 156,000 people received lectures in schools and communities, and 240 community meetings were held with companies and 8,000 individuals.

The *Córrego Limpo* Program, which promotes the cleaning of rivers and water sources, resulted in the elaboration of the Collaborative Governance Manual, a methodological formulation that uses social approach techniques built jointly with Cebrap (Brazilian Center for Analysis and Planning).

The document was based on meetings held by our staff with residents and social organizations located at the basins of the benefited streams. At these meetings, local representatives are chosen and an agenda with priority actions is defined so that benefits are long lasting. The groups at the 32 basins that receive this support have recorded significant advancements in quality indexes.

Low-income communities, with little or no sanitation structures, in the *Baixada Santista* and the north coast regions also received community activities. When a sewage collection network is being constructed in a new area, especially in low-income neighborhoods, the Company's staff prepares and assessment of the social conditions of the families living in the area.

Data gathered from these assessments contribute with the planning and structuring of the Project and helps define which families will benefit from the programs. We also provide itinerary service stations to help answer questions and register requests for sewage connections. As a result, household connections increased, and the sanitary structures began to be used more properly.

As for the municipalities served in the inland region, which have better urban conditions and less social inequality, relationship efforts are carried out in different ways. Sabesp has a team that promotes awareness actions in schools, social gatherings and during commemorative days which include the planting of seedlings around basins and releasing fish in water streams, in addition to socio-environmental projects in partnership with local public institutions or NGOs.



## Greater Access for low Income Families

GRI 103-2 | 103-3 | 203-1 | 203-2

Aiming to help low-income customers connect their homes to the sewage network, Sabesp developed the Pro-Connection Program in 2011, more commonly known as Se Liga na Rede (Connect to The Network). This Program was carried out in partnership with the Government of the State of São Paulo for families with income of up to three times the monthly minimum wage and with the goal of avoiding irregular sewage disposals.

**Since the Program began, over 100 thousand people have been benefited with 29.7 thousand sanitary connections made in the bathrooms of 29 thousand homes. In 2019, 3.4 thousand homes were connected to the network.**

As part of the Program, the interconnection installment costs are fully sponsored by the government, which pays for 80% of the construction works, and Sabesp, which contribute with 20% of the costs. Agents, who usually live in the neighborhoods served by the Se Liga Program, visit households to explain the advantages of connecting to the sewage collection network.

The highlight of the year was the start of construction works in the neighborhoods of Caraguatatuba and São Sebastião, located on the north coast, where approximately 1,500 households were connected to the Company's networks. Families that participate in the program are also included in the Social Tariff

category, which stipulates a symbolic price for the use of water and sewage services.

## Recovering the Rivers in the State of São Paulo

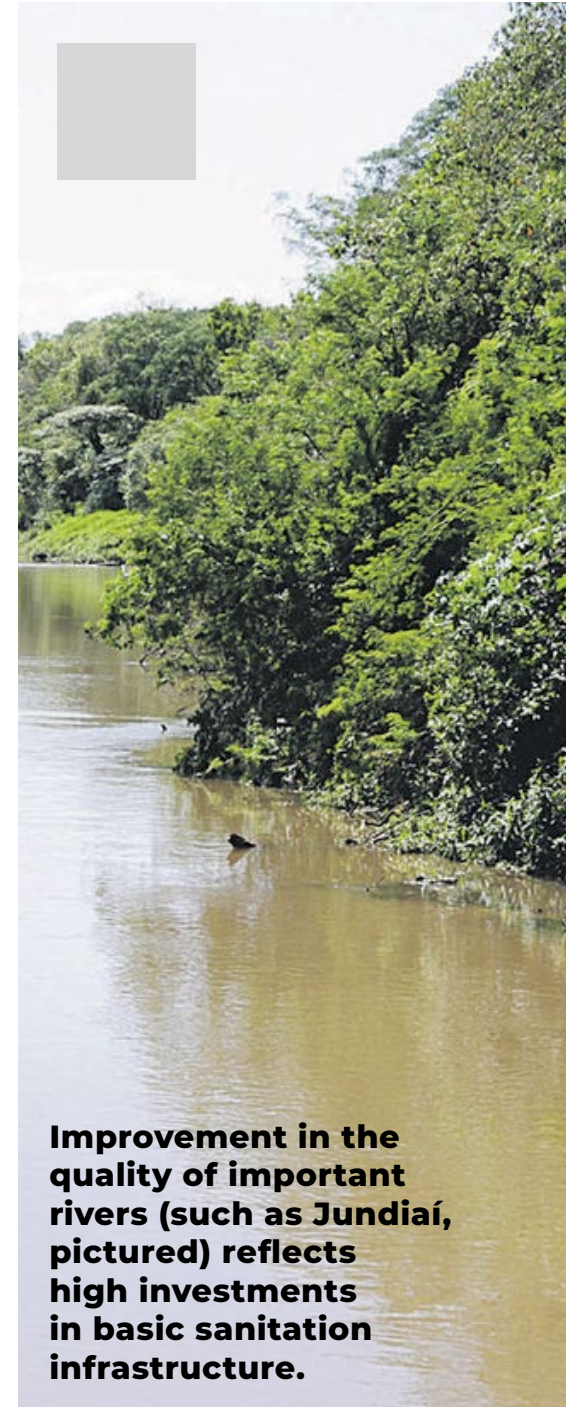
Sabesp's sanitation actions directly collaborate to improve the water quality at the main rivers and valleys in the state of São Paulo, as well as at water streams used by communities.

**The Company believes that the notable reduction of pollution spots on the Tietê river (flowing into the SPMR) and the improvement in water quality of rivers in Jundiaí, Paraíba do Sul and Sorocaba are symbolic achievements.**

Investments made in the Vale do Ribeira region also resulted in excellent water conditions of the Paranapanema river, which separates the states of São Paulo and Paraná and has one of the best water quality ratings in the country.

However, despite the obvious positive contributions that sewage collections provide to water bodies, much of the pollution in rivers and streams originate from irregular industrial disposals and waste thrown into urban streets. Another aggravating factor is the disorderly occupation of soil, especially with illegal dumping of sewage in rainwater sewers.

Therefore, it is essential that society and municipalities take action to ensure that waste is correctly disposed of and households are properly connected to sewage collection networks, in addition to cleaning city street in order to identify irregularities. □



**Improvement in the quality of important rivers (such as Jundiaí, pictured) reflects high investments in basic sanitation infrastructure.**

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# RD&I

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The local fleet of Franca, in the inland, is supplied with biomethane fuel generated from sewage

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The promotion of research and technological development is part of Sabesp's strategic guidelines that aim to implement innovation in operations, processes and services. These efforts seek to increase organizational efficiency that results in higher customer satisfaction, improved quality of life, environmental sustainability and competitiveness in the corporate environment.

For over a decade, the Company has been operating systemically and dedicated to channeling and encouraging the adoption and dissemination of new sustainable solutions, new business models and new organizational processes. In 2019, approximately R\$17.4 million was allocated to Research, Technological Development and Innovation (RD&I) project, in own resources or through funding agencies. In the last three years, R\$38 million was invested in RD&I.

The methodologies used are recognized by several development agencies, such as BID, FINEP, FAPESP, among others, and our project portfolio is divided into different stages of technological maturity.

Therefore, our activities are organized by themes, such as: better construction and operational processes for water and sewage systems; water and sewage treatment solutions; asset management and control; renewable energy generation processes; energy efficiency; technologies for customer relationship; circular



Robot car inspects pipes in search of cracks, infiltrations and obstructions

economy projects; reduction in water losses and how to reuse waste.

In addition, as part of the scope of the agreement signed with Finep in 2015, Sabesp is developing projects aimed at controlling odors at sewage pumping stations, drying sludge through solar irradiation and creating a solid waste gasification system at sewage treatment plants.

Another important initiative in place since 2009 refers to the Cooperation Agreement between Sabesp and Fapesp and has already resulted in the elaboration of 17 projects. The agreement foresees a non-reimbursable financing of R\$50 million, divided equally between Sabesp and Fapesp, and aims to finance other research projects for higher education institutions in São

Paulo enrolled in the Partnership for Technological Innovation Research Support Program (PITE).

Projects developed through this agreement seek to meet some of the Company's internal sustainability demands, such as: reducing water losses, energy efficiency and treatment and disposal alternatives for sludge, the main solid waste deriving from water and sewage treatment.

## Solid Waste Management

**GRI 103-1 | 103-2 | 103-3** Sludge from water and sewage treatment systems are usually sent to landfills. However, in the SPMR and more densely populated inland regions, the Company treats the leachate it generates in municipal landfills in order to reduce environmental impacts.

In recent years, we also carried out a series of studies and projects, within the scope of circular economy, to analyze economically viable and more sustainable solutions for the final disposal of sludge.

The Barueri STP, which is the largest sewage treatment plant in South America and responsible for more than 50% of the total sewage volume treated in the RMSP, concentrates the most important initiatives for this objective. One of these initiatives



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is the heat treating sludge through plasma technology.

In 2019, we initiated the licensing process of this project with Cetesb, which converts sludge into glassy waste with high potential for reuse in the construction industry, among others. The conversion is done by exposing sludge to high temperatures (around 1,500°C), which reduces the volume of waste to be transported and disposed at landfills. The Barueri STP was also the location chosen to implement the Waste to Energy project, aimed at promoting thermal treatment and an environmentally appropriate discharge for sludge, along with the generation of energy from biogas produced at the plant, making it partially sustainable.

At inland plants, Sabesp also carries out initiatives to dry sludge through solar radiation. In addition, the Lageado STP in Botucatu obtained approval from the Ministry of Agriculture, in 2018, for the production and sale of byproducts resulting from the transformation of sludge into an organic fertilizer, named Sabesfértil. The plant currently has the capacity to process 25 tons/day.

These actions contribute to the sustainability of the entire sewage treatment process, seeking to reduce operating costs and the amount of sludge disposed at landfills.

### Additional Innovation Initiatives

The wastewater recovered from the Company's treatment plants are tested for feasibility by using the silicon carbide ultrafiltration ceramic membrane technology, originated in Denmark.

The Commitment Agreement signed in 2017 with the Federal University of Minas Gerais for

the "Assessment on the potential use of biogas as energy for the anaerobic reactors in the domestic sewage treatment in Brazil" allowed the measurements and evaluations of the production of biogas at the Várzea Paulista STP to be concluded in 2018 and resulted in the publication, in 2019, of several technical notes in a specific technical magazine for the sector.

In addition, we also carried out tests with manufacturers of photovoltaic aerators aimed at improving efficiency of sewage treatments through a clean and renewable energy matrix. The tests indicated that this system can be replicated at other plants after certain adaptations.

**In recent years, we also carried out a series of studies and projects, within the scope of circular economy, to analyze economically viable and more sustainable solutions for the final disposal of sludge.**

### Circular Economy

**GRI 103-1 | 103-2** The circular economy project at the Franca STP received the "2019 Convocatória Ideas em Ação Award for Innovative Companies in Water and Sanitation" organized by the Inter-American Development Bank (IDB) and the International Water Association (IWA).

The project consists of implementing integrated actions for the liquid, solid and gas treatment stages of the sewage treatment process, with the objective of transforming a waste generating plant into a waste recovery plant. The most relevant circular economy action implemented at the sewage treatment plant was the use of biogas from the sewage treatment process as energy for 38 light vehicles of the Company's local fleet.

As a result of the technical cooperation agreement with the Fraunhofer IGB Institute in Germany, the biogas generated in the sewage treatment also undergoes its own treatment to remove impurities, humidity and increase the



Barueri STP's plasma gasification equipment, in the SPMR



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concentration of methane. The resulting byproduct is biomethane, a sustainable fuel that can be used instead of CNG (vehicular natural gas), or other fuels in tailored vehicles.

This STP treats an average of 500 liters/second of sewage and produces nearly 2,500 Nm<sup>3</sup> of biogas/day, enough to replace 1,500 liters of common gasoline daily. Biomethane was also tested on passenger buses at an event promoted by the Swedish Embassy and Business Sweden.

Within this concept, Sabesp also signed a partnership agreement with the Universidade Estadual Paulista (Unesp) to evaluate the technical and environmental feasibility of using sludge from water treatment plants as raw value-added byproduct as base and sub-base pavement material. The physical, chemical and biological aspects of the sludge generated at treatment plants was analyzed and studies are underway to evaluate its mechanical properties.

## Open Innovation

Sabesp invests in the development and implementation of Open Innovation actions, which integrates ideas, thoughts, processes and research from players of different segments, both internal and external to the Company, aiming at improving its processes, products and services.

An example of this type of action is the Pitch Sabesp initiative, which released a Public Call Notice at the end of 2018, in which it launched 27 challenges in five different fields aimed at selecting and testing innovative solutions for Sabesp. Throughout 2019, challenges were mapped and analyzed according to the technical conditions necessary in a controlled environment. The results of the technical and

financial feasibilities of the tests will be presented in 2020.

With the objective of accelerating startups to develop innovative projects, several negotiations were established during 2019 in order to continue the Innovative Research in Small Companies Program (PIPE), pursuant to our second Agreement with Fapesp. The focus is to support the execution of scientific and/or technological research in micro, small and medium-sized companies in São Paulo and encourage innovations and technological advances.

In addition, Sabesp publishes the Revista DAE magazine, a quarterly journal with scientific

technical articles on sanitary engineering. In 2019, Sabesp published its 220th edition, when the journal underwent a new revision and was raised to category B1 in the Qualis/CAPES system.

In line with what already occurs in the electric and piped gas sectors, in 2018 the Company also obtained approval by the Regulatory Agency to use 0.05% of its required direct revenue to cover expenses in RD&I in basic sanitation services, from 2020 onwards, by means of the Quadrennial PD&I Program. The Company has a priority portfolio that ranks its projects and will be the first public sanitation company in Brazil to have this type of program established by the regulatory agency. □



Biogas generated at the Franca STP is transformed into biomethane fuel to supply the local vehicle fleet

An aerial photograph of a multi-lane highway with heavy traffic, running alongside a wide river. The scene is captured during sunset or sunrise, with a warm, golden glow over the city skyline in the background. The highway curves along the riverbank, and the water reflects the sky. The overall atmosphere is one of a busy urban environment during the 'golden hour' of the day.

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Sabesp's investments in the Tietê Project totaled R\$454 million in 2019 alone

# MARKET EXPANSION TO ENSURE HIGHER RESOURCES AND BETTER INVESTMENTS

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**GRI 103-1 | 103-2** In 2019, great achievements were made that consolidated Sabesp's position as the largest sanitation service provider in the country. After proving its operational and financial resilience amidst the biggest water crisis in its history (in 2014-2015), Sabesp demonstrated its competence in providing water security for important locations, such as the cities of Guarulhos and Santo André, located in the SPMR, in addition to guaranteeing revenues and solving debt issues in municipalities that, until now, had only received wholesale services.

In addition, the confidence of the credit and capital markets in the Company was reflected through the important private and public financings instruments approved, which allowed investment plans to be maintained and

allowed the Company receive the highest amount of investments in the Brazilian sanitation sector. The Company's value was also perceived by the capital market through the 92.3% increase in its share price.

## Municipalities Served through the Wholesale Model

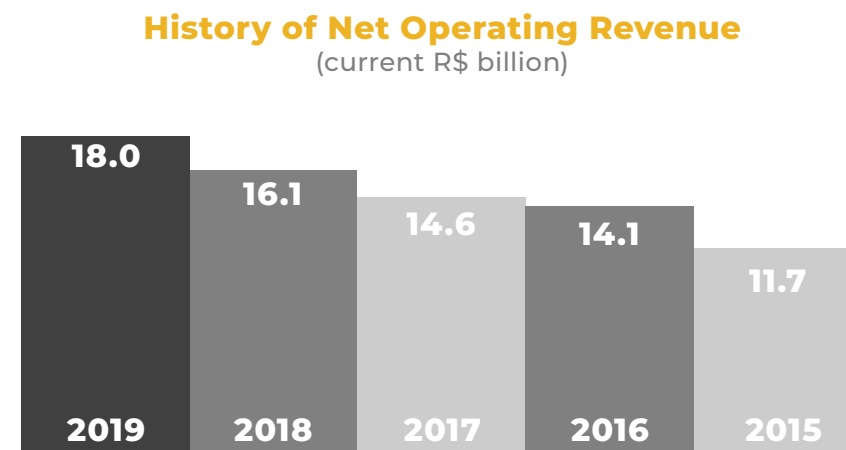
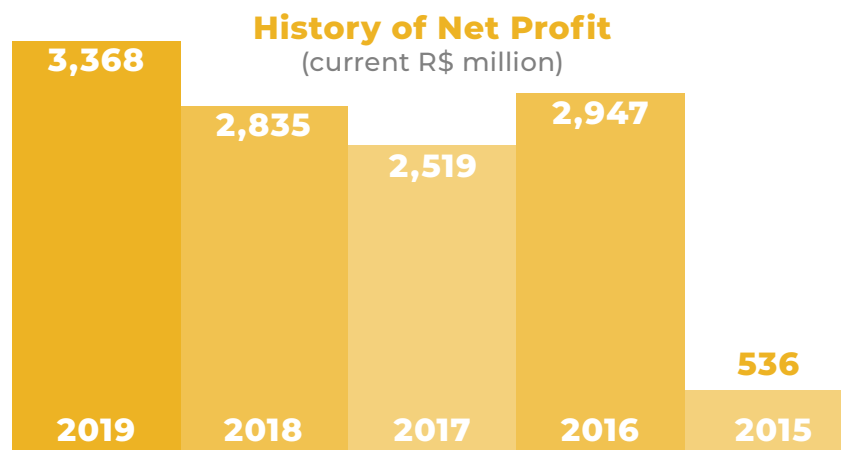
In 2019, Sabesp continued to make efforts to settle the commercial and default situations with municipalities that were served on a wholesale basis.

In January 2019, the Company began to serve the municipality of Guarulhos with water supply and a portion of sewage services in the retail segment, as a result of the service agreement

signed in 2018. In December, the agreement was amended and Sabesp began to provide complete sewage services to the municipality.

In July 2019, Sabesp signed a Service Agreement with the municipality of Santo André, in which an amendment term was negotiated for the city to pay its outstanding debts. With these agreements, Sabesp, the municipality, and Semasa (Serviço Municipal de Saneamento Ambiental de Santo André) agreed that the amount owed by the municipality should be given as payment for the transfer of sanitation services during a 40-year contract.

The assets constituted by Semasa which are linked to sanitation services were also transferred to the Company. More information on the content of the Agreement and the





Amendment Term is provided in the Material Fact disclosed on July 31, 2019 and in the Explanatory Note 9 to the Financial Statements, available at: <https://bit.ly/2UsgwMM>.

In August 2019, we signed a new intention agreement with the municipality of Mauá. On January 16, 2020, a municipal law authorized the Executive Branch to sign agreements, contracts, amendments and any other adjustments between the State of São Paulo, Arsesp and Sabesp.

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## Regulatory Scenario

Since 2018, the federal government had been discussing changes to basic sanitation laws. In December 2018, the President of Brazil published Provisional Measure No. 868 (MP 868), which proposed a change in the sanitation regulatory framework but lost its effectiveness on its deadline date in June 2019.

The content of MP 868 was transformed into the Bill 3.261/19, which was submitted to the House of Representatives in December 2019 and was approved as Substitute Bill 4.162/19, and now awaits approval by the Senate. At this time, we cannot predict the effects of the approval of this Bill on the Company's business, operations and financial conditions

## Financial Performance

In 2019, the Company achieved a net profit of R\$3.4 billion, compared to the R\$2.8 billion reported in 2018, an increase of 18.8%.

Net operational revenue (including construction revenue) totaled R\$ 18.0 billion, increasing by 11.8% over the previous year. ▶

## History of Gross Operating Revenue

(current R\$ million)

	2019	2018	2017	2016	2015
<b>Total</b>	<b>19.1</b>	<b>17.1</b>	<b>15.4</b>	<b>14.8</b>	<b>12.3</b>
<b>Construction</b>	<b>3.0</b>	<b>2.8</b>	<b>3.2</b>	<b>3.7</b>	<b>3.4</b>
<b>Sanitation</b>	<b>16.1</b>	<b>14.3</b>	<b>12.2</b>	<b>11.1</b>	<b>8.9</b>

## Volume of water and sewage billed<sup>(1)</sup> by region – million m<sup>3</sup>

	Water			Sewage			Water + Sewage		
	2019	2018	%	2019	2018	%	2019	2018	%
Residencial	1,645.5	1,607.0	2.4	1,415.4	1,375.6	3.0	3,060.9	2,981.6	2.7
Comercial	170.1	166.8	2.0	165.9	161.3	2.9	336.0	328.1	2.4
Industrial	31.4	31.0	1.3	38.5	37.7	2.1	69.9	68.7	1.7
Pública	42.0	40.4	4.0	38.3	36.4	5.2	80.3	76.8	4.6
Total varejo	1,889.0	1,845.2	2.4	1,658.1	1,610.0	3.0	3,547.1	3,455.2	2.7
Atacado <sup>(2)</sup>	82.9	262.7	2.1	16.0	13.9	15.1	98.9	95.1	4.0
Subtotal	1,971.9	1,926.4	2.4	1,674.1	1,623.9	3.1	3,646.0	3,550.3	2.7
Guarulhos <sup>(4)</sup>	73.7	110.7	(33.4)	64.0	-	-	137.7	110.7	24.4
Santo André <sup>(5)</sup>	67.1	70.8	(5.2)	28.9	17.2	68.0	96.0	88.0	9.1
<b>Total</b>	<b>2,112.7</b>	<b>2,107.9</b>	<b>0.2</b>	<b>1,767.0</b>	<b>1,641.1</b>	<b>7.7</b>	<b>3,879.7</b>	<b>3,749.0</b>	<b>3.5</b>

## Volume of water and sewage billed<sup>(1)</sup> by region – million m<sup>3</sup>

	Water			Sewage			Water + Sewage		
	2019	2018	%	2019	2018	%	2019	2018	%
Metropolitana	1,222.7	1,194.5	2.4	1,073.8	1,043.8	2.9	2,296.5	2,238.3	2.6
Regional <sup>(2)</sup>	666.3	650.7	2.4	584.3	566.2	3.2	1,250.6	1,216.9	2.8
Total varejo	1,889.0	1,845.2	2.4	1,658.1	1,610.0	3.0	3,547.1	3,455.2	2.7
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(1) Not audited (2) Consisting of the coastal and inland regions (3) Wholesale includes the volumes of re-use water and non-domestic sewage (4) Retail billed volume in 2019 and wholesale volume in 2018 (5) Retail billed volume since October 2019 and wholesale volume in September 2019

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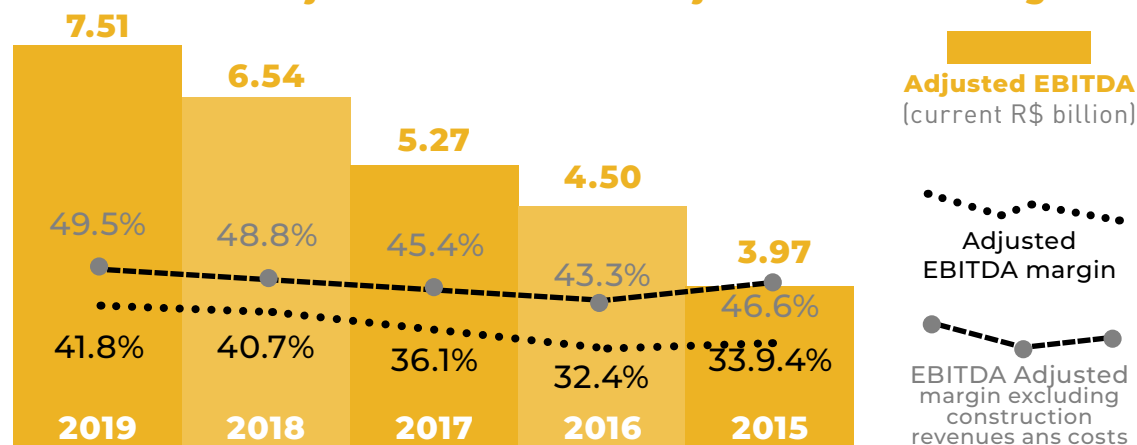
The increase in gross operational revenue can mainly be attributed to the following factors: (i) the 3.5% tariff repositioning since June 2018 and a 4.7% tariff repositioning since May 2019, impacting operating revenue by approximately 4.4%; (ii) a 2.7% increase in total volume billed, being 2.4% in water and 3.1% in sewage, excluding the volumes in Guarulhos and Santo André; and (iii) the formalization of the agreement with the municipality of Santo André in July 2019, increasing operational revenues by R\$1,357.3 million.

Construction revenue declined by R\$143.8 million, or 5.1% compared to 2018. The variation is mainly due to greater investment made in the construction of assets in 2019.

In 2019, costs, administrative and commercial expenses and construction costs increased by 12.0% (R\$1,313.4 million). Disregarding the effects of construction costs, the increase was 14.3% (R\$1,171.7 million).

The share of costs and expenses in net revenue was 68.2% in 2019, versus 68.0% in 2018. 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](http://www.sabesp.com.br/investidores), in the

## Historical Adjusted EBITDA and Adjusted EBITDA Margin



### Reconciliation of Adjusted EBITDA<sup>9</sup> (Non-accounting Measurements) (R\$ million)

	2019	2018	2017	2016	2015
Net income	3,367.5	2,835.1	2,519.3	2,947.1	536.3
Financial result	1,033.7	1,264.3	458.1	(699.4)	2,456.5
Depreciation and	1,780.2	1,392.6	1,301.9	1,146.6	1,074.1
Income and social contribution taxes	1,310.4	1,077.3	984.3	1,181.9	51.2
Other operating revenues/expenses. net <sup>10</sup>	18.7	(28.7)	5.7	(4.7)	(143.8)
Adjusted EBITDA	7,510.5	6,540.6	5,269.3	4,571.5	3,974.3
Adjusted EBITDA margin	41.8	40.7	36.1	32.4	33.9
Construction revenues	(2,946.5)	(2,802.7)	(3,150.9)	(3,732.9)	(3,336.7)
Construction revenues	2,881.4	2,739.7	3,080.5	3,651.4	3,263.8
Adjusted EBITDA excluding construction revenues and	7,445.3	6,477.6	5,198.9	4,490.0	3,901.4
Adjusted EBITDA margin excluding construction revenues and costs	49.5	48.8	45.4	43.3	46.6

9 – Adjusted 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.

10 – Other 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.

Financial and Operational Information item on the top menu.

Adjusted EBITDA increased by 14.8%, increasing from R\$6,540.6 million in 2018 to R\$7,510.5 million in 2019, and the adjusted EBITDA margin reached 41.8 % in 2019 versus 40.7% in 2018. Excluding the effects of construction revenue and costs, the adjusted EBITDA margin was 49.5% in 2019 (versus 48.8% in 2018).

## Investments

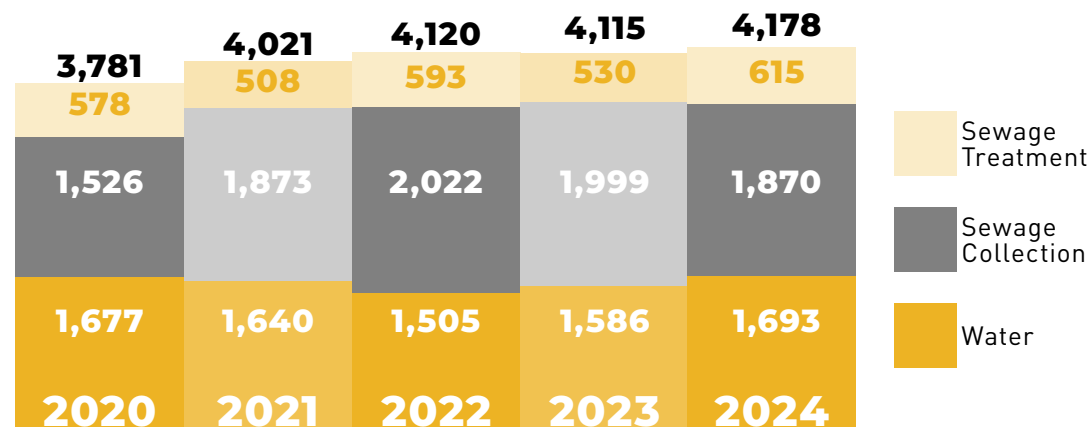
In 2019, the Company invested a total of R\$5.1 billion. Of this amount, R\$2.1 billion are non-cash investments. The table below details the investments made, broken down between water, sewage and the region:

	Water	Sewage	Total
<b>São Paulo Metropolitan Region</b>	2,033.0	2,084.3	4,117.3
<b>Regional Systems (inland and coast)</b>	419.9	530.8	950.7
<b>Total</b>	2,452.9	2,615.1	5,068.0

Note: Does not include the commitments assumed under the program agreements (R\$331 million).

For the 2020-2024 period, the Company plans to directly invest approximately R\$ 20.2 billion in cash, of which R\$8.1 billion will be in water and R\$12.1 billion in sewage collection and treatment:

## 2020-2024 Investment plan (R\$ million)



## Indebtedness

In 2019, total debt remained stable with 2018, at R\$ 13.2 billion. The R\$/US dollar exchange rate ended the year at R\$ 4.0307, an appreciation of 4.0% over 2018. The R\$/Yen exchange rate went from R\$ 0.03527 on December 31, 2018, to R\$ 0.03715 on December 31, 2019, an appreciation of 5.3% in the period.

Amortizations in 2019 totaled R\$ 2.1 billion. In February 2019, we amortized the final payment of the 15th Debentures Issue, in the amount of R\$ 361.6 million. In March 2019, we executed an early redemption of the outstanding balance of the 20th Debentures Issue, in the amount of R\$ 250 million and, in October 2019, we made a final amortization of an outstanding loan hired in 2016 (Deutsche Bank US\$ 150 million), in the amount of R\$ 153.7 million.

Although the total debt amount was maintained stable, there was a reduction in the covenant ratio (financial leverage indicator) "Total Debt/

Adjusted EBITDA", from 1.99x in 2018 to 1.75x in 2019. This level of indebtedness is significantly below the contractual limit of 3.65x, which was required for the 17th Debentures Issue, the 2020 Eurobond and the AB Loan.

The most recent debt issues consider a covenant "Adjusted Net Debt/EBITDA" ratio, with a limit of 3.5x, 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 issue deeds.

This change seeks to align the debt indicator with market practice, which for the most part uses the net debt numerator. At the end 2019, the covenant ratio "Adjusted Net Debt/EBITDA" stood at 1.45x.

The Company has frequent access to the domestic and international credit markets, maintaining strong relationships with public sector banks, particularly the National Bank

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**The Company has wide access to the national and international credit markets, maintaining strong relationships with BNDES, Caixa Econômica Federal, IDB, IBRD and JICA.**

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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).

This mix and diversity of sources results in an a very extended debt amortization profile, with costs that compatible with its investment cycle, particularly those granted by domestic official banks and multilateral lending agencies.

**Foreign debt**

On December 31, 2019, foreign debt represented 48% of the Company's total debt which is exposed to exchange rate variations in dollars and yen, resulting from financing with

multilateral and official banks, as well as debt instruments with the capital and debt markets.

In November 2019, due to the international and national macroeconomic conditions and their impact on interest and exchange rates, the Board of Directors approved a new guideline for the management of the Company's external debt in order to contemplate actions to capture opportunities that would result in lower exposure to foreign exchange variations.

As for debt instruments with multilateral and official banks, certain contracts already include a currency exchange clause, eliminating the need for private protection instruments against foreign exchange rate variations or may be amended for this purpose. For other foreign currency financings, the Company may use private exchange rate hedging instruments.

In 2018, Sabesp's credit ratings were not changed by the risk rating agencies. Thus, the Company's ratings at the end of 2019 were as follows:

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

**Fund-raising initiatives**

In 2019, the Company contracted a sum of R\$1.3 billion in local currency, used to rebuild cash and refinance financial commitments, and an additional US\$550 million to finance its investment plan.

In May 2019, the Company carried out its 23rd Debentures Issue, in the amount of R\$ 866.8 million, divided in two series. The first series, in the amount of R\$ 491.8 million, maturing in 5 years, with single repayment and remuneration of the CDI rate + 0.49% p.a., and the second series, in the amount of R\$ 375 million, maturing in 8 years, with repayment in three annual installments and remuneration of the CDI rate + 0.63% p.a. The funds were used for the refinancing of financial commitments that matured in 2019 and to rebuild cash.

In July 2019, the Company carried out its 24th Debentures Issue, in the amount of R\$ 400 million, divided in two series. The first series, in the amount of R\$ 100 million, maturing in 7 years, with single repayment and remuneration of the IPCA rate + 3.20% p.a., and the second series, in the amount of R\$ 300 million, maturing in 10 years, with repayment in three annual installments and remuneration of the IPCA rate + 3.37% p.a.

The funds were used for the execution of investment projects in the basic sanitation sector for adequacy and modernization of water supply systems, with the main objectives of controlling and reducing losses in the 71 municipalities in the State of São Paulo, approved by the Decree 635 issued by the Cities Ministry.

In 2019, we also signed 8 financing loans with Banco do Brasil, in a total amount of R\$ 22.4 million. These loans were issued within the

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scope of the State Water Resources Fund (Fehidro). The resources are destined for works and basic sanitation services in the municipalities of São Paulo, Suzano, Ribeirão Pires, Itapeverica da Serra, Caraguatatuba, Taubaté, Presidente Prudente and Lorena. The loans mature in up to 54 months, with grace periods of up to 18 months and interest rates of 3.00% p.a.

In November 2019, the Company signed a financing loan with the BID, in the amount of US\$ 300 million to be used for the Phase IV of the Rio Tietê Depollution Program in the MRSP. The payment of the loan will be made simultaneously with the investment. The loan's final maturity is 25 years, with a grace period of 6 years, with semiannual maturities and compound interest of the 3-month Libor plus the Bank's applicable margin for these types of loans.

Guarantee and counter-guarantee agreements were signed between the Inter-American Development Bank, the Federal Government, the Government of the State of São Paulo and Sabesp. The contract contains a clause that allows exchange in currency, from Dollar to Reais.

Also in November 2019, the Company signed a financing loan with the World Bank, in the amount of US\$ 250 million for the Sustainability and Sanitation and Water Preservation of Public Supply Services in the São Paulo Metropolitan Region.

The loan's final maturity is 30 years, with a grace period of 10 years, with semiannual maturities and compound interest of the 6-month Libor plus the Bank's applicable margin for these types of loans.

Guarantee and counter-guarantee agreements were signed between the World Bank, the Federal Government, Government of the State of São Paulo and Sabesp. The contract contains a clause that allows exchange in currency, from Dollar to Reais.

### Stock market

In 2019, the Company's share price ended the year with an appreciation of 92.3%, at R\$ 60.56, mainly driven by the expectation of changes in the sanitation regulatory framework and the start of retail operations in the municipalities of Guarulhos and Santo André. The IBOVESPA index ended the year with an appreciation of 31.6%.

In 2019, our shares were traded in 100% of the B3's trading activities, with an annual financial volume of R\$ 35.1 billion, increasing by 185% over 2018. During the year, Sabesp continued to be included in the main indexes at B3 and continued to receive research coverage by the market's main financial institutions.

The Company's American Depositary Receipts (ADRs) appreciated by 87.9% under the same fundamentals as the local market

and the variation of the US dollar. In the same period, the North American indexes also appreciated: Dow Jones by +22,34% and the S&P 500 by +28,88%.

### Dividends

According to the Company's Bylaws, common shares are entitled to minimum mandatory dividends corresponding to 25% of net income for each year, calculated after the deductions permitted by law and which can be paid in the form of interest on capital.

The dividend distribution policy establishes that minimum mandatory dividends will be paid until the universalization of basic sanitation services in the areas we operate is reached and, when paid in the form of interest on capital, the income tax on the amount paid to the shareholder will be considered as an additional dividend.

In 2019, Sabesp paid interest on equity in the amount of R\$792.2 million referring to the 2018 fiscal year, which corresponds to R\$1.1590 per common, a pay-out ratio of 27.94% and a dividend yield of 3.68%.

The Board of Directors approved the proposal to pay interest on equity in the amount of R\$941.0 million for the 2019 fiscal year, corresponding to R\$1.3767 per common share, a pay-out ratio of 27.94% and a dividend yield of 2.27%. Payment is scheduled for June 26, 2020. ▶



## Santos, on the coast of São Paulo, is among the cities with the best sanitation rates in Brazil



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### Tariffs and regulation

At the beginning of 2019, Arsesp disclosed its Regulatory Agenda for the 2019-2020 period containing priority actions for Sabesp's 3rd Ordinary Tariff Review (3rd OTR). The highlights for the year were:

- **Public Consultation 02/2019:** discussed the regulatory criteria for recognizing the transfer of tariffs to municipal basic sanitation funds, establishing a regulatory limit of 4% of the municipality's operating revenue on the transfer of tariffs.
- **Public Consultation 06/2019:** was aimed at establishing the Methodology for Calculation and Application of the General Quality Index (IGQ or Q Factor) of the services provided, with effects on tariffs as of 2020. This is a regulation mechanism based on incentives in which the service provider must define the annual goals, prior to the tariff review processes, to be achieved for each indicator and which can produce positive or negative effects according to the achievement (or not)

of the pre-defined goals. The regulatory agency defined that the Q Factor to be applied in 2020 tariffs will be the result of the tariff gains/losses calculated for each indicator in 2019, namely Feasible Sewage Connections, Deadline for Replacement of Pavements, Visible Leaks in Distribution Networks and Branches, and Complaints for Lack of Water and Low Pressure.

- **Public Consultation 09/2019:** was aimed at obtaining contributions on the methodology and general criteria for updating the Regulatory Remuneration Base of the 3rd OTR. The incremental assets incorporated by Sabesp during the period of July/2016 to June/2019 will be evaluated by the Original Book Value (VOC) measured by the New Replacement Value (VNR) method only for the new municipalities assumed by the concessionaire in the incremental period.
- **Public Consultation 10/2019:** discussed the Quadrennial Research and Technological Development Program for Innovation in Basic Sanitation Services regulated by ARSESP

(IDP Program) and approved its respective manual. The effects on tariffs will be as of 2020.

On May 5, 2019, ARSESP published Resolution 866, which established the regulatory guidelines and schedule of events with the steps for preparing the proposal of a new tariff structure for Sabesp. The schedule was changed in January 2020 through ARSESP Resolution No. 951 and will be concluded in December 2020.

Also within the process of the 3rd Ordinary Tariff Review, Arsesp released in February 2020, a new Regulatory Agenda for the 2020-2021 period, which includes discussions on WACC and a review of the Company's tariff structure, among other items.

Additionally, due to the economic impact caused by COVID-19, on March 19, 2020, the Company's Executive Board approved the proposal to exempt the payment of water and sewage bills for consumers in the Residencial Social and Residencial Favela programs, as

disclosed in the Material Fact released on the same date.

The exemption covers all municipalities served by the Company for a period of 90-day period as of April 1, 2020. To preserve the Company's economic and financial sustainability, the impact on revenue should be offset by reductions in expenses and adjustments in budget. The decision by the Executive Board still depends on ratification by the Board of Directors and must be communicated to the Sanitation and Energy Regulatory Agency of the State of São Paulo.

## COVID-19

In early 2020, a coronavirus outbreak was announced, and the World Health Organization later characterized the outbreak as a Pandemic.

Within this context, Sabesp is adopting all preventive measures to ensure the continuity and quality of services being provided to our customers. For more information, see Explanatory Note 33 to the Financial Statements available at <https://bit.ly/2UsgwMM>. □

### GRI 201-1 Economic Value Generated and Distributed

Component	2019	2018	2017	2016	2015
<b>A – Direct Economic Value Generated</b>	19,558,378	17,642,692	15,819,518	15,404,121	12,900,211
Revenue <sup>(a)</sup>	19,558,378	17,642,692	15,819,518	15,404,121	12,900,211
<b>B- Distributed Economic Value</b>	14,152,018	12,900,340	12,380,333	12,893,010	9,307,381
Operating costs <sup>(b)</sup>	7,513,695	6,545,164	6,495,739	7,114,963	6,104,882
Salaries and employee benefits <sup>(c)</sup>	2,680,198	2,680,512	2,613,041	2,180,531	1,507,964
Payments to equity holders <sup>(d)</sup>	1,537,678	1,385,597	1,256,522	1,421,057	885,243
Payments to government <sup>(e)</sup>	2,373,819	2,260,599	1,954,688	2,140,495	798,063
Equity investments <sup>(f)</sup>	46,628	28,468	60,342	35,964	11,229
<b>Accumulated Economic Value (A-B)</b>	5,406,360	4,742,352	3,439,185	2,511,111	3,592,830

Notes:

(a) Revenue – Comprised by all operating and financial income, other operating income, positive monetary and exchange rate variations and income related to the construction of assets.

(b) Operating costs – Comprised of operating costs and expenses, such as: general materials, treatment materials, services, electricity, general expenses (excluding expenses with water and meals/snacks) and employee training courses. Depreciation and amortization and write-off expenses were not included.

(c) Salaries and employee benefits – Comprised of salaries and charges (excludes courses and training), meals / snacks and amounts paid to Government institutions (charges and taxation of employees).

(d) Payments to equity holders – Comprised of interest on equity/additional proposed dividends and financial expenses paid as interest on loans. Retained earnings were not included.

(e) Payments to government – Comprised of Cofins/Pasep taxes on operating and non-operating revenues, tax expenses, income tax and social contribution (excluding deferred charges), and water use.

(f) Equity investments – Comprised of institutional support, events, receptions, exhibition and tax incentives distributed in the education, culture, health, sports, fighting hunger and food security fields.





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## ENVIRONMENTAL MANAGEMENT GUIDED BY SUSTAINABILITY

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Backed by its Environmental Policy, Sabesp seeks the integrated development of its activities through corporate programs focused on operations. To execute this, we have an environmental corporate area, in addition to Environmental Management Centers (NGAs) settled in the Company's Business Units where they act as operational agents for environmental management. These programs are disseminated throughout the entire operated area through the NGAs to ensure that uniform procedures and information are met. And they are based on two pillars: namely the maintenance of environmental compliance and changing the environmental culture at Sabesp.

### Operational eco-efficiency

**GRI 103-1 | 103-2** A fundamental pillar for advancing environmental management is the engagement and commitment of the operational areas to increase operational efficiency. Thus, the Company in recent years redirected its performance strategy, which during many years had been focused on implementing sanitation works and services but is now focused promoting improvements in its operational park and complying with environmental legislation and sustainable development.

The following initiatives are within this objective, in addition to other actions already mentioned in other chapters, such as water reuse at treatment plants, the program that

promotes the rational use of water, and sustainable solutions taken for the final disposal of sludge from treatment processes.

### Environmental Management System in Water and Wastewater Treatment Plants

During 2019, Sabesp continued with the progressive implementation of the Environmental Management System (SGA) at its water and wastewater treatment plants. This corporate program was structured in 2009 and is based on key ISO 14001 guidelines to improve operations and processes at treatment plants, aiming to improve efficiency and minimize risks of accidents and environmental liabilities.

The Company has been working with a mixed model since 2015, with the ISO 14001 standard being applied to a limited number of certified plants, and its own environmental management model (SGA-Sabesp) applied to the other units, which do not have certification objectives. This mixed model was developed to streamline the implementing process of this system, having as fundamental principle of facilitating the incorporation of environmental management tools into the operational routine.

The SGA aims to improve the operational procedures and practices, especially those related to the management of effluents, solid residues, chemicals, odor and noise, as well as

the routines of maintenance of legal documents, such as those required to the management of deadlines of renewal and compliance with environmental licenses and grants of right of use of water resources. The SGA also includes actions to improve plant infrastructures through a continuous improvement and pollution prevention, thus contributing with greater operational safety. ▶

**In 2019, the SGA was implemented at 119 plants (water and sewage) and ISO 14001 certifications were maintained at another 35 plants. In all, SGA is applied at 390 plants (48% of total), and we have annual expansion goals to implement the program at all operational plants by 2024.**

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## Sustainable Wastewater Treatment Plants Program

**GRI 103-1 | 103-2** In 2019, Sabesp initiated its Corporate Program of Sustainable Wastewater Treatment Plants, which aims to apply solutions and practices to transform the by-products (biogas, sludge and effluent) generated at wastewater treatment plants into sustainable resources, adding value to its market use and with energetic utilization.

The Program's management is coordinated by the corporate environmental management area and has representatives from operational, financial and research & development areas. Eleven sewage treatment plants were selected for the first phase, in which the opportunity to meet the eco-efficiency guidelines with the minimum use of natural resources were identified. As the first phase advances, Sabesp will continue to identify opportunities to replicate this initiative to other STPs.

The Program has its own certification system, consisting of three levels, and during 2019 we made diagnosis for our plants and established priority actions in the sustainability direction. The Várzea Paulista STP was the first to receive the Program's Sustainable Level 01 Seal. The other plants are in the process of implementing the improvements already identified.

## Multipliers of Environmental Protection

**GRI 413-1 | 103-2** Environmental Education is an important and effective tool for the Sabesp to promote awareness on the importance of basic sanitation, the correct use of its structure, the protection of water sources, rational use of water and pollution control.

Through the Corporate Environmental Education Program (PEA Sabesp), the Company promotes monitored visits to sewage

and water treatment plants, in addition to multidisciplinary and systemic activities, such as workshops and lectures at schools, artistic performances, educational activities, planting of seedlings, contests, collective efforts for cleaning up beaches and rivers, release of fish-seeds, as well as activities on commemorative environmental dates. It includes also activities to the internal and external public aiming to form environmental multipliers, what is also part of the activities of the Sabesp 3Rs Corporate Program.

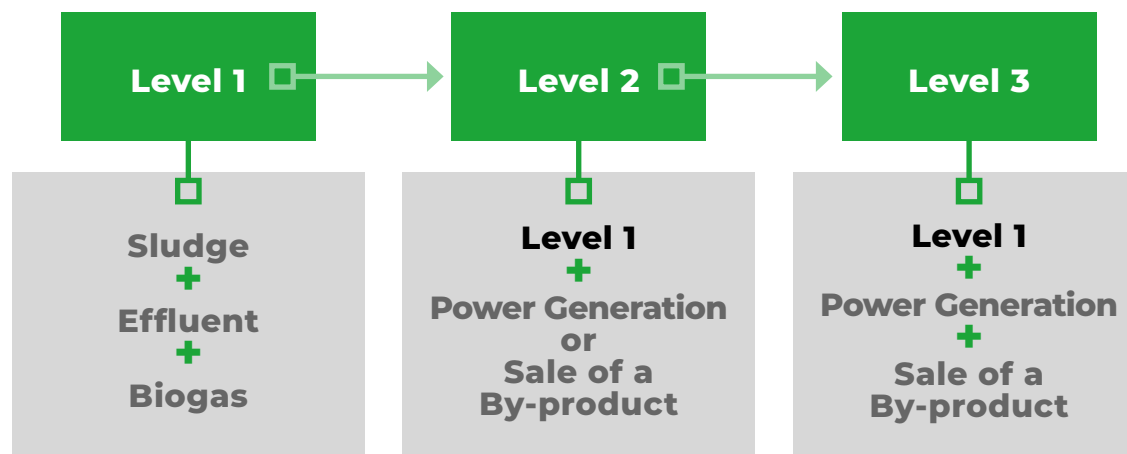
Sabesp also has partnerships with educational institutions, city halls and non-governmental organizations to promote initiatives that mobilize actions for environmental respect and preservation. In 2019, we held 1,595 health and environmental educational lectures to an audience of approximately 268,000 people and 1,300 monitored plant visits, serving nearly 62,000 visitors.

An example of an initiative developed in partnership with city halls, schools and local communities is the Environmental Literacy Program, belonging to the Government of the State of São Paulo. In 2019, this Program promoted the planting of approximately 1,100 seedlings of native species at 27 schools in 11 municipalities. Participating students received a certificate for their contribution towards the preservation of biodiversity.

Sabesp also maintains the Public-School Social Entrepreneur Development Project, which carries out several initiatives at four public schools located in the southern region of the city of São Paulo.

In the region of the municipality of Lins, located in the inland region, Sabesp carried out roughly 600 actions, in partnership with educational institutions and other participating groups, for

## Evolution Levels of the Corporate Program for Sustainable Wastewater Treatment Plants



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nearly 70,000 people to mobilize the cleaning of the Campestre river stream. In the region of the city of Botucatu, the Company has the Water Path project, which is focused on carrying out awareness actions for the rational use of water and that the inadequate use of the sewage networks results in obstructions and overflow of the system.

The Company carries out ongoing environmental awareness actions at public schools in the Vale do Ribeira region and, in 2019, held in the Baixada Santista region the World Day for the Cleaning of Rivers and Beaches, considered one of the largest international environmental education events.

## Shared Management of Water Resources

Sabesp participates and acts in various levels of the National Water Resources System. It has a seat on the National Council of Water Resources (CNRH), the highest hierarchical body, as well as in five of its technical chambers. In the State Water Resources Council (CRH), Sabesp has representatives in all of its technical chambers.

The Company is also present in all of the 21 Water Basin Committees of the State of São Paulo and in the 4 Interstate Committees that have state coverage, giving priority to the activities in the chambers that deal with Planning, Sanitation, Environmental Education and Charging for Water Use. In total, there are 161 employees acting as institutional representatives in these forums.

## Use and Payment for Water Resources

In 2019, the Company disbursed R\$89.2 million to pay for the use of water resources from federal and state rivers in the water basins: Paraíba do Sul, Piracicaba, Capivari and Jundiá, Sorocaba and Médio Tietê, Baixada Santista, Alto e Baixo Tietê, Tietê Batalha, Tietê Jacaré, Ribeira de Iguape, Litoral Sul, Pardo, Baixo Pardo and Grande, Sapucaí Mirim and Grande, Mogi-Guaçu, Serra da Mantiqueira, Turvo Grande, Alto Paranapanema, Médio Paranapanema, Pontal do Paranapanema and Aguapeí/Peixe. In 2020, we expect to start paying for the use of water basis located in the northern coast and São José dos Dourados.

Paying for the use of water is a topic that highly interests Sabesp given its relevance in national debates regarding the scarcity and awareness of the rational use of this resource. It is also an important

## CORPORATE ENVIRONMENTAL MANAGEMENT TRAINING PROGRAM

The Company advanced with specific qualifications aimed at improving our organizational processes and disseminating concepts and practices among our stakeholders. In 2019, more than 1,800 people were trained as multipliers of good environmental practices and the importance of basic sanitation.

## COMMUNITY GARDENS PROGRAM

Promotes the conservation of operational areas in the city of São Paulo, jointly with the surrounding population, by planting organic greens and vegetables. In 2019, 187 individuals and their families were enrolled in the program, generating a positive impact on the food habits of approximately 618 people.

## COOKING OIL RECYCLING PROGRAM (PROL)

Used to warn against the environmental impacts of the incorrect disposal of used cooking oil into the pipeline, in addition to generating extra income for the participating members. In 2019, the program prevented the disposal of 541,600 liters of cooking oil into nature and the sewage network.

## TEACHING HOW TO FISH

The project has been carried out for 15 years and promotes free training for low-income or unemployed individuals on how to maintain hydraulic installations and the rational use of water to reduce losses. Classes are given by Sabesp's employees, as volunteers, and the Project's participants are trained as important agents for our value chain. In 2019, the Teaching to Fish program was included in the best practice list of the Public Administration Good Environmental Practices Agenda, which lists national programs based on the A3P program of the Ministry of Environment.

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**1,595**  
lectures on  
environment and  
sanitation

**268,000**  
attendees

**1,300**  
monitored visits to  
Company's facilities

**62,000**  
visitors

source for financing actions planned by the Committees for the recovery and preservation of water resources.

Another topic that interests the Company is the classification of the water bodies and the need to establish a pact for water quality goals associated with its uses to create guidelines for the use of water bodies and the need to establish a treaty regarding goals for water quality according to its use. Among other issues, it is worth mentioning the drafting of laws aimed at protecting water sources used for water supply.

### Biodiversity Protection

**GRI 304-1** Sabesp owns approximately 44,000 hectares of land in conservation units, being 9,000 hectares of water mirrors and 35,000 hectares of areas surrounding these springs. Of these, 94% (33,000 hectares) are protected areas covered by vegetation, corresponding to 210 Ibirapuera parks, which are in the following reserves: Morro Grande, in the Alto Cotia System; Parque Estadual da Serra do Mar – in the Rio Claro System; the Capivari-Monos Environmental Protection area; a portion of the Guarapiranga System and the Cantareira System.

These reserves represent 1.4% of the remaining Atlantic Forest in the state of São Paulo. In addition to the recovery of forests (planting), inspection and monitoring, the Company also has study areas reserved for universities and areas to activities with society involvement with NGOs and other institutions.

In the municipality of São Sebastião, in the northern coast, we also own the São Francisco Reservation area, in the Serra do Mar National Park (Decree 10.251/77), with 2,500 square

meters (7.1 km of perimeter), which has the São Francisco stream, a water source for the São Francisco Water Production System. In 1994, this area was declared as an Atlantic Forest Biosphere Reserve by UNESCO.

### Cultivation and planting of seedlings

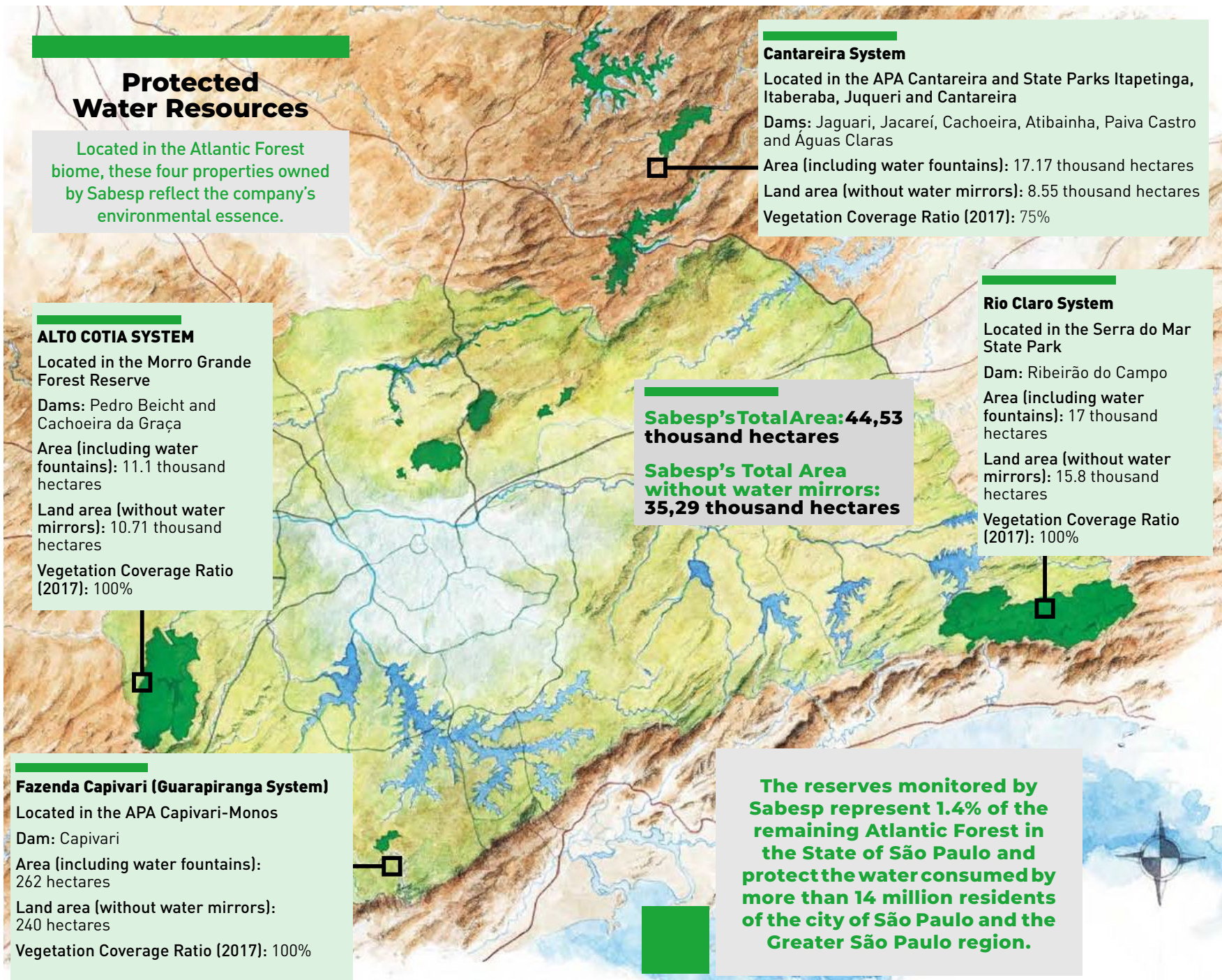
In 2019, the Company promoted the voluntary planting of more than 24 thousand tree seedlings in partnerships with city halls, NGOs, the army, police, schools, service clubs, and other institutions and corporate entities. To subsidize these activities, nurseries are maintained in the inland region and in the SPMR:

- Jales STP – Production of seedlings of ipê, calabura, angico, aroeira pepper, palmeira, pata de vaca and mimoso rosewood trees. In 2019, 15,000 seedlings were provided for various projects, in which we emphasize the planting of 12,000 seedlings in the 82 cities that make up the Baixo Tietê and Grande business unit, in celebration of the World Water Day, Environmental Day, The Tree Day and Tietê River Day;
- Franca STP (“Verde Vida” nursery) – Production of seedlings of ipe, aroeira and araçá trees, among others, to recompose the riparian forest of the Canoas River, the main source that supplies the municipality. In 2019, a total of 1,500 seedling were supplied by this nursery.

- Since 1990, we maintain two other seedling nurseries, one in the Jaguari dam, part of the Cantareira System, and another at the Alto Cotia WTP, part of the Alto Cotia System. These nurseries are a reference in the production of seedlings for Atlantic forest species and have already served forest restoration projects, replanting forests and planting trees in urban



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spaces. The Jaguari nursery is being revitalized in partnership with an NGO in order to carry out socio-environmental activities with the existing environmental education center located at the same nursery and to continue planting activities around the reservoirs of the Cantareira System.

In this sense, we highlight the Company's participation in the 2019 Green Nation event, held at the Ibirapuera park in which the audience sponsored 15,000 seedlings to be planted in the surrounding regions of the Cachoeira dam, part of the Cantareira System. With the Our Trees initiative, the Company reinforces the importance of protecting springs, our key sources of water supply. The event has an online page (<http://p.greennation.com.br/mapa/>) in which sponsors can view information on the tree species used for the project and monitor the growth evolution of the planted trees.

Sabesp also aims to value green areas in urban centers and therefore supports the São Paulo + Bonito Program, (More Beautiful São Paulo Program) launched by the Government of the State of São Paulo and has recovered over 70

green areas in the city of São Paulo (flower beds and gardens in traffic circles and public squares). The objective is to encourage the use of urban spaces while caring for the environment. In addition to Sabesp, other companies participate in the program.

For the environmental licensing of new ventures, when it is necessary, forest restoration obligations are established under the Environmental Recovery Commitment Terms (TCRAs), which motivated the Company to create the Corporate Program for regularization and anticipation of TCRAs. This program contemplates the planting and maintenance of one million seedlings of regional native species over a 10-year period to meet current obligations, as well as future TCRAs arising from the implementation of new ventures .

The works are underway and are also part of the Government of the State of São Paulo's **Nascentes Program**, prioritizing the restoration of areas of water sources protection . Of the 735 thousand seedlings purchased, 625 thousand seedlings have been planted and are in maintenance.

## MANAGEMENT OF GREENHOUSE GAS EMISSIONS

Climatic conditions and extreme events have a direct impact on sanitation activities. Therefore, our environmental management focuses 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 sense, we created the Corporate Program for the Management of Greenhouse Gas (GHG) Emissions, whereby we elaborate annual inventories for the measurement of these emissions, promote awareness activities on climate issues and encourage actions that reduce GHG emissions in our operations. These initiatives are in alignment with the responsibilities established in the guidelines and requirements of the State Policy on Climate Change.

### Monitoring Greenhouse Gas Emissions

**GRI 305-1 | 305-2 | 305-3 | 305-4** In 2019, we concluded the corporate GHG inventory for 2018, which totaled 2,223.2 thousand tons of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e), which was distributed as follows:

Emissions in 2018 ((thousands of tCO <sub>2</sub> e) <sup>(1)</sup> )	
<b>Scope 1</b>	<b>2,021.8</b>
<b>Scope 2</b>	<b>180.8</b>
<b>Scope 3</b>	<b>20.6</b>
<b>Total</b>	<b>2,223.2</b>

**Green Nation 2019:** Sabesp promoted the distribution of 15 thousand seedlings



(1) The inventory follows the principles and requirements of the NBR ISO 14.064:2007 standard – Part 1 and of the Brazilian GHG Protocol Program. The calculation guidelines follows the methodology according to the atmosphere emissions categories of the Intergovernmental Panel on Climate Change Guidelines for National GHG Inventories (IPCC 2006). Since 2013, the GEE emission inventory is calculated by using the Global Warming Potential – IPCC, Second Assessment Report.

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Trends have remained the same as previous years, with sewage collection and treatment activities being the main sources of GHG emissions, responsible for approximately 90.4% of the total amount. Electricity accounts is the second largest source of emissions of the Company, contributing with 8.1% of the total. The remaining activities represent approximately 1.5%.

We are always alert to the use of new technologies, especially those aimed at Cleaner Production, encouraging best operating practices that result in good management of greenhouse gas emissions, such as initiatives for the beneficial use of the generated sludge, energy efficiency projects, among others.

Even so, over time there are variations in the total results of GHG emissions, mainly due to external factors, such as changes in the CO2 emission factor of the National Integrated System (SIN), which is used to calculate electricity emissions. Given the nature of the activity and the ongoing evolution of the services provided towards universal sanitation, the numbers of Sabesp's GHG inventory are expected to have an upward trend.

## INCREASED ENERGY EFFICIENCY

**GRI 103-2 | 103-3 | 302-4** In 2019, Sabesp initiated the structuring of a Distributed Generation Program that integrates Sabesp's Energy Management Plan. In addition to promoting the use of self-generated energy potential, the Plan promotes actions that result in more efficient consumption.

The first phase of the Distributed Generation Program – Photovoltaic Energy consisted of identifying 30 locations for the implementation of Photovoltaic Plants (UFVs), totaling an

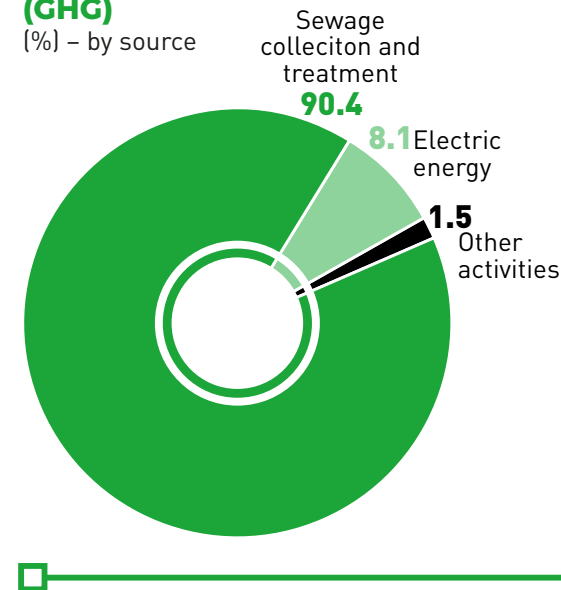
installed capacity of 60 MW, or 65% of Sabesp's energy consumption carried out at low voltages, corresponding to 4.5% of the Company's total consumption.

It is important to note that, although the Brazilian energy matrix is mostly comprised by renewable sources, energy production near consumption points contributes to the reduction of environmental impacts arising from the construction of large hydroelectric power plants and transmission lines, in addition to reducing losses that occur from the initial energy generation and final consumption.

The Company expects to initiate its energy production in the first UFV, located in the Municipality of Orindiúva, during the second half of 2020. The entire program is scheduled

## 2018 Greenhouse Gas Emissions (GHG)

(%) – by source



to be concluded by 2021. By enabling electricity production through clean, renewable and sustainable sources, we are helping to avoid the emission of CO<sub>2</sub> into the atmosphere.

In order to promote efficient consumption at its operations, in 2019, Sabesp developed a new equipment hiring model to include the lowest global price as criteria for analyzing proposals. Therefore, the selection of the best proposal will be the one that present the lowest global price, considering not only the price of the equipment, but also the projected energy consumption value for the first three years of operation.

This innovation will make it possible for new equipment to be acquired under more efficient terms and to help reduce Sabesp's energy

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consumption. The company currently has a series of projects that were developed to reduce energy consumption and diversify the energy matrix of our operations, as described below.

### Pioneer photovoltaic plant in the sanitation sector

– The actions for energy generation are not applied only at the facilities operated directly by Sabesp. We highlight the start of operations, in 2019, of the first solar energy generation system of the Brazilian sanitation sector, the Photovoltaic Plant of the Mogi Mirim STP and the Sanitation Services of Mogi Mirim (Sesamm), which is a result of the consortium formed between Sabesp, GS Inima Brasil and ECS Operations.

Clean energy is produced from solar radiation that contacts the 1,066 modules installed at the station. The plant produces 606 MW/year, supplying 30% of the energy required for sewage treatment. The PERC (Passivated Emitter and Rear Cell) cell technology is more efficient as it reduces the area occupied by the photovoltaic modules and generates more efficient energy.

**Biogas from sewage** – in the search for new ways to produce clean energy, it is worth mentioning that Sabesp already has sustainability innovations in the transportation sector. Since April 2018, we have used biogas generated in our Franca STP to fuel our fleet of 38 vehicles in that region. More details are provided in the Research, Development & Innovation section.

Another example of a project aimed at energy efficiency was the replacement of the motorized pumping sets and control panels of the R18A Water Pumping Station in São José dos Campos, with more efficient equipment that resulted in savings in consumption of around 22%.

At the Limeeiro STP, in Presidente Prudente, we developed a special procedure for drying sludge which involves mats and mobile trays heated by solar thermal energy. This initiative reduces energy consumption, sludge volume, transportation costs and the overall volume disposed at landfills, in addition to reducing pollution and emission of greenhouse gases.

In Lins, we also began to use solar energy in operational metering equipment at the main STP in the city, and similar initiatives are being taken at other plants, such as solar panels for the operating disinfection systems. Our headquarters in the Vale do Ribeira region, located in Registro, also adopted photovoltaic energy at the administrative building and this has great potential for replication in other Company's buildings.

## Fleet Renewal

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 2019, 90% of light vehicles and 75% of heavy vehicles had been replaced.

In addition to this Program, Sabesp also follows the government's guidelines regarding the use of ethanol, a renewable fuel, for vehicles with flex characteristics and Diesel S10 for heavy vehicles. Besides 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. Another important action carried out in 2019 was the pilot test for the adoption of innovative technologies in Sustainable Corporate Mobility, which researches the efficiency of electric and hybrid vehicles that may be used in the company's fleet in the future. ■



Sewage treatment plant in Mogi Mirim with a photovoltaic power generation system, installed in partnership with SESAMM (Mogi Mirim Sanitation Services)





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An efficient and quality service that offers people better sanitary and supply conditions directly impacts and generates value for the entire society in the regions where the Company operates.

Access to these services is the basic condition for a healthier and more civilized lifestyle for the population impacted by our services. As the Company has a wide range of audiences, it can potentialize its social responsibility through service efficiency, respect for customers, employee appreciation, partnerships with suppliers and social initiatives, as detailed in the following pages

## FOCUS ON CUSTOMER SATISFACTION

**GRI 102-43 | 102-17** Our Institutional Vision focuses on our customer and guides our operations and decision-making processes. Offering quality products and effective services is one of the strategic drivers of Sabesp's operations. To achieve this, the Company continues to diversify the relationship with its customers.

In addition to a 24-hour telephone assistance and individual services at the 412 branches in the areas it operates, the Company also

developed the Virtual Agency, a 24-hour self-service portal where customers can carry out several services without leaving home.

We also offer the Sabesp mobile option, an application used to pay current and overdue bills, request a duplicate bill, communicate water shortages and request for water and sewage connection. The addresses/contact information of these channels are available on page 100 – Corporate Information section of this report.

In 2019, Sabesp also launched three additional Relationship Laboratory Agencies: two in São Paulo and one in São José dos Campos. These agencies function as a laboratory for new technologies, processes and procedures and through them, we converted 25% of our in-person interactions to the digital channel, reducing from 39 to 29 the on-site service stations in the regions in which these agencies are installed.

Sabesp also offers its clients an Ombudsman's Office, a qualified channel for customer service to handle complaints, suggestions, reports of wrongdoings, criticism and information. In 2019, the Ombudsman's Office received nearly 110,000 contacts.

To further facilitate customers access, the Company's telephone channels offer options for people with hearing impairments, in which personalized communication is offered in Libras (the Brazilian sign language), in addition to the option of issuing bills in braille for the visually impaired.

In 2019, the Company also began to conduct a monthly Customer Satisfaction Survey. More than 9,6 thousand interviews were conducted across the state of São Paulo, which allowed to measure results with a margin of error of only 1% and a 95% confidence level. The overall satisfaction indicator was 86%.

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As Sabesp is a large company with a wide range of audiences, the benefits it offers to society through full citizenship rights can be potentialized by developing proprietary actions or in partnership with many other organizations.

The greatest example of this effort is seen through our Corporate Volunteer Program, which is a tool to spread positive social values through the promotion of changes in the communities where we operate, in addition to motivating and generating the involvement of the largest possible number of employees.

This Program, which was created ten years ago and involves all of the Company's corporate divisions, is led by a group of employees and promotes several campaigns, such as Warm Clothing, Pink October, Blue November, Blood ▶

Donation and 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

■ Elderly, Children and Adolescents: R\$7.9 million to the State Fund for the Rights of Children and Adolescents (Fedca) and the State Fund for the Elderly.

The value proposition for employees is based on three pillars: valuing people, career management and improving skills.

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**In 2019, the Warm Clothing Campaign, in partnership with the State of São Paulo's Solidarity and Social and Cultural Development Fund (FUSSESP), collected 2.1 million pieces of clothing, benefiting 519 social entities. Throughout the 17 years of its existence, the Campaign has collected 50.2 million items that have been donated.**

### Supports and Partnerships

Sabesp offers financial and institutional support for cultural, social, educational and sports activities with our own resources and tax incentives. In 2019, we allocated approximately R\$ 51 million through the following initiatives:

- Culture: R\$15.7 million in 16 projects, disseminating culture in different artistic languages.
- Sports: R\$3.9 million for 16 organizations focused on high performance or as an educational sports tool.
- Oncological care: R\$3.9 million to the National Oncology Care Support Program (Pronon), contributing with cancer treatment in Brazil. Since 2014, our support has reached approximately R\$14.9 million.

## PEOPLE MANAGEMENT

**GRI 102-48 | 103-1** The Company's People Valuation Guidelines is strategic for it to achieve its vision to becoming a world reference as a sanitation service provider. We seek to carry out the guideline by promoting the professional and personal development of our employees.

Sabesp adopts the People Management by Skills model, which is continuously reviewed from the innovation and flexibility perspective, focusing on improvement, high performance and employee engagement. Thus, we seek to enhance our organizational values to face future challenges and promote engagement in the search of business objectives and results.

### Overview of Sabesp's Professionals

**GRI 102-8 | 401-1 | 103-3** Our employees are classified under the Positions and Compensation Plan, which is structured according to operational, technical, university and managerial positions and considers the educational background, professional experience, ability to deal with complexity and technical prerequisites of each employee. The workforce is also assisted by interns and apprentices, who assist in supervised activities that provide them learning and professional training opportunities.

In 2019, the Company had 13,945 employees, all in the state of São Paulo. Our employee breakdown consisted of 11,182 men and 2,763 women.

Among our fixed work positions (managers, university, technical and operational), 1,563 are part-time employees and 12,382 are full-time employees.

Number of Employees by Category	2015			2016			2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Managers	474	117	591	478	120	598	475	123	601	485	139	624	491	156	647
University	1,607	902	2,509	1,627	902	2,529	1,537	837	2,374	1,681	869	2,550	1,622	827	2,449
Technician	4,143	1,667	5,810	4,196	1,670	5,866	4,073	1,611	5,684	4,223	1,656	5,879	4,040	1,590	5,630
Operational	5,132	181	5,313	4,960	184	5,144	4,835	178	5,013	194	5,396	5,029	190	5,219	
Subtotal	11,356	2,867	14,223	11,261	2,876	14,137	10,920	2,752	13,672	11,591	2,858	14,449	11,182	2,763	13,945
Interns	447	412	859	360	330	690	463	447	910	340	316	656	543	506	1,049
Apprentices	327	183	510	265	165	430	332	208	540	259	215	474	356	268	624
Total	12,130	3,462	15,592	11,886	3,371	15,257	11,715	3,407	15,122	12,190	3,389	15,579	12,081	3,537	15,618



**Considering our interns and apprentices, our headcount totals 15,618 people.**

Number of Employees by Period	2015			2016			2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Part-time	1301	294	1,595	1302	300	1,602	1,277	292	1,569	1,305	303	1,608	1,283	280	1,563
Full-time	10,055	2,573	12,628	9,959	2,576	12,535	9,643	2,460	12,103	10,286	2,555	12,841	9,899	2,483	12,382
<b>Total</b>	<b>11,356</b>	<b>2,867</b>	<b>14,223</b>	<b>11,261</b>	<b>2,876</b>	<b>14,137</b>	<b>10,920</b>	<b>2,752</b>	<b>13,672</b>	<b>11,591</b>	<b>2,858</b>	<b>14,449</b>	<b>11,182</b>	<b>2,763</b>	<b>13,945</b>

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Hirings <sup>(1)</sup>	2015		2016		2017		2018		2019	
	Total	%	Total	%	Total	%	Total	%	Total	%
<b>Gender</b>										
Men	237	2.09%	477	4.24%	13	0.12%	850	7.33%	115	1.03%
Women	63	2.20%	128	4.45%	5	0.18%	169	5.91%	26	0.94%
<b>Age Group</b>										
20 to 40 years old	70	2.26%	472	15.43%	5	0.19%	813	25.96%	77	2.70%
41 to 55 years old	160	1.99%	101	1.28%	5	0.07%	181	2.42%	41	0.57%
Over 55 years old	70	2.27%	32	1.00%	8	0.24%	25	0.65%	23	0.58%
<b>Region</b>										
SPMR	274	3.30%	408	5.05%	7	0.09%	413	6.91%	117	1.32%
Inland and Coast	26	0.40%	197	3.21%	11	0.18%	606	7.88%	24	0.43%
<b>Company Total</b>	<b>300</b>	<b>2.03%</b>	<b>605</b>	<b>4.25%</b>	<b>18</b>	<b>0.13%</b>	<b>1019</b>	<b>7.45%</b>	<b>141</b>	<b>0.98%</b>

Turnover Rate	2015		2016		2017		2018		2019	
	Total	%	Total	%	Total	%	Total	%	Total	%
<b>Gender</b>										
Men	654	3.92%	205	3.03%	339	1.61%	168	4.39%	508	2.79%
Women	178	4.20%	83	3.67%	129	2.43%	60	4.01%	126	2.75%
<b>Age Group</b>										
20 to 40 years old	103	2.80%	80	9.03%	46	0.95%	75	14.18%	80	2.75%
41 to 55 years old	213	2.32%	76	1.13%	82	0.57%	56	1.58%	108	1.04%
Over 55 years old	516	9.51%	132	2.55%	340	5.15%	97	1.59%	446	5.93%
<b>Region</b>										
SPMR	491	4.74%	202	3.76%	326	2.79%	91	2.85%	450	3.48%
Inland and Coast	341	2.99%	86	2.35%	142	0.99%	137	6.64%	184	1.79%
<b>Company Total</b>	<b>832</b>	<b>3.98%</b>	<b>288</b>	<b>3.16%</b>	<b>468</b>	<b>1.78%</b>	<b>228</b>	<b>4.32%</b>	<b>634</b>	<b>2.78%</b>

**Sabesp does not hire outsourced labor and only contracts service provisions according to its business needs.**

(1) The data referring to past years are different than what was previously reported since we changed the formulas to calculate the admission and turnover rates in order to align them with GRI Standards guidelines. Instead of using the average number of dismissals and admissions during the year, as was done in previous reports, we began to consider the number of admissions and dismissals at the end of the reported period.

**Career management**

**GRI 103-1** Sabesp's Positions and Compensation Plan guides its employee's Career Management by establishing evolution paths and allowing employees to trace their trajectory aimed at their continuous development.

The model is guided by a regulation that is aligned with the guidelines established by the controlling bodies of the Government of the State of São Paulo. In this sense, all changes must be submitted for approval by the controlling body.

An Evaluation Process is carried out annually between employees and managers, in which individual skills are defined and evaluated. This fundamental feedback and close look at career evolution results in the elaboration of an Individual Development Plan (PID) to guide how each employee should improve their professional skills and the expected increase in wages.

Career growth is defined by wage increases of 5% to 15% (promotions), which are offered according to budget availability and prior approval by the controlling bodies of the State of São Paulo.

In recent years, the evaluation cycles resulted in the following:

Year	Movements
<b>2015</b>	No movements occurred, 1% of payroll as personal advantage
<b>2016</b>	4,530 employees (1% payroll)
<b>2017</b>	6,085 employees (1.7% payroll)
<b>2018</b>	4,212 employees (1% payroll)
<b>2019</b>	6,712 employees (2% payroll)



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## 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 activities, 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 2019, the Company carried out 16 internal selection processes to fill 24 Management and Technical positions, in which 1,026 candidates participated. For this, specialized consultants were hired using recognized tools in the market and specific methodologies to evaluate the assignments required for the positions and steps are established to identify the best professional for each vacant position.

## 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 2019, a Public Admission Exam was held to fill 516 vacancies for young apprentice positions, in which 12,036 candidates

participated. To meet demands from all of the Company's business units, an additional Public Admission Exam was held to fill 947 vacancies for internship positions, in which 6,088 candidates participated.

In June 2019, the Company extended the expiration date of the Public Admission Exam 01/2018 for an additional 12 months, which is destined to initially fill 661 vacancies and another 341 vacancies for several positions at the Company.

In recent years, the following Public Admission Exams were carried out were as follows:

Vacancies filled through the exams	2015	2016	2017	2018	2019
Employees	-	-	-	1.002	-
Apprentices	-	565	485	-	516
Interns	826	1.026	-	956	947

## Opportunities Database

Sabesp has a communication channel that identifies and gathers information about those employees who are interested in transferring from business units and/or work location. 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.

## Knowledge Retention Program

The **Knowledge Retention Program (PRC)**, launched in 2018, sets criteria and procedures for voluntary dismissals of employees. Throughout 2019, 408 employees were dismissed in a planned and phased out process, enabling knowledge to be transmitted and preventing the activities of the Company's various areas from suffering disruption..

## Apprentice Program

In compliance with Law No. 10.097/2000, Sabesp has been developing its **Apprentice Program** since 2006, which contributes to the development of citizenship and professional qualification of young individuals aged 14 to 22, helping drive their entry into the job market. The program lasts 18 months and is aimed at young individuals attending their final years of high school. Since 2006, a total of 4,312 apprentices have been hired by the Company.

In 2019, Sabesp's 8th apprentice class, with 516 participants, joined the Company. As a way of welcoming the participants to the Company, an integration event was held in which the apprentices and their mentors spent a day participating in lectures and other interaction activities. A total of 260 apprentices from units in the SPMR participated in person and the remaining apprentices from other regions participated online. ▶

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## Organizational Climate

**GRI 103-3** In September and October 2019, the Organizational Climate Survey was carried out, a management tool that aims to identify opportunities to improve work environment and develop actions to enhance essential factors that contribute with the productivity and well-being of all employees. This survey is carried out every two years and provides insight on the Company's internal climate and employee satisfaction based on the following: Leadership, Pride, Appreciation, Work Environment and Equality.

The 2019 Organizational Climate Survey was organized by the People Management (CH) department, and 77% of Sabesp's employees participated in the survey. The favorability ratio (responses with scores of 4 and 5) in this cycle reached 71%. The survey's result will be used to develop improvement plans to mitigate the unfavorable aspects identified by employees.

## Organizational Culture

**GRI 103-2 | 103-3** The organizational culture management project began in December 2018 and achieved significant results in 2019. The project is based on the Competitive Values Model (Cameron and Quinn) methodology and initiated through the diagnosis obtained from a survey that helped identify the corporate culture desired by Sabesp, which in summary aims for increasing innovation and results that contribute with the Company's strategic objective of maintaining and conquering markets and new businesses.

The survey was answered by 38% of the Company's employees and has a margin error

of 2%. The project's continuity relied on the engagement of all our Executives and technical working groups were created to jointly develop the process that will change Sabesp's corporate culture to achieve the desired scenario.

Effective organizational changes requires changes in attitudes and thus a leadership role is essential for this process. Therefore, and considering the achievements of the work carried out by the technical groups, in 2020 we expect to launch the Consolidation of the Corporate Communication Plan and the Leadership Training Plan.

## Wages and Benefits

**GRI 103-2** Sabesp adopts a salary policy which is linked to the Positions and Compensation Plan and aligned with the Skills-Based People Management model, to attract, retain and develop qualified and committed professionals, by offering career prospects and compensation that are compatible with the market. Furthermore, the policy 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.

## Health and Private Pension Plans

Em 2019, we took an important step towards the implementation of the new health plan. After a bidding process, in which the winning bid declined to accept, Sabesp, with the approval of the controlling Government bodies, signed an adhesion agreement with FUNCESP (Fundação Cesp) and began to transition from the previous Sabesp health plan on August 1, 2019.

FUNCESP was created by employees and sponsoring companies (Energy Companies of the State of São Paulo) to administrate and elaborate pension and health plans and, until Sabesp adhered to the plan, it had 85 thousand beneficiaries.

Sabesp's health plans administered by FUNCESP follows the model provided in Call Notice 04094/18 as established by the Health Commission, composed of representatives of the Sabesp Sabesp's Association of Retirees and Pensioners (AAPS).

In the months of June and July 2019, a Communication Road Show (itinerary exhibition) was carried out at business units and corporate divisions throughout the state of São Paulo to explain the transition process and how the new health plan would be implemented.

In order to adhere to the new FUNCESP plan, Sabesp created a Contribution Plan for newly hired employees or those who decide to not adhere to any of the plans managed by Sabesp. This Plan was approved in 2019 and came into effect on May 01, 2020.

In addition, FUNCESP has expressed interest in the possibility of taking over the management of the Sabesp pension plans, name the Benefício Definido – BD, Sabesp Mais – CD and Reforço plans. This assessment may result in the preparation of a commercial proposal for administration and management services of the referred pension plans. The decision will be made by Sabesp, along with entities representing employees and retirees, and if approved must be submitted for consent by PREVIC. ▶

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Benefits		
Offered by the Company	Meal Voucher and Food Voucher	In the flexible benefit format, the monthly credit in the amount of R\$1,289.84 is distributed as R\$900.00 in meal voucher and R\$389.84 in food voucher according to the days of the month.
	Extraordinary Break Time	A single payment of R\$37.50 for employees who work overtime for at least 2 hours.
	Christmas Bonus	An additional credit in the amount of R\$389.84 is given to all employees on the meal voucher card, in compliance with the Collective Agreement 2019/2020.
	Job Security	Employment guarantee to 98% of the staff on May 1, 2019 (exceptions: dismissal with due cause, voluntary dismissal, retirement, death, termination of work contract and voluntary/incentive dismissal program)
	Complementary Sickness Aid	Payment of the difference between the employee's wage and the amount covered by the INSS for those in leave of absence due to illness or occupational accident. The complementary benefit is for a period of up to 6 months.
	Vacation Bonus	Fixed amount of R\$1,973.20 + 60% of the difference between fixed wage and wage + ATS.
	Medical Care (Funcesp)	Health Plan Funcesp Digna (I, II and III): employees contribute up to 3.97% of their base wage. The benefit is extended to legal dependents without additional costs.
Required by Law	Private Pension Plan (Fundação Sabesprev)	Sabesprev Mais (CD) Plan: wages up to R\$5,337.80 contribute with 0.5% or 1%. Above this amount, an additional contribution of up to 8% is paid. Basic Benefit Plan (BD): admissions are suspended, and the plan is linked to wages. Formula: wages up to R\$5,337.80 x 2.9648% and for higher wages: R\$5,337.80 x 25.1910%.
	Night Shift	Additional payment of 20% of the night-time base hourly wage, according to current legislation.
	Weekly Paid Rest	Payment for overtime hours on holidays and weekly day off is paid at a 100% increase over the base hourly wage when the employee is not offered a day off in the following week.
	Overtime	Paid with a 100% increase over the base hourly wage.
	Additional Payment for Hazardous Work	For employees exposed to chemical, physical and biological agents (household sewage, noise, humidity, chlorine and others). Additional payment ranges from 20% to 40% over the national monthly minimum wage.
	Additional Payment for Hazardous Work	Payment to employees exposed to dangerous agents (flammable fuel, explosives, ionizing radiation and electric power). Additional payment is 30% over the employee's base salary.
	Childcare and Special Daycare	Reimbursement of childcare expenses for employees with children in the age group: up to 1 year old: R\$1,526.88; from 1 to 6 years old (incomplete): R\$508.96 and employees with children with disabilities: R\$1,400.00.
	Uniform Cleansing	Monthly supply of cleaning products to wash and disinfect uniforms for those working with activities that have contamination risks due to biological agent (sewage).
	Remote Shifts	Extra payment of 1/3 over base hourly wage during on-call shifts.
	Transportation Voucher	Employees who need this voucher contribute with 6% of their base monthly wage and the Company subsidizes the remaining amount, according to legislation.

Other Benefits	
<b>Social Service</b>	PARE – Service to employees who are chemical dependents of alcohol, tobacco and other drugs, with subsidized treatments in specialized clinics (hospitalization, outpatient care and social work).
<b>Group Life Insurance</b>	Through the Sabesp Association, the Company offers a Group Life Insurance plan that guarantees compensation in the event of death or disability corresponding to 20.9 base salaries (without subsidies from Sabesp).
<b>Supermarket/ Drug Store Card</b>	Agreements with supermarkets and drug stores, in which purchases are deducted from the next month's salary (without subsidies from Sabesp).
<b>Engineer Minimum Wage</b>	According to the collective bargaining agreement, the minimum wage for engineers is 8.5 times the national minimum wage. R\$8,483.00 (May/2019)



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## Profit Sharing (PPR)

**GRI 103-2 | 103-3** The Company adopts the 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 State Decree No. 59.598/2013 and is the subject of annual negotiations with the Unions.

## Relationship with Labor Organizations and Collective Bargaining

**GRI 102-41** 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 62% are members of trade unions.

May 2019, there was the collective bargaining for the period 2019/2020, in which the benefits were maintained and the salary readjustment of 4.99%. Sabesp ended 2019 with 13,945 employees and all of them are covered by the aforementioned Collective Agreement.

The main unions of the various professional categories and the main representative entities are:

Professional Category	2015	2016	2017	2018	2019
Operational	R\$ 2,552.00	R\$ 3,128.00	R\$ 3,534.00	R\$ 3,975.00	R\$ 3,966.00
Technical	R\$ 3,382.00	R\$ 4,082.00	R\$ 4,564.00	R\$ 5,244.00	R\$ 5,274.00
University	R\$ 5,958.00	R\$ 6,995.00	R\$ 7,969.00	R\$ 8,927.00	R\$ 9,105.00
Managers	R\$ 11,435.00	R\$ 13,781.00	R\$ 15,842.00	R\$ 17,884.00	R\$ 17,056.00
Sabesp Average	R\$ 3,904.00	R\$ 4,703.00	R\$ 5,289.00	R\$ 6,041.00	R\$ 5,991.00

UNIONS	Representativeness		
	Sabesp Base	Number of Partners	(%) Partners in the Base
<b>Sintaema</b> (Union of Workes in Water, Sewage and Environment of the State of São Paulo))	8,715	7,445	85.43
<b>Sintius</b> (Union of Workers in Urban Industries of Santos, Santos Coast, Southern Coast and Vale do Ribeira)	786	763	97.07
<b>Seesp</b> (Union of Engineers of the State of São Paulo)	807	186	23.04
<b>SASP</b> (Union of Lawyers of São Paulo)	132	40	30.3
<b>Sintec</b> (Union of Industrial Technicians of the State of São Paulo)	1,978	188	9.5

ENTITIES	Partners
<b>Association Sabesp:</b> development of leisure, sports, social and cultural activities.	5,618
<b>Sabesp Association of Retirees and Pensioners (AAPS):</b> defends retirees, pensioners and active employees eligible for retirement and the improvement in quality of life.	400
<b>Association of University Professionals of Sabesp (APU):</b> 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.	370
<b>Association of Administrators of Sabesp (ADMSabesp):</b> defends and promotes professional valorization, caring for professional and functional ethics.	118
<b>Association of Engineers of Sabesp (AESabesp):</b> integrates and defends national and international interests and promotes technical and cultural development.	1,011
<b>Loan and Savings Cooperative for Sabesp Employees (CECRES):</b> offers more affordable credit lines.	9,247
<b>Sabesp Foundation of Social Security (Sabesprev):</b> a private supplementary pension entity responsible for managing pension plans and medical care.	12,127
<b>Brazilian Association of Sanitary and Environmental Engineering (ABES):</b> contributes with knowledge and improvement in the quality of life of the Brazilian society. Participates at national and state level of Conama, National Council of Water Resources – CNRH, CONFEA, State Environmental Councils and others.	
<b>Brazilian Association of Infrastructure and Base Industries (ABDIB):</b> develops the Brazilian infrastructure and national industrial market and its strengthening in terms of international competitiveness standards.	



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## 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. In its first year, 1,028 entries were made, of which 54 were classified and 38 submitted for in-person presentation. Of these, 12 were awarded and included 28 employees.

Its 2nd edition in 2019 included apprentices and interns through the Young Entrepreneur Program, with specific categories, themes and awards.

In 2019, we received 693 entries, of which 80 were classified for the final phase. Considering all the award's categories (Projects, Management Practices and Successful Technical Experiences), 48 were submitted for in-person presentations. After detailed assessments, 15 awards were granted, totaling R\$78 thousand.

The 3rd edition, scheduled for 2020, will continue with the Young Entrepreneur Program so that new employees, interns and apprentices can participate and generate more ideas, innovations and replication of good work practices.

## Sabesp Corporate University

**GRI 103-2 | 103-3 | 404-1 | 404-2**

Sabesp's Corporate University (UES) has been developing pioneer and cutting-edge training programs for the Company's employees for the past 18 years.

Through its online platform, UES allows knowledge to be spread across all Sabesp's units

in the state of São Paulo, strategically aligned with the digital age and distance education.

The University's modern multiplatform environment is available for desktop and mobile devices (smartphones and tablets) and professionals can take courses through various learning resources, accessing content in an easy, attractive and understandable manner for everyone.

Average hours of training offered in 2019	
By Employee Category	
Managers	43
University	28
Technical	26
Operational	19
By Gender	
Men	25
Women	30

From the Strategic Planning (Institutional Demands) and Performance Skills Assessment (Individual Demands), the University develops its programs with the main focuses presented below.

## Technical Training

The Company subsidizes 100% of all in-company or external training programs necessary for the exercise of professional duties and work environment safety. The key technical training program in 2019 were related to Occupational Health and Safety, Code of Conduct and Integrity, ISO 17025 Certification, Connection and Maintenance of Extensions, Customer Relationship, Management Excellence Model (MEG), Sanitation Regulation and training of new systems in different areas.

We also encourage employee participation in key sector events, such as the Brazilian Congress on Sanitary Engineering (promoted by ABES), the XXXII National Seminar on Large Dams and the National Congress on Customer Relationships (CONAREC).

## Distance Education

UES offers approximately 900 virtual courses, free of charge, in different interactive and educational formats through its Virtual Learning Environment (AVA). The portal offers desktop and mobile courses, training



Sabesp employees meet weekly during October and November to demonstrate their commitment to prevention campaigns; in November (photo above), the Company's anniversary also marks the occasion



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management, virtual communities with forums to exchange knowledge, creation of Learning Trails, among others. The courses cover subjects such as Business Management, Sabesp Information Systems, Microinformatics, Leadership, Health and Safety at Work, Quality of Life, Ethics and Conduct, Social Responsibility, etc.

### More Knowledge Program

The Improving Knowledge Program is a subsidized educational program which covers up to 80% of monthly tuitions for technical courses at the high school level, undergraduate, graduate, university extension and languages aimed at increasing the schooling and qualification of employees. For professional certification exams, the subsidy is 100%.



**In 2019, the Program provided grants for 902 courses, totaling R\$5 million.**

Also within this Program, the Corporate University made the MBA in Environmental Sanitation course feasible, in which it subsidized 90% of costs, in partnership with the Foundation School of Sociology and Politics of São Paulo (FESPSP), including an international module at the London School of Economics and Political Science (LSE).

### International Training Program

Sabesp encourages its employees to participate in international congresses, conferences and technical visits aimed at identifying opportunities to propose and put into practice projects and innovations and pass on knowledge acquired abroad.

### Educational Agreements

Sabesp has agreements with educational institutions that enables the Company to offer its employees and family members course discounts ranging from 5% to 40%.

### Management Training Program

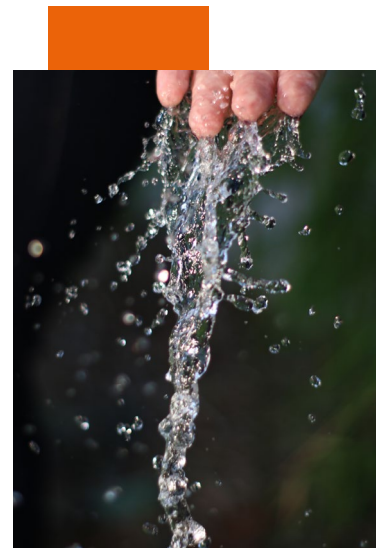
Sabesp's Management Training Program, in compliance with Federal Law No. 13.303/16 (Law for State-owned companies) trains executives on an annual basis on topics such as corporate law, capital markets, disclosure of information, Code of Conduct and Integrity, Anti-Corruption Law (Federal Law No. 12.846/2013 ) and other corporate governance related topics.

In 2019, training courses were given by the Brazilian Institute of Corporate Governance (IBGC) and focused on "Improvement in Governance and Capital Markets for Executives of State and Mixed-Capital Companies".

### Leadership Development Program (PDL)

UES also offers the PDL program, which promotes actions to develop transformational leadership and evaluate managerial performance to identify potential successors.

The PDL program focuses on employees from technical and university categories, in addition to managers and executives, and their actions towards business challenges, such as Novo Rio Pinheiros, the Organizational Structure Review, Management Processes and Focus on Results, New Businesses and Market Expansion, and Digital Transformation. Thus, the Program supports the construction of a new corporate culture based on result-oriented processes.



Acting for quality of life and customer satisfaction



**In 2019, 74% of the Company's employees were immunized against the flu.**

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## Occupational Health and Safety

**GRI 103-2 | 403-2** The Company's Health and Safety actions are focused on promoting the development of prevention culture among employees, apprentices, interns 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).

Occupational Health and Safety Procedures are critical for establishing policies, guidelines and specific rules for risk activities at the Company and its service providers. These procedures determine actions such as: Preliminary Risk Analysis (APR); verification of the legislation applied in OSH; environmental assessment and biological monitoring; training and awareness; communication, employee engagement and consultation; supply of uniforms and individual and collective protection equipment; issuance of entry and work permit forms for risk activities; emergency preparedness and response, records of non-compliance and investigation of near misses and occupational accidents. These procedures are periodically reviewed and updated in order to fully comply with legislation. The main tools/programs are:

**Preliminary Risk Analysis (APR):** Based on a methodology, we identify hazards, risk

assessment and adoption of control measures in all our activities. The process includes the recognition that a hazard exists, the definition of its characteristics, estimating the extent of risk and deciding whether it is acceptable or not.

### Environmental Risk Prevention

**Program (PPRA):** This program is reviewed on an annual basis and it covers Sabesp's 537 sites. PPRA assists in managing OSH through the identification of environmental risks by Homogeneous Exposure Groups (GHE), defining control measures and corrective actions, as established by law.

### Specialized Services in Safety Engineering and Occupational Medicine (SESMT)

This procedure analyzes 100 professionals according to legal and preventive criteria, which contributed to better serving employees on issues related to occupational health and safety.

### Medical Occupational Health Control

**Program (PCMSO):** This program enables the creation of a health profile of all employees, apprentices and interns and subsidizes health and quality of life programs. It meets all legal requirements and is reviewed on an annual basis in order to be aligned with the PPRA. In 2019, 13,743 occupational medical examinations were performed.

**Health Blitz:** In 2019, this action assessed 8,429 employees at 165 locations in terms of blood pressure, bio impedance audiometry and blood sugar levels to bring awareness on quality of life programs.

**Vaccination program:** Employees, apprentices and interns are encouraged to comply with the vaccination schedule for adults, as proposed by the São Paulo State Department of Health.

In 2019, we applied the typhoid vaccine on 2,703 employees who are potentially exposed to sewage, including new employees and those who needed to reinforce their protection. In the imminence of the measles outbreak in the State of São Paulo, vaccination was also encouraged for everyone. We have also been providing the influenza vaccine for the past 8 years for all employees. In 2019, we applied 11,442 doses of the influenza vaccine, covering 74% of our workforce. Since 2017, we have been using a computerized application for registration and control of vaccination.

**CIPA Program in Action:** The strategic planning for 2022 involves 144 Internal Commissions for the Prevention of Accidents (CIPA), which comprises of 1,436 members who develop preventive actions that contribute with the improvement of working conditions to reducing the rates of occupational accidents and sicknesses. CIPA members are elected by electronic voting and receive training from the Sabesp Corporate University (UES), in video lessons, for a total of 20 hours. The Commissions are evaluated by employees during the election for the following CIPA. The average score in 2019 was 7.82 (maximum score is 10).

**Emergency Brigades:** The 290 emergency brigades present in all the Company's sites carried out meetings, trainings (fire principle, PAE-Chlorine, first aid, chemicals), inspections and emergency drills in order to keep the 2,900 brigadiers prepared to respond to emergencies.

**Emergency Plans:** Sabesp currently has 380 emergency plans in force, which cover the entire Company and are controlled and available in the system, including impacts on neighboring communities.

## Occupational Health and Safety Indicators

Key Indicators	2015	2016	2017	2018	2019
Accidents	133	158	180	126	126
Occupational medical exams performed	16,130	16,313	12,184	13,299	13,743
Employees vaccinated against influenza	13,417	16,264	11,586	11,087	11,442
Absenteeism*	2.00%	1.80%	1.60%	2.20%	3.30%

\*Percentage that measures the reduction of the total workload due to absences from work.

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	2015			2016			2017			2018			2018		
	M	W	Total	M	W	Total	M	W	Total	M	W	Total	M	W	Total
<b>Sabesp</b>															
Frequency rate	6.68	4.28	5.76	7.47	3.72	6.78	7.53	2.92	6.25	4.97	2.09	4.4	5.07	1.75	4.41
Severity rate	537	32	445	284	34	238	176	27	134	827	57	673	378	9.44	303
Occupational sickness	10	30	40	20	2	22	7	2	9	6	1	7	1	0	1
Deaths	2	0	2	2	0	2	0	0	0	2	0	2	1	0	1
<b>Region 1 (SPMR, Vale do Paraíba and Baixada Santista)</b>															
Frequency rate	7.09	1.76	5.98	7.09	2.71	6.19	6.38	4.86	6.08	4.37	2.79	4.05	4.73	1.94	4.17
Severity rate	695	39	558	249	16	199	163	50	140	661	82	545	111	11	91
Occupational sickness	23	10	33	16	2	18	4	1	5	2	1	3	1	0	1
Deaths	2	0	2	2	0	2	0	0	0	1	0	1	0	0	0
<b>Region 2 (Regional Systems except Vale do Paraíba and Baixada Santista)</b>															
Frequency rate	5.9	1.31	5.36	8.31	7.77	8.25	7.75	2.43	6.69	6.28	0.56	5.14	5.95	1.25	5.01
Severity rate	191	2.62	169	362	119	334	145	12	118	1194	0.56	955	1062	6	851
Occupational sickness	7	0	7	4	0	4	3	1	4	4	0	4	0	0	0
Deaths	0	0	0	0	0	0	0	0	0	1	0	1	1	0	1

Legend:

M: Men

W: Women

**Frequency Rate:** Number of accidents at work with injury and leaves of absence per million man-hours worked per year.

**Severity Rate:** Days lost plus days debited due to work accidents by million man-hours worked per year.

**Occupational Sickness:** Number of absent employees due to illnesses produced or triggered by their work environment.

## Training and Awareness

During 2018, Sabesp held on-site and virtual training sessions through the Sabesp Corporate University (UES). Employees were encouraged to take distance courses as a means of facilitating access.

The Prevention Minute, organized by CIPA, SESMT and those in charge, is a practice of quick discussions with employees regarding specific subjects with Safety and Health alerts, information articles, videos and links available on different media.

The Internal Workplace Accident Prevention Week (Sipat) of 2019 had over 14,000 participations from several units across the entire state. Several activities were held, such as

lectures, video lessons, reports and campaigns focused on job security and employee well-being.

The “Leadership in Workplace Safety” action was also carried out, involving managers and supervisors, and was aimed at bringing awareness to leaders regarding their role in improving safe working conditions based on behavioral aspects.

The Campaign was carried out by the Industry Social Service (Sesi), which simulated daily work situations through games, practical exercise and recreational challenges. The actions were based on the occupational accident statistics, irregular work environments and serious and fatal occupational accidents that occurred at the Company, with highlights on risk activities such as ditch digging,

electricity maintenance, confined workspaces and workstations at a height. This activity was carried out in 17 sites (headquarters of the units) and 750 employees (leaders, managers and supervisors) participated.

## Safety Audit and Control

All accidents and near accidents are investigated and analyzed by SESMT and CIPA professionals, identifying the causes and establishing control measures.

**In 2019, a total of 1,500 safety inspections were carried out by SESMT and CIPA, with computerized records for controls, including corrective and preventive actions.**



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The SAP Health and Safety at Work module (EHS), allows the planning, control and management of activities. Existing transactions are measured in terms of environmental risk management, registration of medical assistances, occurrences, safety inspections and delivery of personal protective equipment, and a legal report is then issued (PPRA and PCMSO).

### Quality of Life Program (PQV)

**GRI 103-1 | 103-2** In addition to preventing accidents and promoting health, Sabesp seeks to promote the physical, mental and social well-being of employees through the PQV program. In 2019, the Program promoted activities such as the Open Games, the Health Blitz, in which employees received health assessment and encouragement to adopt healthy eating and exercise habits, and a raffle with invitations for a cycling tour on the Global Car-Free Day. Within the program, we developed several awareness campaigns with newsletters, lectures and preventive actions on themes such as:

**Fighting Aedes Aegypti:** Following the guidelines of the Government of the State of São Paulo, #juntoscontraadengue, we once again reinforced actions to eradicate the mosquito through informative materials distributed in several media formats: videos, computer alerts, bulletin boards, prevention folders, information through service providers, awareness information on water bills, and information on the Company's website.

During the campaign, we assigned CIPA the "Brigade against Aedes Aegypti" role in which

all 1,436 members in 144 Commissions wore informative buttons and received specific training. We carried out 6,786 weekly inspections aimed at eradicating the main mosquito breeding sites. These inspections are registered in the "Combate Aedes – SIGELU" system, used by the Ministry of Economy, Planning, Development and Management.

**Pink October:** For another consecutive year, Sabesp mobilized its employees to understand the importance of prevention and early diagnosis of breast cancer. To raise awareness among our employees, we ran campaigns every Friday in October, encouraging employees to wear a piece of pink clothing or accessory. During the month, we also raffled 10 tickets for the movie "Hebe – A estrela do Brasil" and carried out a campaign to collect scarves and jewelry for donations to the ICESP Institute (Cancer Institute of the State of São Paulo) and the NGO "Amor em Mechas".

**Blue November:** The Company also brought awareness on the importance of prevention and early diagnosis of prostate cancer. During every Friday in the month of November, we encouraged our employees to wear a piece of blue clothing or accessory, and we carried out a campaign to collect personal hygiene products for the ICESP Institute.

**Blood Donation:** Already traditional at Sabesp, blood donation campaigns are part of the annual Quality of Life program. In 2019, the campaign was aimed at contributing with the blood bank of the UHHS (Samaritan Hemotherapy Unit), support center of the Samaritano Hospital in São Paulo. 93

employees participated and 80 of them donated blood. As each blood bag can save up to three lives, the donation corresponded to approximately 240 lives saved.

We also carried out campaigns on other themes, such as: Quit Smoking, Ergonomics, Your Role in Traffic: A Safe Riding Guide for Motorcyclists, Green April: Work Without Accidents, Measles, AIDS, Flu and Yellow Fever.

### 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. As a result, the number of lawsuits decreased by approximately 20% from December 2018 to December 2019, when had 5,578 cases. With this reduction, we were able to better distribute the activities among lawyers and focus more on preventive and consultative issues.

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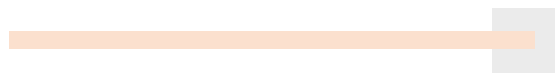
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**GRI 102-9 | 102-10** The Company's supply chain management goes beyond the acquisition of products, materials and services. We believe our suppliers are our partners and they play an essential role in the development of the business. Therefore, we seek to share with them our values and principles.

Currently, there are 14,485 representatives of companies with an approved/accredited link to participate in bids throughout the State of São Paulo. In 2019, the amounts hired on suppliers totaled R\$5.5 billion.

The main hiring categories, corresponding to the highest percentage of expenditures in the year, were technical engineering services, electricity, chemical products for water and sewage treatment and computer/telephony services.



## Selection

Suppliers are selected through bidding procedures, based on Sabesp's Internal Regulation on Bidding and Procurement, which specifies the procedures to be adopted in compliance with Article 40 of Federal Law 13.303 of June 30, 2016.

Bids and contracts require documents and premises that prove the Company's qualification for the business relationship and requires the supplier to comply with laws and good socioenvironmental practices:

- We require respect for labor, tax and environmental laws, including accountability for irregular acts or facts practiced by any subcontractor and/or outsourced service provider, in their own name and on behalf of their employees and agents.
- Sabesp also uses the Third-Party Service Studies of the Government of the State of São Paulo – Specific Social and Environmental Instructions which defines technical specifications, such as rational use of water

and energy and electricity, reduction of production of solid waste, etc. These initiatives can be carried out through the training of 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 12,684/07.

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;
- Verification of aspects related to the environment and social responsibility; and
- Promotion of fair trade, selecting suppliers with the same level of quality and, under these circumstances, seeking the lowest price.

We encourage the participation and hiring of local suppliers, as well as ensuring them treatment provided for by Complementary Law No. 123/06 and its supplements.

SERVICE PROVIDER BY CATEGORY	Number of approved/ accredited suppliers for bidding processes	Amount Hired in 2019 (R\$)
Technical engineering services (project design, management, execution and operation of water and sewage services)	6,071	2,126,921,624.7
Electricity	236	60,4870,236.00
Chemical products for water and sewage treatment	714	345,126,955.43
Computer and telephony services	1,619	93,847,298.54
Other	5,845	2,324,017,018.09
<b>TOTAL</b>	<b>14,485</b>	<b>5,494,783,132.76</b>



## Qualification of Suppliers and Products

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 fighting forced labor and the use of child labor.



### 2019 clothing campaign: collection record with more than 2.1 million pieces

With the theme "Our super power against the cold is a new coat", the campaign had the characters Ben10 and The Powerpuff Girls, from Cartoon Network as protagonists.

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.

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.

We share our supplier and qualified strategic materials database with other public sanitation companies belonging to states and municipalities. This allows companies to request inspection of materials used by our team of technicians.

## Transparency in Purchases and Hiring Processes

Sabesp seeks to provide the market with the maximum possible clarity in relation to our procurement and contracting process, using electronic bidding procedures that offer greater agility, cost reduction and transparency.

The Company previously discloses the preconditions for participating in the bidding process, requirements for contracting and guidelines with norms and principles imposed in its Internal Bidding and Procurement Regulations.

Another important highlight of our commitment with ethics and compliance is that

we require suppliers to assimilate, accept and execute the general requirements of the anticorruption laws, by means of a declaration in which the supplier registers that its business conduct is lawful.

In all contracting processes, regardless of the amount involved, our potential suppliers need to declare if they are classified as a "related party" in accordance with Sabesp's Institutional Policy – Transactions with Related Parties. If this relation is confirmed, the contract may still be carried out but requires the appropriate disclosure by Sabesp.

For amounts equal to or higher than R\$10 million, we obligatorily carry out analysis of possible conflicts between our administrators and the contracted parties once the contract is ratified and prior to the disclosure of the bidding result and signing of the contracts.

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 with the main socio-environmental actions and best practices applied to its supply chain.

## 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.

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In addition, Sabesp has a Procurement Policy with Business Procedures, an public notice Committee, which establishes rules and standards for hiring the company, a Bid Management System (SGL) and an Integrated Information System (SAP).

From the SGL and the SAP, 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

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 16th consecutive year.

## 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. Among the actions applied we highlight the following:

- ▣ Consult the "dirty list" of the Ministry of Labor and Employment in our area of registration to verify if any of Sabesp's suppliers are using labor analogous to slavery;
- ▣ 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;
- ▣ The contractual provision that the contracted company will assume responsibility for the eventual use of labor analogous to slavery in its productive chain; and;
- ▣ Provision that the use of labor analogous to Forced Labor constitutes a reason for terminating a contract with Sabesp constituí motivo de rescisão de contrato com a Sabesp. ▣



**In 2019, the 1st Volunteer Meeting recognized the efforts of employees in the various initiatives**



# 2019 ANNUAL SOCIAL BALANCE

1 – Calculation Base		2019 Amount (R\$ thousands)			2018 Amount (R\$ thousands)			
Net Revenues (RL)		17,983,654			16,085,093			
Operating Income (RO)		5,711,623			5,176,655			
Gross payroll (FPB)		2,780,468			2,638,152			
2 – Internal Social Indicators		Amount (R\$)	% on FPB	% on RL	Amount (R\$)	% on FPB	% on RL	
MESSAGES	Food	218,281	7.85%	1.21%	193,966	7.35%	1.21%	
	Mandatory social charges	263,471	9.48%	1.47%	247,632	9.39%	1.54%	
	Private pension	69,460	2.50%	0.39%	38,569	1.46%	0.24%	
	PROFILE	Health	306,958	11.04%	1.71%	278,659	10.56%	1.73%
		Occupational safety and health	13,104	0.47%	0.07%	13,580	0.51%	0.08%
	GOVERNANCE	Education	3,883	0.14%	0.02%	3,451	0.13%	0.02%
		Culture	307	0.01%	0.00%	328	0.01%	0.00%
		Training and professional development	18,495	0.67%	0.10%	13,883	0.53%	0.09%
		Day care nursery, or day care nursery assistance	2,044	0.07%	0.01%	2,065	0.08%	0.01%
	TARGETS & ACHIEVEMENTS	Profit-sharing	68,311	2.46%	0.38%	100,671	3.82%	0.63%
Other		11,116	0.40%	0.06%	4,546	0.17%	0.03%	
Total – Internal social Indicators		975,430	35.08%	5.42%	897,350	34.01%	5.58%	
3 – External Social Indicators		Amount (R\$)	% on FPB	% on RL	Amount (R\$)	% on FPB	% on RL	
WATER SUPPLY	Education	1,178	0.02%	0.01%	300	0.01%	0.00%	
	Culture	22,562	0.40%	0.13%	15,641	0.30%	0.10%	
SANITARY SEWAGE	Health and sanitation	12,284	0.22%	0.07%	6,276	0.12%	0.04%	
	Sports	4,501	0.08%	0.03%	4,053	0.08%	0.03%	
RESEARCH, DEVELOPMENT & INNOVATION	Fighting hunger, and food safety	0	0.00%	0.00%	0	0.00%	0.00%	
	Other	6,103	0.11%	0.03%	2,198	0.04%	0.01%	
	Total contribution to society	46,628	0.82%	0.26%	28,468	0.55%	0.18%	
ECONOMIC-FINANCIAL	Taxes (net of social charges)	3,037,019	53.17%	16.89%	2,545,759	49.18%	15.83%	
	Total – External Social Indicators	3,083,647	53.99%	17.15%	2,574,227	49.73%	16.00%	
	4 – Environmental Indicators		Amount (R\$)	% on FPB	% on RL	Amount (R\$)	% on FPB	% on RL
ENVIRONMENT	Investments related to corporate operations/production	nd	nd	nd	nd	nd	nd	
	Investments in programs and/or external projects	nd	nd	nd	nd	nd	nd	
	Total investments in the environment	nd	nd	nd	nd	nd	nd	
SOCIAL RESPONSIBILITY	Regarding the establishment of annual targets to reduce waste; general consumption regarding production/operations; and increasing the efficacy in the use	( X ) has no targets ( ) meets 51 to 75% ( ) meets 0 to 50% ( ) meets 76 to 100%	( X ) has no targets ( ) meets 51 to 75% ( ) meets 0 to 50% ( ) meets 76 to 100%	( X ) has no targets ( ) meets 51 to 75% ( ) meets 0 to 50% ( ) meets 76 to 100%	( X ) has no targets ( ) meets 51 to 75% ( ) meets 0 to 50% ( ) meets 76 to 100%	( X ) has no targets ( ) meets 51 to 75% ( ) meets 0 to 50% ( ) meets 76 to 100%	( X ) has no targets ( ) meets 51 to 75% ( ) meets 0 to 50% ( ) meets 76 to 100%	
	OTHER INFO	5 – Employees' Indicators		2019	2018			
		No. of employees at the end of the period	13,945		14,449			
		No. of new hires in the period	141		1,019			
No. of outsourced employees		6,592		5,815				
No. of interns		1,049		956				
No. of employees above 45 years old		9,267		9,362				
No. of women working at the company		2,763		2,858				
% of management positions held by women		24.11%		22.28%				
No. of afro-descendants working at the company		2,398		2,464				
% of management positions held by afro-descendants		5.56%		4.97%				
No. of persons with disability or special needs (includes employess and AME partnership)	155		269					



6 – Material information regarding the exercise of corporate citizenship		2019 Amount (R\$ thousands)	Goals 2020
Relation between highest and lowest remuneration at the Company		16.94	not available
Total occupation accidents		126	117
MESSAGES	Social and environmental projects developed by the company were defined by:	<input type="checkbox"/> the executive board	<input type="checkbox"/> the executive board
		<input checked="" type="checkbox"/> executives e managers	<input checked="" type="checkbox"/> executives e managers
		<input type="checkbox"/> all employees	<input type="checkbox"/> all employees
PROFILE	Safety and health standards in the workplace were defined by:	<input checked="" type="checkbox"/> executives and managers	<input checked="" type="checkbox"/> executives and managers
		<input type="checkbox"/> all employees	<input type="checkbox"/> all employees
		<input type="checkbox"/> all + OSH commission	<input type="checkbox"/> all + OSH commission
GOVERNANCE	Regarding the freedom of association, collective bargaining rights ant internal representation of workes, the company:	<input type="checkbox"/> Does not get involved	<input type="checkbox"/> will not get involved
		<input type="checkbox"/> follows ILO regulations	<input type="checkbox"/> will follow ILO regulations
		<input checked="" type="checkbox"/> encourages and follows ILO regulations	<input checked="" type="checkbox"/> will encourage and follow ILO regulations
TARGETS & ACHIEVEMENTS	Private pension plans cover:	<input type="checkbox"/> the executive board	<input type="checkbox"/> the executive board
		<input type="checkbox"/> executives and managers	<input type="checkbox"/> executives and managers
		<input checked="" type="checkbox"/> all employees	<input checked="" type="checkbox"/> all employees
WATER SUPPLY	Profit sharing includes:	<input type="checkbox"/> the executive board	<input type="checkbox"/> the executive board
		<input type="checkbox"/> executives and managers	<input type="checkbox"/> executives and managers
		<input checked="" type="checkbox"/> all employees	<input checked="" type="checkbox"/> all employees
SANITARY SEWAGE	In the selection of suppliers, the same ethical, social responsibility and environmental standards adopted by the company:	<input type="checkbox"/> are not considered	<input type="checkbox"/> will not be not considered
		<input type="checkbox"/> are suggested	<input type="checkbox"/> will be suggested
		<input checked="" type="checkbox"/> are required	<input checked="" type="checkbox"/> will be required
RESEARCH, DEVELOPMENT & INNOVATION	Regarding the participation of the employees in volunteer work, the company:	<input type="checkbox"/> does not get involved	<input type="checkbox"/> will not get involved
		<input type="checkbox"/> supports	<input type="checkbox"/> will support
		<input checked="" type="checkbox"/> organizes and encourages	<input checked="" type="checkbox"/> will organize and encourage
ECONOMIC-FINANCIAL	Number of consumer complaints and unfavorable judgments:	In the Company: 36,819	In the Company: n/a
		At Procon: 1,879	At Procon: n/a
		In Justice: 336	In Justice: n/a
ENVIRONMENT	% of complaints and unfavorable judgments assisted or resolved:	In Company: 98.06%	In Company: n/a
		At Procon: 90.31%	At Procon: n/a
		In Justice: 77.98%	In Justice: n/a
SOCIAL RESPONSIBILITY	Total value added to be distributed (in R\$ thousands)	In 2019: 10,534,420	In 2018: 10,231,289
		28.9% – Government;	26.1% – Government;
		23.0% – employees;	23.8% – employees;
OTHER INFO	Value Added Distribution (DVA)	7.6% – shareholders;	6.6% – shareholders;
		16.1% – third parties;	22.4% – third parties;
		24.4% – withheld	21.1% – withheld

### 7 – Other information

“Sabesp does not employ outsourced labor, but only enters into service agreements as the business requires.”

“Given the strong relationship between the environmental issues and the Company’s end activities, the environmental expenditures can not be told a part from the Company’s total operating expenses and investments. Thus, from 2018 onwards, Sabesp will no longer report the indicator of environmental investments. The data reported until 2017 was partial and related to corporate environmental management and rational water use programs, among other local initiatives.”

“This company does not use child or slave labor; it is not involved in prostitution or sexual exploitation of children and adolescents; and it is not involved in corruption.”

“We value and respect diversity both inside and outside the company.”



# AWARDS AND RECOGNITIONS IN 2019

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**2019 WATER AND SANITATION (SDG 6) SUCCESS CASES** – Sabesp received two awards from the UN/Brazil Network of the Global Compact for its Legal Water Program.

**2019 ANEFAC TRANSPARENCY TROPHY** – Sabesp awarded for the quality and transparency of its financial disclosures.

**ESTADÃO EMPRESAS MAIS** – Sabesp ranks 1st place in the Utilities and Public Services category.

**ETHOS SUSTAINABLE BUSINESS INDICATORS** – Sabesp is recognized for corporate integrity.

**2018 ABES RANKING** – Sabesp has 10 cities awarded among the best sanitation locations in Brazil, in the “Tending towards Universalization” category.

**SANITATION RANKING – 100 LARGEST CITIES IN BRAZIL** – Cities operated by Sabesp are classified among the country’s best basic sanitation locations.

**QUALITY OF LIFE SURVEY** – Sabesp ranks among the most trusted institutions in São Paulo by Rede Nossa São Paulo and Ibope Inteligência.

**RRESP-SEADE SATISFACTION SURVEY FROM WATER AND SEWAGE USERS** – Sabesp is the best rated company in the Survey, receiving a score of 8 are classified among the country’s best basic sanitation locations.

**COMPANIES OF THE DECADE TROPHY** – Consumidor Moderno magazine recognized Sabesp’s customer relationship management.

**2018-2019 PRO-ETHICAL COMPANY** – Awarded by the Federal Comptroller Office (CGU) for actions against fraud and corruption.

**2019 IDEAS IN ACTION FOR INNOVATIVE COMPANIES IN WATER AND SANITATION** – IDB awarded the Franca ETE for its circular economy project.

**PAULISTA MANAGEMENT QUALITY AWARD (PPQG – 2019)** and **NATIONAL SANITATION QUALITY AWARD (PNQS – 2019)** – Sabesp is awarded for its pioneering and efficient management.

**2019 IBERO-AMERICAN QUALITY AWARD** – Fundibeq recognized Sabesp’s efficient management.

**SINDICON/ABCON SUSTAINABILITY AWARD** – The Mogi Mirim ETE was awarded for its sustainability and energy efficiency.

**VALOR 1000 AWARD** – Sabesp ranked 1st place in the “water and sanitation” category.

**2019 CONAREC AWARD** – Sabesp ranked 1st place in the Utilities category.

**PRÊMIO WHOW! DE INOVAÇÃO** – Sabesp ranked among the 100 most innovative companies in Brazil.

**2019 SMART CUSTOMER AWARD** – Sabesp received recognition in the “Relationship Innovation – Contractors” category for the “Migration Channel” case.

**FRIEND OF JUSTICE COMPANY SEAL** – Sabesp was granted the seal by the São Paulo Court of Justice.

**SÃO PAULO APOSTLE MEDAL** – Sabesp was recognition in the Social Service category by the Archdiocese of São Paulo.

# GRI SUMMARY

GRI 102-55

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General Disclosures	Reference (page) / Response
<b>Organizational Profile</b>	
102-1 Name of the organization	Page 14
102-2 Activities, brands, products and services	Page 14
102-3 Location of the headquarters	São Paulo – SP
102-4 Location of the operations	Page 14
102-5 Nature of ownership and legal type	Page 17
102-6 Markets served	Page 14
102-7 Organization size	Pages 14, 15 and 17
102-8 Information on employees and workers	Page 74
102-9 Supply Chain	Page 89
102-10 Significant changes in the organization and its supply chain	Pages 14, 89
102-11 Precautionary approach or principle	Page 23
102-12 Letters, principles or other initiatives developed externally of an economic, environmental and social nature, which the organization subscribes to or endorses	Page 10
102-13 Main memberships in national/ international defense associations and/or organizations	Page 10
<b>Strategy</b>	
102-14 Statement by the most senior decision maker on the relevance of sustainability	Page 5 and 7
102-15 Main impacts, risks and opportunities	Pages 5,7 and 23
<b>Ethics and Integrity</b>	
102-16 Values, principles, standards and behavior standards such as code of conduct and ethics	Pages 14, 16 and 20

## General Disclosures

## Reference (page) / Response

102-17 Internal and external mechanisms adopted by the company to request guidance on ethical behavior and compliance, such as relationship channels (i.e. Ombudsman)	Pages 20 and 72
<b>Governance</b>	
102-18 Governance structure, including committees	Page 17
102-22 Composition of the highest governance body and its committees	Page 17
102-23 Indicate if the Chairman of the highest governance body is also an executive officer	Page 17. The Chairman of the Board of Directors does not occupy a position on the executive board.
102-24 Selecting and appointing the highest governance body and its committees, including whether factors such as diversity, independence, knowledge and experience and stakeholder involvement are considered (including shareholders)	Page 19
<b>Engagement of the Shareholders</b>	
102-40 List of stakeholder groups	Customers, Controllers/ Shareholders, Investors/ Financiers, Suppliers, Society (includes communities), Workforce, Granting Authority, Regulatory Body (ARSESP), Unions, Press, Control or Inspection Bodies, Partners, Ministry of Regional Development, Basin Committees, Sabesprev, Funcesp (supplementary pension), Infrastructure and Environmental Secretary – SIMA
102-41 Percentage of employees covered by collective bargaining	Page 81

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General Disclosures	Reference (page) / Response
102-42 Identification and selection of stakeholders	Page 25. The identification of stakeholders in the business is an integral part of the Sabesp Management Model, which has been improving after every cycle (more information on page 27). In 2019, the Company carried out a review cycle to map the main audiences for the business, resulting in 17 priority stakeholders, listed in disclosure 102-40.
102-43 Approach and frequency of stakeholder engagement	Pages 9 and 72
102-44 Main topics raised by stakeholder engagement and measures to address them	Page 9
<b>Reporting Practices</b>	
102-45 Companies included in the consolidated financial statements	See Explanatory Note 11 of the Financial Statements available at <a href="https://bit.ly/2UsgwMM">https://bit.ly/2UsgwMM</a> .
102-46 Defining the contents of the report and the limits of the subject	Page 9
102-47 List of material subjects	Page 9
102-48 Reformulations of information provided in previous reports	Page 73
102-49 Significant changes compared to previous years for material topics	Material issues are still relevant inside and outside the Company and no significant changes occurred for material issues from the previous year.
102-50 Reporting period	January 1 to December 31, 2019
102-51 Date of most recent report	2018
102-52 Report Cycle	Annual
102-53 Contact point for questions about the report	Pages 9 and 95

General Disclosures	Reference (page) / Response
102-54 Assumptions according to GRI Standards	Page 9
102-55 GRI Content Index	Page 95
102-56 External assurance	There was no external assurance for this report
<b>Forma de Gestão</b>	
103-1 Explanation of the material topic and its limits	Promotion of universal access to water and sewage: Pages 27 and 40 Development of local communities: Page 47 Water security: Page 27 Corporate governance and ethics: Pages 17 and 20 Effluent and waste management: Pages 49 and 50 Financial performance: Page 52 Operational eco-efficiency: Pages 63 and 64 Water losses in distribution: Page 37 People management: Page 73 and 75
103-2 Management approach and its components	Promotion of universal access to water and sewage: Pages 27, 33, 37, 40, 47 and 48 Development of local communities: Pages 33, 47 and 48 Water security: Pages 27, 29, 33 and 37 Corporate governance and ethics: Pages 17, 20 and 22. Effluent and waste management: Pages 38, 49 and 50 Financial performance: Page 52 Operational eco-efficiency: Pages 63, 64, 70 and 71 Water losses in distribution: Page 37 People management: Pages 78, 83, 84 and 87.

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General Disclosures		Reference (page) / Response
		Promotion of universal access to water and sewage: Pages 27, 33, 35, 40, 47 and 48. Development of local communities: Pages 33, 47 and 48. Water security: Pages 27, 33, 37, 38 and 39. Corporate governance and ethics: Pages 17, 20, 22 and 23 Effluent and waste management: Pages 38, 49 and 50. Financial performance: Page 57 Operational eco-efficiency: Pages 63, 64, 70 and 71 Water losses in distribution: Page 37 People management: Pages 74, 78, 81 and 83.
103-3	Evolution of the management approach	
Specific Content		
Financial Disclosure		
Economic Performance		
201-1	Direct economic value generated and distributed	Page 62
201-2	Financial implications and other risks and opportunities due to climate change	We do not perform direct measurements to assess the financial implications and other risks and opportunities arising from climate change. However, the Company has a series of programs and initiatives, such as the PMA in São Paulo Metropolitan Region, that aim to anticipate the impact on water availability based on historical averages (long-term) of rainfall, inflow and outflow, including impacts of extreme climatic variations, such as in 2014-2015.
201-4	Financial aid received from the government	We did not receive financial assistance from the government in 2019.

General Disclosures		Reference (page) / Response
Presence in the Market		
202-1	Variation of the proportion of the lowest initial wage compared to the local minimum wage	The lowest salary paid by the Company for both genders is equivalent to 1.98 times the local minimum wage. In the last five years it has been as follows for both genders: 2015 = 2.06 times 2016 = 2.03 times 2017 = 1.98 times 2018 = 1.97 times
Indirect Economic Impacts		
203-1	Development and impact of investments in infrastructure and services offered	Pages 29, 33, 35, 36, 40, 44, 45 and 48.
203-2	Significant indirect financial impacts, including their extent	Pages 33, 43 and 48
Fight Against Corruption		
205-1	Percentage and operations subject to risk assessments related to corruption and the significant risks identified	Page 20
205-2	Communication and training on anticorruption policies and procedures	Page 20
205-3	Confirmed cases of corruption and measures taken	Page 20
Unfair Competition		
206-1	Lawsuits brought on by unfair competition, trust and monopoly practices	We did not register lawsuit for trust or unfair competition.
Environmental Disclosures		
Materials		
301-1	Materials used by weight or volume	Page 11
301-2	Percentage of materials used from recycling	Page 11
Electricity		
302-1	Consumption of electricity within the organization	Page 11
302-3	Energy intensity	Page 11
302-4	Reducing electricity consumption	Page 11 and 70
302-5	Reducing the energy needs of products and services	Page 12

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General Disclosures		Reference (page) / Response
<b>Water and Effluents</b>		
303-1	Interactions with water as a shared resource	Pages 12, 27 and 37
303-3	Breakdown of total water withdrawal by source, including areas under water stress	Page 12
<b>Biodiversity</b>		
304-1	Location and size of the operating units within or adjacent to protected areas and areas with high biodiversity located outside protected areas	Page 66
<b>Emissions</b>		
305-1	Direct emissions of greenhouse gases (Scope 1)	Pages 12 and 69
305-2	Indirect emissions of greenhouse gas (Scope 2)	Pages 12 and 69
305-3	Other indirect greenhouse gas emissions (Scope 3)	Pages 12 and 69
305-4	Intensity of greenhouse gas emissions (GEE)	Pages 12 and 69
<b>Social Disclosures</b>		
<b>Job</b>		
401-1	Rates of new hiring and employee turnover by age group, gender and region	Page 74
<b>Occupational Health and Safety</b>		
403-2	Identification of hazards, risk assessment and investigation of accidents	Page 84
<b>Training and Education</b>		
404-1	Average hours of training per year, per employee by gender and job category	Page 83
404-2	Skills management and ongoing learning programs that support employability of employees in preparation for retirement	Page 83
<b>Local Communities</b>		
413-1	Engagement with local communities, assessment and/or local development programs	Pages 33, 47 and 65

# CORPORATE INFORMATION

MESSAGES

PROFILE

GOVERNANCE

TARGETS &amp; ACHIEVEMENTS

WATER SUPPLY

SANITARY SEWAGE

RESEARCH, DEVELOPMENT &amp; INNOVATION

ECONOMIC-FINANCIAL

ENVIRONMENT

SOCIAL RESPONSIBILITY

OTHER INFO



GRI 102-52 | 102-53

## Suggestions or comments on this report

[sustentabilidade@sabesp.com.br](mailto:sustentabilidade@sabesp.com.br)

## Clarifications on the Code of Ethics

[canaldeconfianca@sabesp.com.br](mailto:canaldeconfianca@sabesp.com.br)

## Complaints about the Code of Ethics

e-mail: [canaldedenuncia@Sabesp.com.br](mailto:canaldedenuncia@Sabesp.com.br)  
direct telephone: (011) 3388-8100

**SAC:** Emergency: **195** ou Região Metropolitana de São Paulo: **0800-0119911** Caixa Postal: 61.540 – CEP: 05424-970. Personally or by letter addressed to the Audit Superintendence (Rua Costa Carvalho, 300 – CEP: 05429-900)

## Ombudsman – 0800-0550565

(toll-free) / e-mail: [ouvidoria@Sabesp.com.br](mailto:ouvidoria@Sabesp.com.br). With the protocol number in hand, users can register complaints about services already requested. From Monday to Friday, 8 a.m. to 6 p.m.

**Trust Channel** – [canaldeconfianca@sabesp.com.br](mailto:canaldeconfianca@sabesp.com.br)

## Social Media



## 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 Services

From Monday to Friday, 8 a.m. to 9 p.m., and Saturday, 8 a.m. to 5 p.m. [sabesp.com.br](http://sabesp.com.br) • Option: atendimento online

## 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](http://sabesp.com.br) • Option: clientes e serviços

## Service Center

195 (toll-free) For emergencies such as lack of water, leaks and blocked sewage. 24 hours, 7 days a week.

## 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 folders.

**São Paulo Metropolitan Region** – 0800-0119911 (toll-free). From Monday to Friday, 7 a.m. to 9 p.m., and Saturday, 8 a.m. to 5 p.m.

**Inland and Coast** – 0800-0550195 (toll-free) 24 hours, 7 days a week.