

2020 Sustainability Report



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ABOUT THE REPORT



General information

This Sustainability Report describes Sanepar's economic, social and environmental performance in the period from January 1st to December 31st, 2020. The content was deliberated by the Board of Directors upon approval of the Executive Board. **GRI 102-32, 102-50**

The themes to be prominently addressed were defined after consultation with interested parties in the process described below and the report was produced in accordance with the most renowned methodologies for corporate reporting:

- Global Reporting Initiative (GRI) guidelines. This report was prepared in accordance with the GRI Standards in the "Essential" option; **GRI 102-54**
- Sustainability Accounting Standards Board (SASB) indicators; and
- framework for the production of integrated reports, of the International Integrated Reporting Council (IIRC).

The information included in this document has not undergone external verification, with the exception of the accounting statements. The content was approved by the Board of Directors.

Sanepar's sustainability reporting cycle is annual. The contact, in case of doubts or suggestions about this edition, is **admissisweb@sanepar.com.br**. **GRI 102-52, 102-53**

Definition of materiality

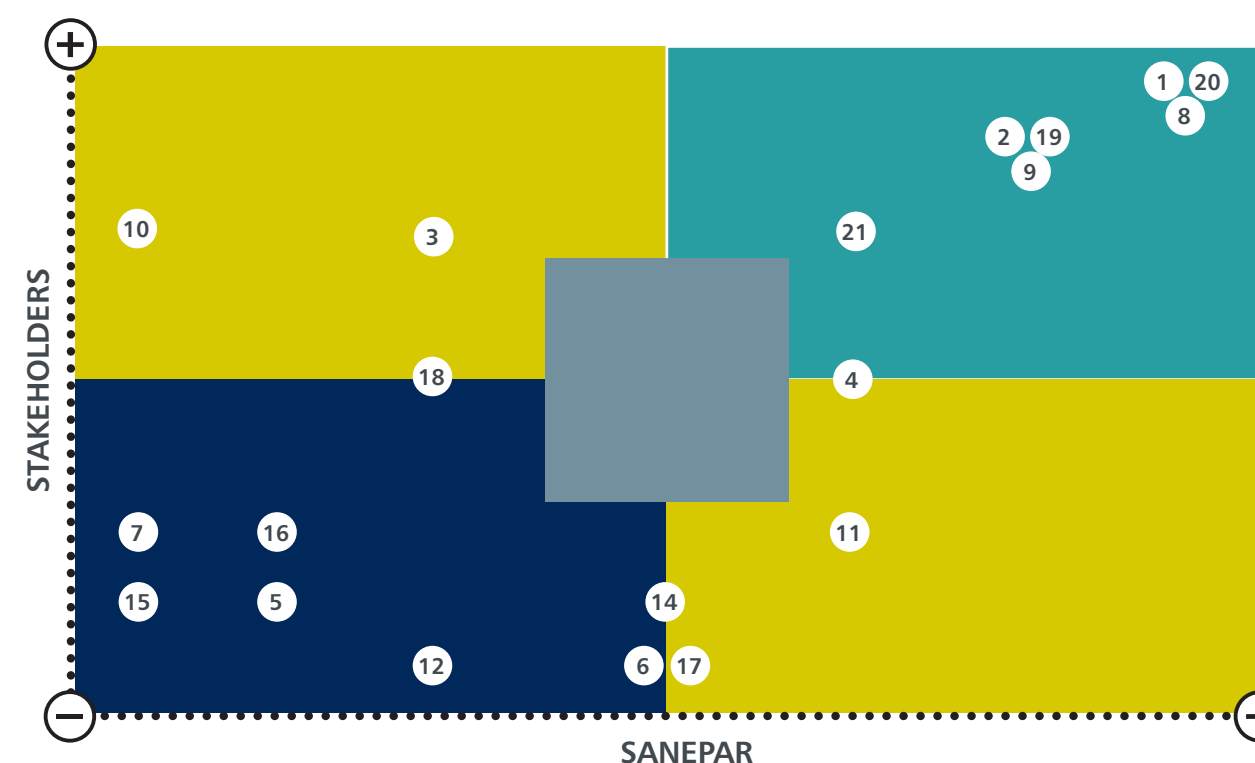
GRI 102-46

Following the Global Reporting Initiative (GRI) Standards guidelines and the determinations of the IIRC framework, Sanepar carried out a new materiality definition process for 2020, which consisted of mapping, identifying and evaluating which are the most relevant issues for the organiza-

tion and its stakeholders, and their respective disclosures (indicators).

An online survey was applied, aimed at customers, employees, suppliers, government and regulatory bodies, investors and unions. In order to frame the interested parties' expectations with the Com-

pany's reality, the consultation was also answered by Sanepar's senior management. The process gave rise to Sanepar's Materiality Matrix, whose most important themes guided the production of this Sustainability Report, with the main objective of producing content that is interesting, objective and pertinent.



Note: the subjects allocated in the **upper right area (green quadrant)** represent those of **greatest relevance** to Sanepar and its stakeholders. In other words, these are matters on which stakeholders would like, at this time, to learn more about Sanepar's performance, and the organization is also interested in exploring its management and presenting its performance in the Sustainability Report and/or other communications with its audiences.

Themes

1 - Compliance and anti-corruption
2 - Risk and crisis management
3 - Procurement practices
4 - Corporate governance
5 - Financial results
6 - Legal compliance
7 - Technology and information
8 - Water
9 - Energy
10 - Emissions
11 - Biodiversity
12 - Waste
13 - Environmental awareness
14 - Environmental management system
15 - Diversity
16 - Health and safety
17 - Social Responsibility
18 - Social investment
19 - Customer relations
20 - Promoting universal sanitation
21 - Health promotion

Legend



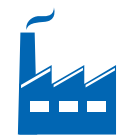
Human capital



Natural capital



Financial capital



Manufactured capital



Social and relations capital



Intellectual capital

Material themes GRI 102-44, 102-47	Correlation with Sustainable Development Goals (ODS)	GRI Topics and related disclosures	Correlation with capitals	Within limits (where impacts occur within the Company)	Outside limits (where impacts occur outside the Company)
All material themes	-	GRI MANAGEMENT APPROACH 103-1, 103-2, 103-3			
Compliance and anti-corruption: learn the actions that guarantee Sanepar an ethical and responsible business conduct in its business and with its partners.	ODS 16: Peace, justice and effective institutions	GRI GENERAL CONTENT 102-17, 102-25, 102-33, 102-34 GRI 205: ANTI-CORRUPTION 205-1 a 205-3 UNFAIR COMPETITION 206-1		Employees	Customers Suppliers Government and regulatory bodies Investors Unions
Promoting universal sanitation: learn about the practices carried out by Sanepar to universalize sanitary sewage services, drinking water supply, garbage collection and proper disposal of these residues and landfills operation	ODS 6: Clean water and sanitation	GRI 303: WATER AND EFFLUENTS 303-1, 303-2, 303-3		Employees	Customers Suppliers Government and regulatory bodies Investors
Water: learn how Sanepar works to preserve water sources, as well as initiatives aimed at combating the loss/waste of this resource in the distribution network	ODS 12: Responsible consumption and production	GRI 303: WATER AND EFFLUENTS 303-4, 303-5 SASB: WATER SCARCITY IF0103-04, IF0103-05, IF0103-06 SASB: DISTRIBUTION NETWORK EFFICIENCY IF0103-12 SASB: NETWORK RESILIENCY & IMPACTS OF CLIMATE CHANGE IF0103-16, IF0103-17		Employees	Customers Suppliers Government and regulatory bodies Investors



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Material themes GRI 102-44, 102-47	Correlation with Sustainable Development Goals (ODS)	GRI Topics and related disclosures	Correlation with capitals	Within limits (where impacts occur within the Company)	Outside limits (where impacts occur outside the Company)
Risk and crisis management: learn about Sanepar's economic, social and environmental risk management process, as well as corporate policies related to the subject.	ODS 16: Peace, justice and effective institutions	GRI GENERAL CONTENT 102-15, 102-30, 102-31		Employees	Customers Suppliers Government and regulatory bodies Investors Unions
Energy: learn about Sanepar's actions to promote the rational use of energy, as well as the use of renewable sources.	ODS 7: Clean and affordable energy ODS 12: Responsible consumption and production	GRI 302: ENERGY 302-1 a 302-4 SASB: ENERGY MANAGEMENT IF0103-01		Employees	Customers Suppliers Government and regulatory bodies Investors
Customer relations: learn about Sanepar's management practices to meet the needs of its customers, such as the channels available to communicate compliments, complaints and denouncements, results of satisfaction surveys, among others.	-	N/A		Employees	Customers Suppliers Government and regulatory bodies Investors
Health promotion: learn how Sanepar promotes quality of life through basic sanitation services.	ODS 3: Health and wellness	GRI 203: INDIRECT ECONOMIC IMPACTS 203-1, 203-2 SASB: DRINKING WATER QUALITY IF0103-07, IF0103-08 SASB: NETWORK RESILIENCY & IMPACTS OF CLIMATE CHANGE IF0103-15		Employees	Customers Government and regulatory bodies Investors
Corporate governance: learn about Sanepar's governance structure, focused on the inclusion of business sustainability and ethics.	ODS 5: Gender equality ODS 16: Peace, justice and effective institutions	GRI GENERAL CONTENT 102-19, 102-20, 102-22, GRI 102-23, 102-24, 102-25, 102-26, 102-27, 102-28, 102-29, 102-32 GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES 405-1		Employees	Customers Suppliers Investors Unions

Note: general standard disclosures (102) that are not mandatory for reports in the Essential option, adopted by Sanepar, were associated with materiality, due to their relation with the material topics identified for the Company.

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MESSAGE FROM THE ADMINISTRATION

GRI 102-14

The year 2020 was marked by the worldwide pandemic of the new coronavirus, which generated a health crisis with political and economic impacts in Brazil. In Paraná, we are facing this moment alongside water scarcity, one of the worst in the State in years. Sanepar, however, overcame the difficulties thanks to its responsiveness, efficiency, planning and execution of actions, and presented operational and management advances.

The agenda imposed and followed throughout 2020 ensured this performance. If measures to mitigate the effect of the water crisis, prolonged since November 2019, had not been planned and implemented, the water supply system in Curitiba and its metropolitan region, which concentrates a served population of 3.5 million people, would be harmed.

We implemented water rotation in those locations at the beginning of 2020. We anticipated investments such as the transposition of the Capivari river and implemented emergency collections in caves and quarries in the region. We launched the Meta 20% awareness program, requesting the population's support for rational consumption and combating water waste – a call promptly answered, reaching more than 15 million cubic meters saved in three months.

The ability to achieve good results in different scenarios was also essential for the Company to overcome the difficulties and uncertainties in the social, economic and political situation, with low GDP growth, high inflation, strong devaluation of the Brazilian real against the dollar and fiscal imbalance due to causes imposed by the covid-19 pandemic and the necessary social isolation. Our prudent and solid business strategy, supported by increasingly robust governance and ethics processes, allowed the Company to advance on several fronts.

We created the Deputy Board of Governance, Risk and Compliance, which reinforces our interest in strengthening the corporate governance system, following the creation of the Integrity Program, in 2019. We also created the Deputy Board of Communication and Marketing, to

deal with relevant issues of 2020 - in addition to the pandemic and water shortage, there are four police operations taking place in the Company, which can impact our image and reputation if we do not have a good dialogue with society about our support for these investigations. The Commercial Board was completely restructured to serve the granting authority and our users in a differentiated manner, which led to the creation or improvement of various contact channels with these related parties.

Innovation, which is already intrinsic to Sanepar, has become part of our culture, permeating across the entire Company to

find the best technologies and solutions in operational and sustainable terms.

Another advance was the third incentivized retirement program, which 565 employees joined. Those who go, leave a legacy, and leave with greater financial security to tread new paths. We invested R\$132.8 million in payments and indemnities, with a payback of just over 11 months. In other words, in 2022, we will have monthly savings in the payroll of R\$ 12 million.



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THE SANCTION OF STATE LAW 20.266/2020, OPENS NEW LIMITS FOR SANEPAR, AS IT ALSO AUTHORIZES IT TO ACT ABROAD

In regulatory terms, 2020 was also relevant. The Legal Framework for Sanitation (Law no. 14.026/2020) was approved by the National Congress, which means new challenges and new goals, in a more competitive scenario.

Sanepar is prepared for this moment. In 2020, we invested around R\$ 968.93 million in infrastructure. We also approved the Multi-Year Investment Plan, with a five-year horizon (2021 to 2025), which foresees total investments of R\$ 7.86 billion for the period. To help implement our plans, we launched R\$ 350 million in

subsidized debentures and raised R\$ 200 million in working capital loans.

The sanction of State Law 20.266/2020 by Governor Carlos Massa Ratinho Junior, opens new limits for Sanepar, as it also authorizes it to act abroad, in the exploration of public services and private systems of water supply, collection, removal and destination of effluents, solid domestic and industrial waste, urban drainage, in addition to protecting the environment and its water resources. It also allows us to sell the energy generated at our units and the services and rights arising from our equity assets and use our sewage and water lines to install optical fiber cables. We may participate, as a majority or minority, in consortia, investment funds or partnerships with public

and private companies. The text updates a 1963 legislation that prevented the expansion and diversification of the Company's businesses.

Social and environmental advances

An important advance in 2020 was the implementation of the Water Safety Plan (PSA), as determined by Consolidation Ordinance 5/2017, of the Ministry of Health. In addition to meeting the obligation and being important in combating water scarcity, this plan brings with it relevant environmental actions, such as the creation of an environmental protection area. Also along this line, Sanepar signed a technical and financial cooperation agreement with Itaipu and the Itaipu-Brasil Technological Park Foundation, in an initiative that foresees investments of around R\$ 74 million over five years, for the expansion modernization and optimization of those systems in six municipalities in the Southwest region, through sustainable technologies.

The Miringuava Social and Environmental Project is another evolution. Created to strengthen the relationship with the families surrounding the dam under construction and to comply with the environmental licensing requirement, it plans to give farmers who maintain low impact crops in the area the "Water Friend" seal, which will bring gains for Sanepar in the conservation of soil and, consequently, of water, and will give rural producers the benefit of accessing more attractive markets.

Perspectives

Given all the obstacles and achievements of 2020, we can say that Sanepar reached the end of the year as a public service provider essential to health, with excellence and quality, and committed to sustainability and the protection of its shareholders, consumers, labor force and suppliers. Reconciling and responding to all interests with a socially and environ-

mentally sustainable position, and establishing ethical and responsible relations.

We know that 2021 will remain challenging, however, we are ready to continue growing and bringing quality water, sewage and healthy living conditions to the population, especially at such an important time, as this pandemic, in which hygiene assumes an even more important role.

Pride

Sanepar ends 2020 taking great pride in all of its achievements, as a public service provider essential to health with excellence and quality, overcoming challenges and consolidating itself as a reference in the Brazilian sanitation sector.



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FIGHTING THE COVID-19 PANDEMIC

Internal measures to fight the new coronavirus

Aware of the development of the new coronavirus pandemic, Sanepar's Board of Directors has been taking preventive measures, in line with the recommendations of the Ministry of Health and the State Government. The official determinations are widely disseminated in the form of newsletters, published on the intranet and distributed by email and SMS, in addition to being addressed by the "New Covid-19 Protocol" webinar, available on the Company's EaD platform. All employees and outsourced workers must follow the determinations in the newsletters, which are updated upon each issuance of municipal and state decrees, respecting local restrictions.

A Contingency Plan was established at Sanepar, through the Covid-19 Special Commission, which gathers risk management information and describes previously planned measures to face the new coronavirus pandemic. This plan provides that, in the event of infection confirmation by covid-19 in the staff, direct and indirect contacts will be mapped and guided as to the need for isolation, with follow-up and monitoring of transmission risks in the Company.

The disease cases at Sanepar are being followed in real time, through the Covid Monitoring Map, which displays the records of suspicions, confirmations, isolations and recoveries among employees since the beginning of the pandemic in Paraná.

Health protocols support managements to take preventive measures in relation to the work environment, such as the sanitation service. Since the beginning of the pandemic, Sanepar has carried out 16 sanitization procedures, aiming to reduce the microbiological load, such as bacteria, viruses and fungi, and to make the environments bio-safe.

The Company also distributed masks to employees, including interns and young apprentices, in accordance with the Ministry of Health guidelines for individual protection. It also enabled the adoption of teleworking modalities and shift schedules, according to the type of activities. This measure promoted greater distancing for those who need to work in person on the Company's premises. During the year, 498 RT-PCR tests for employees were subsidized.

The risk group – which comprises employees over 60 years of age, people with chronic diseases such as heart disease, hypertension and diabetes, and people with respiratory diseases, immunocompromised people, people undergoing cancer treatment and pregnant women – was removed from face-to-face activities to work remotely.

The Company also allowed employees, fathers and mothers of children under the age of 12, to work part-time in a home office, for activities that could be performed remotely. The video call feature was prioritized, in order to reduce physical contact in meetings and avoid crowding of employees in the same environment.

In mid-February, Sanepar had already been intensifying the use of remote work, having adopted the Virtual Private Network (VPN) access model in addition to the Remote Desktop Protocol (RDP). Over 2,800 employees started to carry out their activities partially or completely remotely.



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SANEPAR'S BOARD OF DIRECTORS HAS BEEN TAKING PREVENTIVE MEASURES, IN LINE WITH THE RECOMMENDATIONS OF THE MINISTRY OF HEALTH AND THE STATE GOVERNMENT

of water and sewage bills for customers registered in the Social Tariff for 90 days. It should be noted that, in compliance with Law 20.187/2020, Sanepar is not cutting the supply due to non-payment.

Due to the severe drought in the State of Paraná, as well as water rotation implemented in the Integrated Water Supply System (Saic), the *Caixa D'Água Boa* program was expanded and, in 2020, it reached 4.185 families, benefiting them with the installation of a water reservoir, in approximately 80 municipalities of Paraná. The criteria are to comply with the requirements for registration in the Social Tariff, not have a reservoir already installed, and, if in Curitiba and its metropolitan Region, be within the water rotation area of SAIC. The action allows the neediest families to maintain hygiene and food care during the intermittent supply period.

In 2021, Sanepar implemented the Private Customer Credit Recovery Program (Reclip) to negotiate existing debts by March 2020. The program brings benefits such as the waiver of the down pay-

ment, the removal of the 2% fine and the reduction of the installment interest rate from 0.46% to 0.1% per month, and installments in up to 60 months. The adherence period will last until August 31, 2021, open to customers registered in the Social Tariff.

Virus monitoring

The pandemic brought new venues of research linked to covid-19 and its relation with sanitation. In 2020, the hypothesis was raised that the new coronavirus was present in sewage networks, which led Sanepar to monitor the presence of this virus in Paraná's sewage. The Company validated the protocols and monitored the lead studies carried out in the world and in Brazil, led by the Federal University of Minas Gerais.

Sanepar guided professionals who work with sewage treatment and collection, and, based on discussions with the Brazilian Association of Sanitary and Environmental Engineering and academia, set up strategic forums, elaborated techniques and intensified precautions, although fecal transmission is not proven.

lavatories. The pilot project took place in Curitiba and, since then, 53 of these lavatories have been installed in 30 municipalities, to serve the general population. In the capital and Metropolitan Region, there are 13 pieces of equipment assembled at strategic points, where there is a large circulation of people. The municipalities served are asked to sign a Term of Adhesion and a Protocol of Intent, as the equipment will not be donated by the Company.

Specific programs for the low-income population to fight the pandemic

Added to the measures announced by the Government of the State of Paraná, Sanepar established, seeking to minimize the economic impacts brought by the pandemic to the neediest families, the postponement of the payment date

External measures

In 2020, Sanepar promoted disinfection in several facilities and locations throughout Paraná, including:

- [hospitals and nursing homes in Northern Paraná;](#)
- [indigenous village where a covid-19 case was confirmed;](#)
- [nursing homes in various locations in the state;](#)
- [Hospital do Oeste do Paraná and Hospital do Câncer \(Uopecann\) in Cascavel;](#) e
- [facilities in Londrina.](#)

The Company also distributes fabric masks throughout the state and shared its 3D printers for the production of face shield protective masks.

To support the confrontation of the sanitary crisis, Sanepar developed community





SANEPAR

SANEPAR IN NUMBERS

346 municipalities serviced

100% water network coverage

75.08% sewage collection network coverage

3.27 million water connections

2.3 million sewage connections

57.5 thousand Km of water network

38.5 thousand Km sewage collection network

4.65 billion investidos nos últimos 5 anos

Paraná's Sanitation Company GRI 102-2, 102-4, 102-5, 102-6

Companhia de Saneamento do Paraná (Sanepar) is a mixed-capital, publicly traded company, controlled by the State of Paraná under a private law legal regime. It is responsible for providing basic sanitation services to 345 cities in Paraná and Porto União, in Santa Catarina, in addition to 303 smaller locations. Among the people from Paraná supplied by the Company, 100% receive treated water, compared to 93% of Brazilians. Among all the municipalities served by Sanepar, 53% are supplied exclusively with underground water, 35% with mixed systems

of surface and underground water, and 12% exclusively with surface springs. Sanepar operates 1,154 wells across the state.

The Company also collects and treats sewage, a segment in which it has grown, in the last ten years, at rates of approximately 1.3% per year. Sewage collection for 75% of the urban population of Paraná is above the national rate of 62%. The contrast is even greater when comparing the treatment service: Sanepar treats 100% of the sewage col-

lected against 49% of the average treatment in the country, according to the National Sanitation Information System (SNIS 2019). In the segment of sanitary sewage, Sanepar provides sewage collection for 75.08% of Paraná citizens which are 100% treated.

In the solid waste area, the Company operates sanitary landfills in Apucarana, Cornélio Procópio and Cianorte, serving seven municipalities in total.

Sanepar Coverage in the State of Paraná



■ Municipalities served ■ Municipalities not served



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Business model

Our business model demonstrates how Sanepar transforms resources from various capitals - human, manufactured, financial, intellectual, natural and social and relations - into value for stakeholders, including the most significant costs and investments associated with each of them. The analysis of the external context and the evolution of management, governance, business strategies and results are constant and permeate our entire activity. The flow of our business model is shown in the image below, followed by the details of each topic.

Legend:



Financial capital



Manufactured capital



Intellectual capital



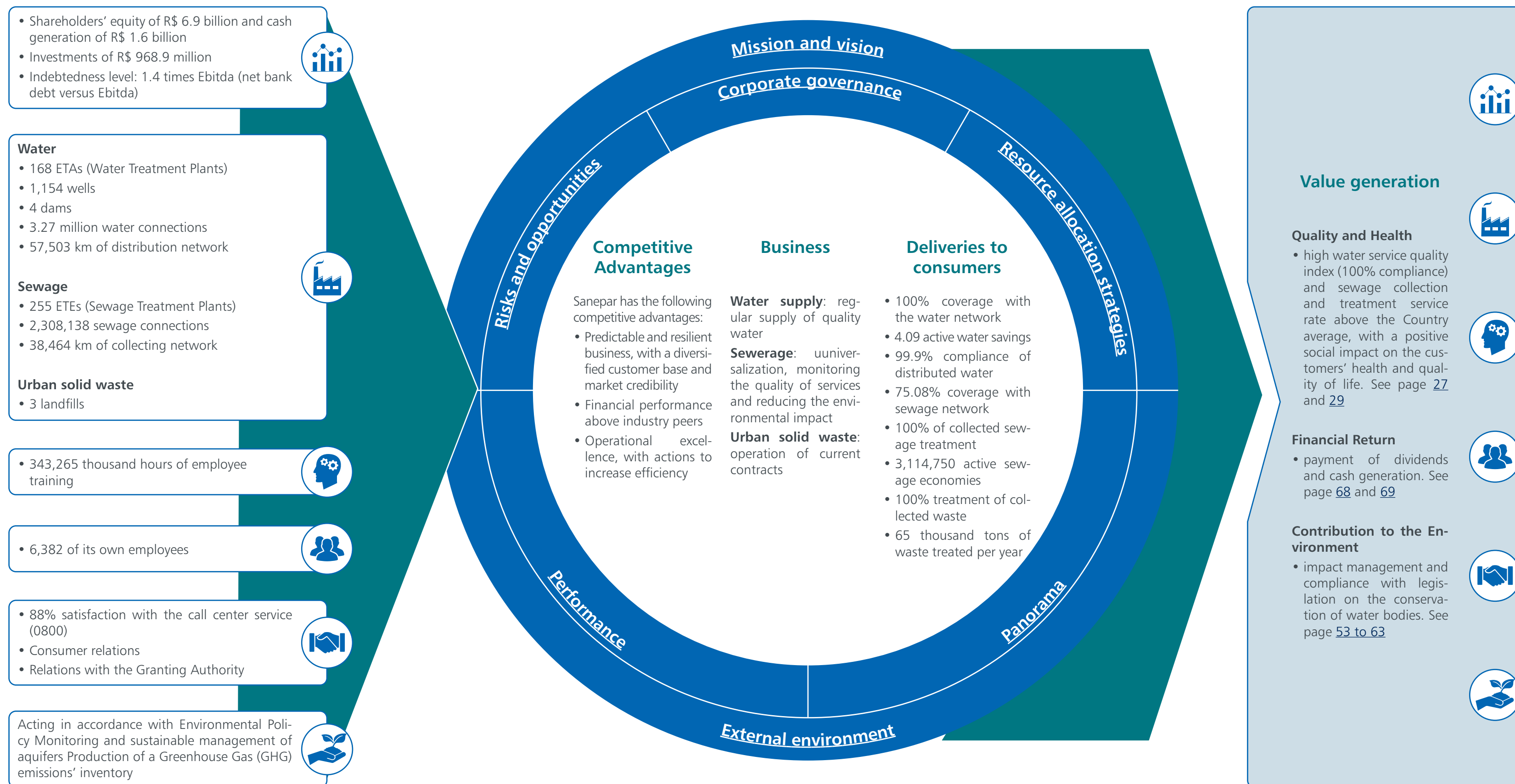
Social and relations capital



Human capital



Natural capital



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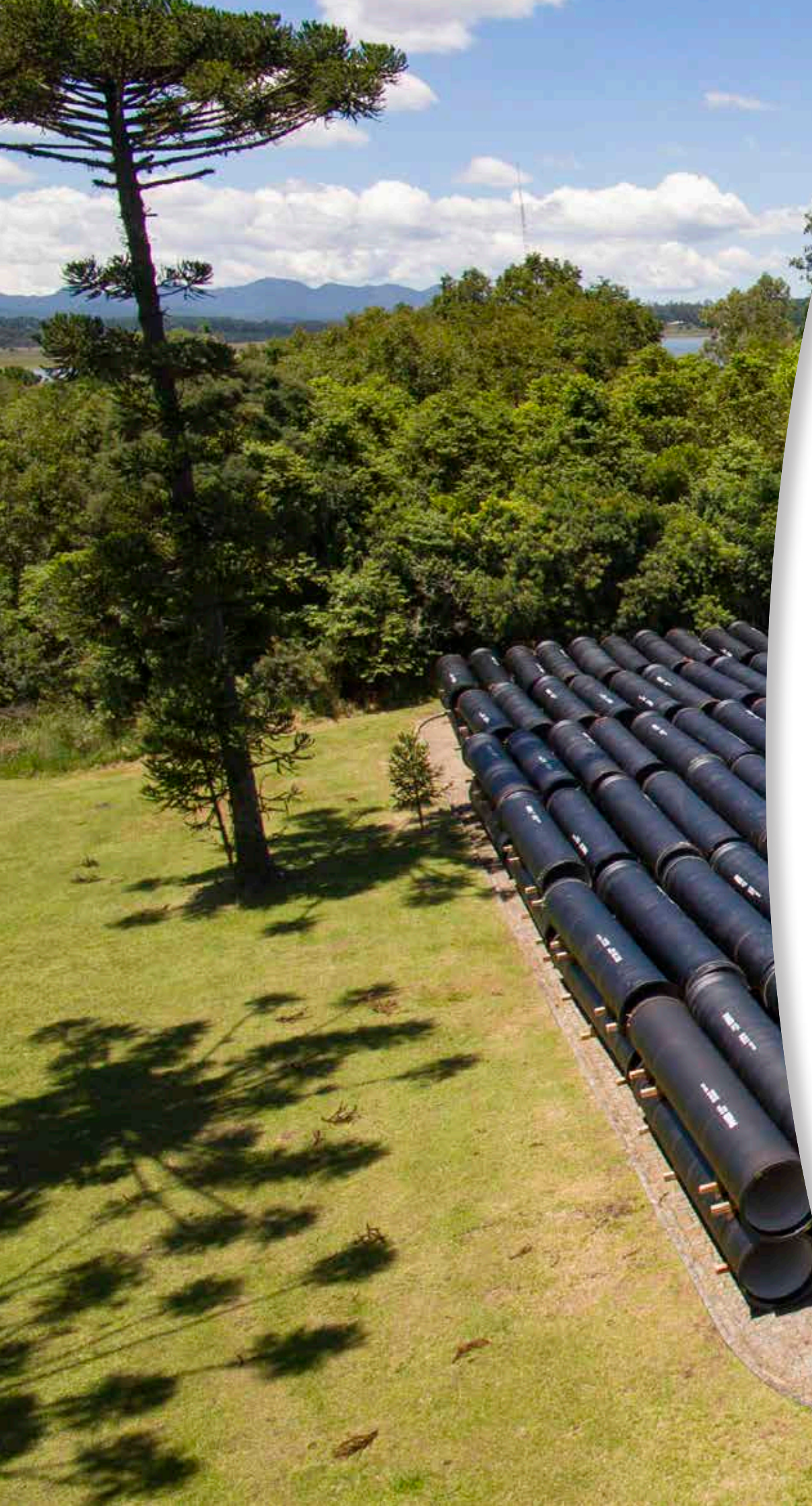
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Awards and certifications

KLX Award – International Automation Award – Energy Efficiency Category

– Sanepar’s administrative building, which has sharing as a concept, was awarded for its energy efficiency for “green” buildings in competition with other 2,500 projects from different nations.

2020 Transparency Trophy

– In October, Sanepar received the certificate of the 2020 Transparency Trophy - 24th Anefac Award - Fipecafi, sponsored by Serasa Experian. Evaluated in the category of companies with net income of up to R\$ 8 billion, the Company was awarded for the seventh time. The Anefac Award assesses the quality of financial statements.

NBR ISO 9001:2015 Certificate

– Obtained for quality management applied to the following systems:

- dam operation, water collection, adduction, treatment and reservation by the Water Production Management in the Integrated Supply System of Curitiba;
- water collection, adduction, treatment, reservation, and treatment and final disposal of sewage by the Londrina Industrial Management;
- water distribution, sewage collection and transport and customer relations by the Londrina Regional Management;
- project management by the Special Projects Management and the Northeast Projects and Engineering Management;
- management of works for Water Supply Systems; and

- sewage by the Northeast Projects and Engineering Management.

NBR ISO 14001:2015 Certificate

– Certification relating to environmental management, applied to the systems:

- collection, treatment and distribution of drinking water, collection, treatment and final disposal of sewage;
- maintenance and operation of water and sewage networks;
- customer service and sale of water and sewage connection services and administrative processes of the Foz do Iguaçu Regional Management;
- administrative process of the southwest Projects and Engineering Management and electromechanical maintenance of the Southwest Electromechanical Regional Management for the water supply and sewage system in Foz do Iguaçu-PR.
- reception, treatment and final disposal of urban solid waste, operational and administrative support activities, and monitoring of the Cianorte Sanitary Landfill.

ABNT NBR ISO/IEC 17025:2017 Accreditation

– Formal expression of recognition of competence to carry out testing activities, according to the scope of accreditation, to:

- Maringá Laboratory (Accreditation No. CRL 1501); and
- Cascavel Laboratory (Accreditation No. CRL 1512).

The Curitiba and Londrina Laboratories were also recommended for Accreditation and are awaiting the publication of the Certification.

Valor 1000 in Sanitation Ranking – Jornal Valor Econômico

– Sanepar is the second best company in the country in the Water and Sanitation sector, according to the *Valor 1000* ranking, published by *Valor Econômico* newspaper on October 30, 2020. The Company rose from third to second position in the sector ranking.

Innovation Champions Award of Revista Amanhã

– Sanepar was ranked first in the award ceremony, in the State and Philanthropic Companies category.

GHG Protocol Silver Seal and Paraná Climate Seal

– Sanepar’s Greenhouse Gas Inventory received the Silver Seal in the Public Emissions Registry of the Brazilian GHG Protocol Program and the Original Seal by Sedest, Paraná Climate Seal program, a State Government initiative to identify companies that measure, disclose and reduce greenhouse gas emissions.

SESI ODS Seal

– Sanepar received the seal for good practices related to prevention of covid-19 and post-pandemic actions by the Community Lavatories Program.

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Corporate governance practices

GRI 103-1, 103-2, 103-3

Corporate governance is the Company's proper administration process, in which the various stakeholders act within ethical rules to achieve the public interest, obtaining the best results through practices based on honesty and responsibility for the means and objectives, as well as on transparency before interested publics, including shareholders, markets, suppliers and third parties, regulatory bodies and granting power.

Sanepar is subject to Laws 6.404/1976 (of Corporations), 13.303/2016 (of State Companies) and Federal Law 14.026/2020, which amends law 11.445/2007 (of Sanitation), and to Decree 3.926/1988 (Regulation of Services

Provided). At the state level, the Company complies with the guidelines of the Regulatory Agency for Public Infrastructure Services of Paraná (Agepar). Sanepar follows the best practices of the Brazilian Institute of Corporate Governance (IBGC) and is listed on Level 2 of B3 (São Paulo stock exchange).

Internally, Sanepar is governed by the Policies of Risk Management and Internal Control; Transactions with Related Parties; Sponsorship; Disclosure of Material Act and Fact; Information Security; Spokespersons; and Personal Data Protection and Privacy.

As part of the maturation and strengthening of Sanepar's corporate governance, compliance and risk management structures, an organizational restructuring was carried out in 2020, from which the Deputy Board of Governance, Risk and Compliance was created, which be-

comes responsible for related matters in the Company. The management's foundation is the Integrity Program, developed in 2019 to implement and perpetuate a culture of good management practices, compliance, transparency and ethics (see page 20). As a result of these movements, Sanepar intensified activities aimed at mitigating risks and improving internal controls, as well as training governance agents.

A work plan is proposed annually with the objectives to be pursued for each period, which is approved by the corporate governance bodies. Periodically, senior management evaluates the results achieved, identifying opportunities for improvement, which can be materialized in internal policies, procedures and controls. The Audit area has the autonomy to audit the management of all Company's processes.

Structuring of the Deputy Board of Governance, Risk and Compliance (DAGRC)

DAGRC's structuring brought the corporate governance management even closer, enabling improvements in the articulation with other areas of the Company. The Deputy Board aggregates structure and attributions, being better aligned with the other boards, being able to more importantly influence Sanepar's de-

liberations, analyzing, evaluating and validating the dialogue that must be established between the State - controlling shareholder -, which informs and demands public policies, and Sanepar, so that there is harmony between public policies, its corporate purpose and the public interest.

Changes and revisions in internal regulations

In 2020, several corporate governance actions were carried out. The current Bylaws were approved by the 120th Extraordinary General Meeting of April 22, 2021. The Related Party Transactions, Information Security and Strategic Risk Management and Internal Control Policies were also revised, in addition to the Internal Regulations of the Statutory Audit Committee, the Executive Board and the Technical Committee.



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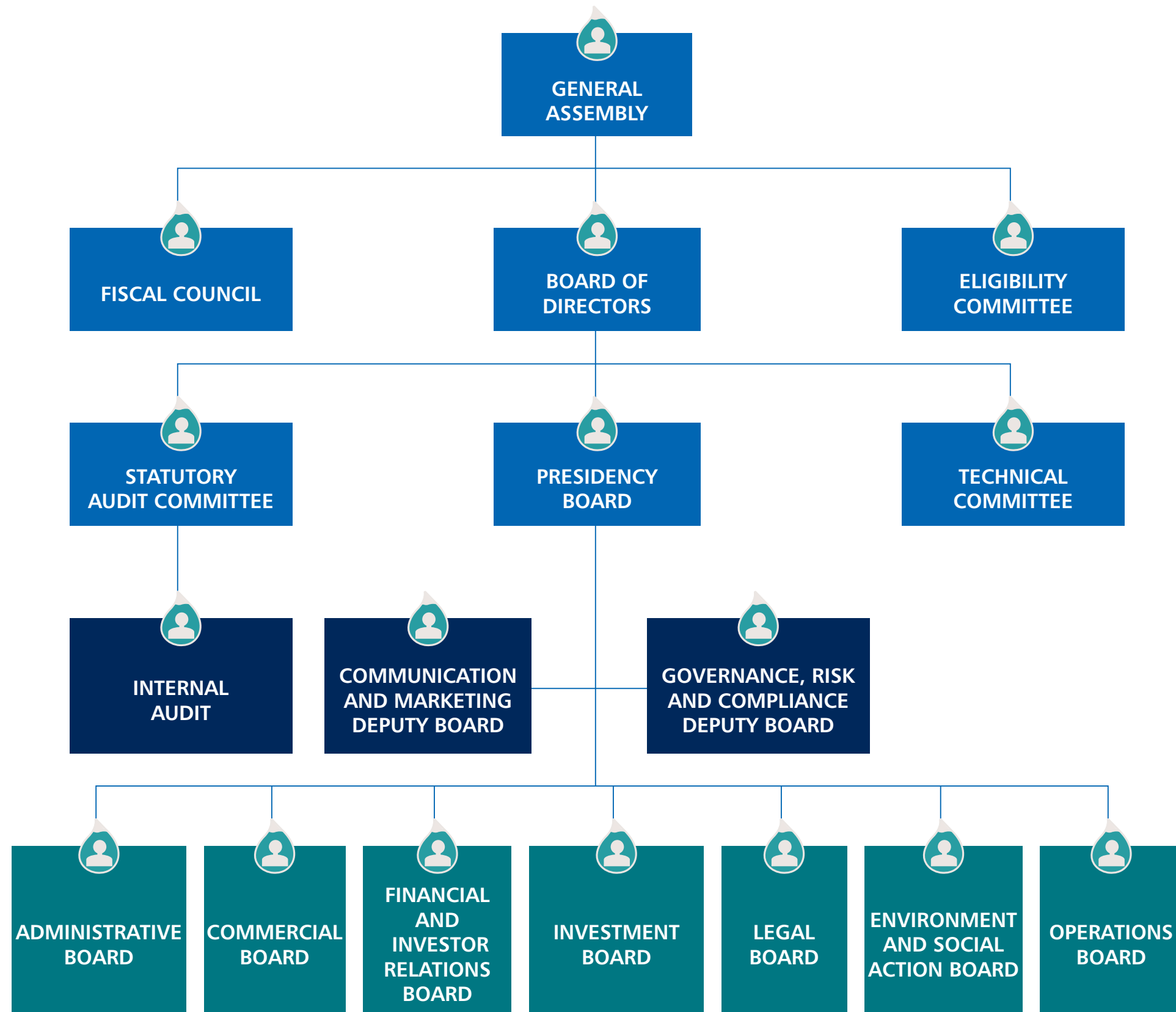


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Corporate governance structure

GRI 102-18, 102-20, 102-22

Sanepar's management structure is organized according to the organizational chart:



The highest corporate governance body is the General Shareholders' Meeting, usually called by the Board of Directors and chaired by the Company's President. The Meeting is empowered to deliberate on all business related to its purpose and is governed by current legislation. Both majority and minority shareholders participate. **GRI 102-22**

Right below are the Fiscal Council, the Board of Directors and the Eligibility Committee. The Fiscal Council is a permanent supervisory body, with collective and individual action, composed of five effective members and an equal number of alternates, elected at the General Shareholders' Meeting. Its attributions are to monitor tax and accounting practices and annual accountability, as well as oversee the actions of administrators, ensuring that business management meets the objectives defined in the Bylaws and current legislation, in addition to other legal attributions.

The Board of Directors is the strategic decision-making body responsible for the superior guidance of the Company. Comprised of nine full members (including an employee representative, chosen in an internal election, and three independent members), it is responsible for determining the guidelines and general guidance for the business, performing risk management, overseeing the Executive Board's management, selecting independent auditors and formulating and expressing the Company's policies, among other attributions provided for in the Bylaws.

The Eligibility Committee, a permanent statutory body, assisting the controlling shareholder, verifies the compliance of the nomination and evaluation process of administrators, fiscal council members and members of statutory committees, pursuant to current legislation. It is composed of six members, elected at the General Assembly. Sanepar adopts criteria for the election of its governance agents in accordance with Law 13.303/2016 and its Appointment Policy. All those appointed by the controlling shareholder, minority and/or preferred shareholders, are analyzed by the Eligibility Committee, prior to their effective election, in particular regarding compliance with the requirements and specific prohibitions to the function. **GRI 102-24**

To execute the business strategies and implement the guidelines established by the Board of Directors, the Company has an Executive Board, composed of eight Executive Directors (Chief Executive Officer, Financial and Investor Relations Director, Operations Director, Administrative Director, Commercial Director, Investments

THE HIGHEST CORPORATE GOVERNANCE BODY IS THE GENERAL SHAREHOLDERS' MEETING



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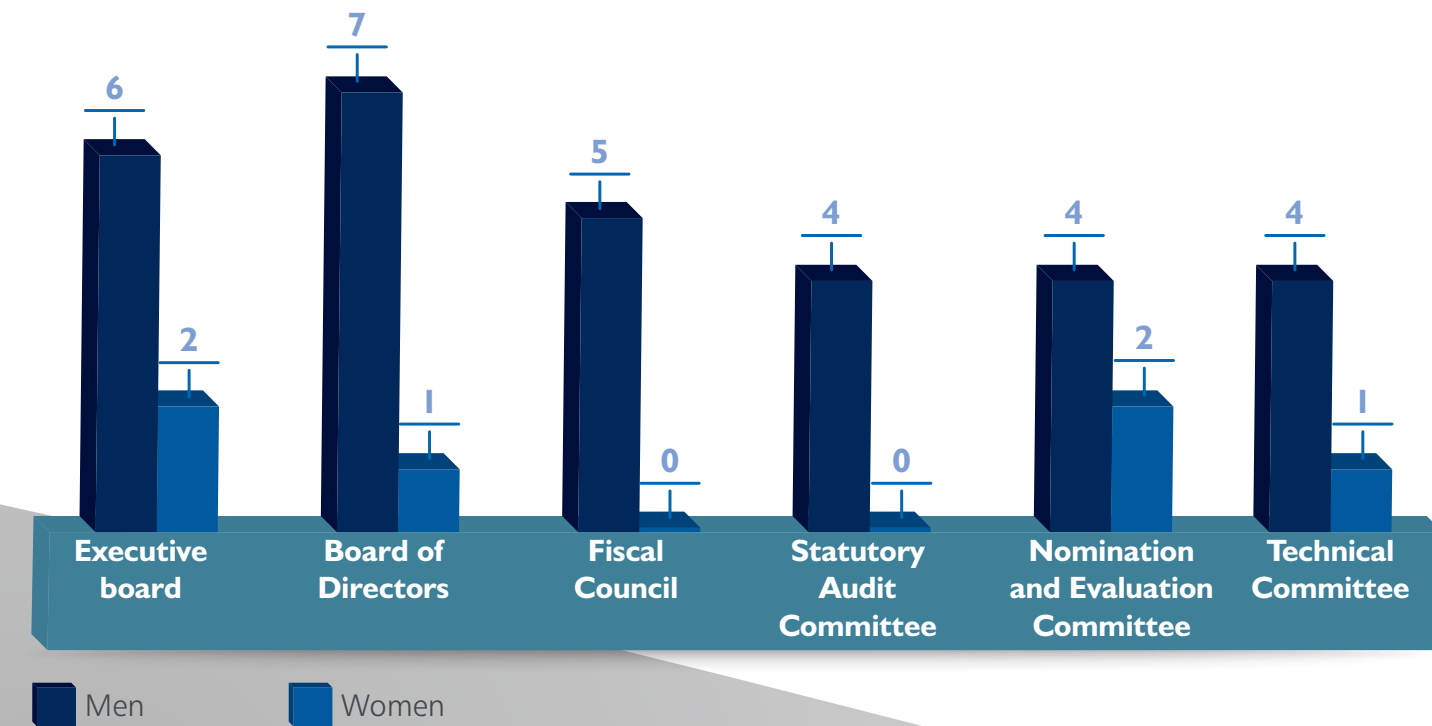
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Director, Environment and Social Action Director, and Legal Director), who are elected and can be removed by the Board of Directors.

In 2020, six directors were reelected, one director was removed and two new directors were elected. The Deputy Board linked to the Environment and Social Action Board was dissolved and two new deputy boards linked to the Presidency Board were created: the Deputy

Board for Communication and Marketing, and the Deputy Board for Governance, Risk and Compliance, whose duties are not of an executive nature – their ties can be modified at any time, as needed and previously evaluated by the Executive Board. Also in that year, the Presidency of the Board of Directors was changed, pursuant to the 56th Annual General Meeting.

CORPORATE GOVERNANCE BODIES



Advisory committees GRI 102-18

The Board of Directors is advised by two committees: the Statutory Audit Committee and the Technical Committee. The first is an independent, consultative and permanent body, composed of four members (one of whom is a representative of the Board of Directors), appointed by the Board. Its main attributions are the evaluation and monitoring of the processes for the preparation and presentation of the Company's financial statements, the risk management and internal control processes, the effectiveness of the internal audit and the independent audit's work, and monitoring, together with the administration, the transactions with related parties.

The second is an advisory body, composed of six members (one of whom is a board member, a representative

of minority or preferred shareholders, appointed by their peers), elected and removed by the Board of Directors. Its main attributions are to analyze and express itself, through non-binding opinions, on Sanepar's participation in new ventures or in other companies, and the analysis of the constitution, closure or alteration of any companies, ventures or consortia that are not foreseen in the Business Plan, but have been proposed by the Executive Board. This committee also opines on the personnel policy, including the establishment of staff, positions and salaries plan, opening of a selection process to fill vacancies and the Profit and Results Sharing Program, proposed by the Executive Board; the proposal for the allocation of profits for the year; the execution of the Legal Agreement Terms (TAJ) and Conduct Adjustment Terms (TAC); and the demands of external control bodies.

Internal Audit GRI 102-11, 103-3

Sanepar's Internal Audit operates in accordance with Law No. 13.303/2016. It is linked to the Board of Directors through the Statutory Audit Committee, which approves and supervises the activities of the Annual Work Plan, carried out independently and in accordance with the Internal Audit Regulation. It is an advisory body on processes, control and risks, both strategic and emerging, whose functions provide agility to the achievement of objectives, in line with the Institute of Internal Auditors (IIA) model.



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THE CODE OF CONDUCT AND INTEGRITY MUST BE THE BASIS OF ALL SANEPAR DECISIONS

The work consists of evaluating internal risks and controls through Management Audits. The manifestations made to the Reporting Channel regarding audit matters are dealt with in Special Investigations and Audits, while consultative work and legal requirements are carried out through Specific Audits. All recommendations generated by these activities are monitored to verify effectiveness and promote continuous improvement.

Development and evaluation of governance bodies GRI 102-27, 102-28

The main initiative for the development of governance agents, in 2020, was the online training on “Improvement in Governance and Capital Markets for Administrators of Public Companies and Mixed Economy Companies,” promoted by Sanepar and designed by the Brazilian Institute of Corporate Governance. Held

from October 13 to December 15, the activities totaled 32 hours.

Pursuant to art. 74 of the Bylaws, the members of the Board of Directors, its committees and the Executive Board, in addition to the Fiscal Council, undergo an annual performance evaluation process in a collegiate manner. Each member is also evaluated individually. The criteria includes control, operational strategy and leadership, in line with the attributions and responsibilities inherent to each body.

With the conclusion of the evaluation cycle, consolidated reports are issued individually and collectively, used as a subsidy for the creation of action plans, aimed at improving the bodies and the self-development of each member.

The 2020 process was conducted by a third-party company.

Integrity Program GRI 102-16, 103-1, 103-2, 103-3, 205-2

In line with the best corporate governance practices and with Laws No. 12.846/2013 (Anti-Corruption Law) and No. 13.303/16 (Law of State-owned Companies), Sanepar is committed to a new culture of transparency and integrity, which allows for mitigating risks and impacts. The Company is also a signatory of the UN Global Compact, a global ethical benchmark that has the fight against corruption in all its forms, including extortion and bribery, as one of its principles.

In this context, Sanepar has adopted, over the years, measures to prevent, detect and correct possible acts of fraud, irregularities, corruption and other actions harmful to the public administration, which currently make up the Integrity Program, in force since 2019. This program’s guidelines are based on the Company’s Values (page 39) and includes, in addition to legal provisions, the provisions of its own regulations, such as the Bylaws, Codes and Internal Policies, with emphasis on the Code of Conduct and Integrity, and the Policies of Risk Management and Internal Controls, Transactions with Related Parties and Sponsorship. The program is applicable to the entire administrative structure and organizational instances.

The Code of Conduct and Integrity must be the basis of all Sanepar decisions. The document rules the behavior in the work environment and the relations with customers, investors, competitors and part-

ners, society and the press. Each employee and administrator receives a copy, as well as suppliers and business partners receive specific versions, applicable to each audience – access through the website is also available.

Disclosures about integrity are regularly made. In 2020, due to the pandemic, the use of online tools was prioritized. In this format, the events “Planning with Integrity and Innovation” and “Launch of the Information Security Management System” were held. Compliance alerts are sent monthly to all employees with access to corporate email.

In order to dynamically inform about the Integrity Program, Sanepar developed online training in a learning track format (an integrated, systematic and continuous set of actions to develop a given subject). Called “Thinking and acting with integrity,” this track brings together theoretical and practical knowledge in three courses, each on specific topics, with videos and quizzes. The content is applicable to all employees, governance agents, interns and apprentices and is a reference for suppliers in general. In 2020, 31 members of the governance bodies and 3,891 employees were trained.

Every six months, senior management assesses the compliance results achieved by Sanepar and indicates improvement opportunities. At the same frequency, the Board of Directors and other governance bodies receive information on the subject.

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Integrity Program Pillars


Governance and Management Environment


Risk Analysis and Control Environment


Integrity Instruments


Communication and Training


Consequence Management


Integrity Program Monitoring

Anti-Corruption Practices

GRI 205-1, 205-3

Fraud and corruption are intentional acts or omissions, for the purpose of personal gain or that of third parties, and which results in losses for the interested parties. Sanepar's Code of Conduct and Integrity addresses these events in its most diverse aspects, pointing out both expected and irregular conduct in the exercise of activities. The document also provides penalties for those who commit these acts, as well as the Disciplinary Regulation.

The governance agents supervise the programs and controls to prevent, detect and curb fraud, mitigate the risks of these occurrences and ensure compliance with the requirements and parameters established in Law 13.303/2016. The Risk Analysis and Controlled Environment pillar of the Integrity Program includes the assessment of potential dangers related

to corruption that affect the Company. This analysis is carried out across each of the 26 strategic risks and 19 processes under risk that were mapped for Sanepar ([see page 22](#)).

Case under investigation GRI 205-3

On July 20, 2020, Sanepar was mentioned in the Ductos Operation, conducted by the Special Action Group to Combat Organized Crime (Gaeco), of the Public Ministry of Paraná. Following the best governance practices and other rules applicable to it, from the outset the Company excluded and blocked the access of the investigated employees and included the operations in which they worked in an independent forensic investigation, authorized by the Board of Directors. The Deputy Board of Corporate Governance, Risk and Compliance works closely with



investigators in order to ensure maximum transparency and effectiveness of the work, which is still in progress, as well as the legal process.

Three other operations followed a forensic investigation contracted by Sanepar and an internal investigation by the Audit in 2020 – *Rádio Patrulha and Integração*, from Gaeco-PR, and *Águas Claras*, conducted by the Federal Police. It should be noted that Sanepar acts in full collaboration with the authorities and is not a defendant or accused in any of the aforementioned operations, but is an interested third party, since, in theory, it is a victim of misconduct and even crimes. If such deviations are proven, in addition to the punishment of those involved, Sanepar will promote the improvement of related internal processes and integrity instruments.

Conflicts of interest GRI 102-25

Sanepar's guidelines for the prevention of conflicts of interest in relations between the internal public and third parties are described in the Bylaws and in the Code of Conduct and Integrity. Possible conflicts related to suppliers and business partners are provided for in the Related Party Transactions Policy.

In the context of these regulations, all employees, administrators and third parties must indicate a conflict of interest or private interest. If such manifestation does not occur, any person who is aware of the fact must do so.

It is ensured that all decisions in which there may be a potential conflict of in-



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terest with any of the managers, advisors or professionals, or even their family members, entities or persons related to them, are taken with complete honesty, respecting the Company's interests and observing the same rules and limits applicable to similar operations, having the conditions usually practiced and/or applicable legal rules as a parameter.

Reporting Channel

GRI 102-17, 103-3

The Reporting Channel is made available by Sanepar to record actions and conducts that violate current laws and regulations, internal rules or the Code of Conduct and Integrity, including leaking or misuse of information, fraud, corruption, bribery, receiving gifts, harassment, discrimination, prejudice, theft, robbery or diversion of materials, favoritism, conflict of interest, irregularities in contracts and bids, among others.

REPORTING CHANNEL RECORDS IN 2020 | GRI 102-33

Under analysis	109
Dismissed	142
Inappropriate	377
Inconclusive	45
Partially pertinent	44
Unfounded	33
Total	750

Note: the most reported types of concerns were misconduct, violation of laws, internal rules and procedures, and favoring or conflict of interest.

In 2020, the channel was restructured and is now run by an external and independent company, which provides more confidence in the contact, due to anonymity, and guarantees confidentiality and impartiality. Anyone can access it, in Portuguese, 24 hours a day, seven days a week, for free, via phone and via [website](#).

Complaints received undergo verification as to their indication of veracity, which, once confirmed, leads to the establishment of internal investigation procedures. The referral is made according to the level of gravity of the denounced conduct, and may be taken to the Conduct Committee or to the immediate leadership of those denounced, for the proper management of the consequence. Throughout the process, there is respect for the right of defense of those denounced and the anonymity of the complainants.

Transparency Portal

Sanepar makes the [Transparency Portal](#), available, through which it publicizes the acts of its administration, allowing society to monitor, evaluate and inspect the Company's management and performance. Access to public information is a constitutional principle and a right guaranteed to all of society by Federal Law 12.527/2011 (of Access to Information) and by State Decree 10.285/2014, within the scope of Paraná. The content disclosed complies with the Confidential Information Regulation, implemented as required by Law 13.303/2016 to safeguard business activity and commercial, industrial, financial and economic strategies against the competitive sanitation market in which Sanepar operates.

Data not available on the portal may be requested by the [Citizen Information Service \(SIC\)](#).

Risk and crisis management

GRI 102-11, 102-15, 102-29, 102-30, 102-31, 102-33, 102-34, 103-1, 103-2, 103-3

Since 2017, has been applying the Corporate Risk Management process, used as a tool for decision-making by governance agents. Identifying and managing risks before they affect the business reflects Sanepar's commitment to achieving future goals and focusing on the organization's perpetuity. The model used is based on the Committee of Sponsoring Organizations of the Treadway Commission - Enterprise Risk Management (Co-so-ERM).

The process is governed by the Risk Management and Internal Control Policy, which establishes the management and control mechanisms aimed at preserv-

ing and generating value, aligned with the Mission, Vision, Values and strategic objectives of the Company, and is in accordance with the provisions of Law 13.303/2016 and with the good corporate governance practices of B3's Level 2.

26 strategic risks were identified for Sanepar, of which 7 were prioritized for systematic management:

- revenue reduction;
- non-renewal or loss of contracts with municipalities;
- failure to comply with applicable environmental legislation;
- failures in projections and non-execution of the multi-year investment plan;
- water unavailability;
- failure in providing customer service; and
- reputation/brand deterioration.

Directors and managers are signing management agreements, seeking to create corporate engagement. Indicators related to risks are monitored and mitigation actions are developed, the results of which are presented monthly to the Risk Management Committee, which measures compliance with the established tolerance limits; and quarterly to the Executive Board, the Statutory Audit Committee and the Board of Directors.

In 2020, the process risk mapping methodology was used to enable the assessment of internal control systems and, thus, improve and ensure management at all levels of the Company, including tactical and operational. Nineteen processes at risk were identified, for which control points and mitigating actions were established.



INDUSTRY CONTEXT AND SANEPAR



Water shortage

According to the state government, Paraná is going through one of the biggest water crises in its history¹. From August to October 2020, the rainfall regime was between 50% and 70% below the average for the entire State. The most worrying situation is that of the Metropolitan Region of Curitiba (RMC), whose water deficit between November 2019 and October 2020 was 650 millimeters.

The smaller volume of precipitation and the so-called packaging of rains, when it rains a lot in a short period of time, affect the production of water in the reservoirs. By the end of October, the level of the dams that comprise the Integrated Supply System of Curitiba and Metropolitan

Region (Saic) was at 27.5%, one of the lowest in its history. This context led the State government to extend, at the end of October, Decree 4.626/2020, which instituted the water emergency situation in Paraná as of May.

The text of the decree regulated and supported the water rationing measures with the objective of distributing the resource among all consumers and regions. Since August 2020, Sanepar has been rotating water supply every 36 hours, due to the critical situation of the reservoirs that supply the RMC.

As of the decree, a working group was also created to guide and streamline decision-making during the period in which the water emergency situation is in force. The group is formed by the secretariats of Agriculture; and Sustainable Development and Tourism; State Civil Defense

Coordination; Regulatory Agency for Public Services Delegated from Paraná (Agepar); Association of Municipal Water and Sewage Services (Assemae); Military Police and State Forum of River Basin Committees.

Measures to face the water crisis

To avoid rationing or lack of water supply between the end of 2020 and the beginning of 2021, Sanepar implemented rotations in the metropolitan region of Curitiba in the beginning of 2020. This measure had an impact on water and sewage billing. The effects of the rotations and the possible change in the consumption profile due to the drought will be challenges to be closely monitored in the coming months, after the recovery of reservoir levels and the normalization of supply.

First, in March, the so-called Rotation A was implemented, at first in areas sup-

plied by the Miringuava River, which had a very low flow, insufficient to guarantee regular water supply. In May, Rotation B began, in which Saic was divided into five groups of neighborhoods with up to 24 hours without supply, alternating with four days of supply. In August, Rotation C came into effect, with Saic being divided into three groups and up to 36 hours without water for the population, alternating with 36 hours of supply.

Also due to the water crisis, Sanepar anticipated investments and implemented emergency water collection sites. The government decree provided the Company with water capturing agility from the region's caves and quarries, in Fazenda Rio Grande, Pinhais, São José dos Pinhais and Campo Magro. The work to trans-

pose the Capivari river, foreseen in Saic's Master Plan, will also be anticipated.

Aware that emergency measures alone would not solve the problem, in August Sanepar launched the Target 20% Program, through which it requested the population's support for conscientious consumption and combating water waste. The goal was achieved, with more than 15 million cubic meters saved in three months.

1. GOVERNOR asks for support from the Union against the water crisis. Paraná News Agency, 2020. Available at: <http://www.aen.pr.gov.br/modules/noticias/article.php?storyid=109509>

WASTE REPORTS ARE RECEIVED BY SANEPAR'S SOCIO-ENVIRONMENTAL EDUCATION AREA, WHICH SENDS A LETTER TO CONSUMERS

Water Alert

Alerta Água, Sanepar's channel for complaints about the abusive water use, has been on the air since August 2020 on WhatsApp. Waste reports are received by Sanepar's socio-environmental education area, which sends a letter to consumers to advise them on the importance

of the rational and economic use of water. There were over 10,000 guidance letters issued and complaints were answered every day since the channel was implemented. *Alerta Água* contributed to the achievement of Target 20%.



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Parks implantation

State Decree 6.232/2020, of November 24, 2020, established the Working Group for the revision of the Master Plan for the Regional Special Interest Area of Iguaçu (Aieri), under the management of Coordination of the Metropolitan Region of Curitiba (Comec). The objective is to include the limits of the Emergency Action Plan (PAE) – Sanepar’s contingency plan for dams – in the document and to structure the implementation plan for the Itaqui and Piraquara Environmental Parks, the Iguaçu Natural Park and the Iguaçu Metropolitan Park. The decree also allows the use of caves for public supply.

The parks projects were developed by Comec from 2016 to 2018, to improve

drainage and flood containment, in addition to preserving the environment, the tourist use of caves, the appropriate use of mineral and natural resources, and the promotion of leisure and recreation for the population.

The partnership aims to ensure water security through alternatives to strengthen the water supply in periods of drought or unavailability through the definition of potential areas as a water reserve for collection; delimitation of areas aimed at the implementation of projects to improve the water quality of the Iguaçu River; and review and compatibilization of park projects, according to the proposed Work Plan.



Regulatory context

GRI 103-1

In July, Law 14.026/2020, known as the new legal sanitation milestone was enacted, with the objective of universalizing and qualifying the provision of services in the sector. The Federal Government’s goal is to reach universalization by 2033, ensuring that 99% of the Brazilian population has access to drinking water and 90% to sewage treatment and collection².

The National Confederation of Industry (CNI) estimates that the universalization of water and sewage services will reduce annual health costs by up to R\$ 1.45 billion. The World Health Organization (WHO) points out that for every R\$ 1 invested in sanitation, R\$ 4 are saved with the prevention of diseases caused by the lack of sanitation services.

The new law extinguished the so-called program contracts, signed between municipalities and state sanitation companies, which opened up space for concession contracts and made the opening of public bids mandatory, in which public and private service providers can compete. The program contracts already in force were maintained, however, those without universalization targets and deadlines must be adequate by March 31, 2022.

It was also determined that the states, in order to serve small municipalities, compose groups or blocks of municipalities to contract services collectively. These blocks should develop municipal and regional basic sanitation plans, the implementations of which may receive technical and financial support from the Union.

The Interministerial Committee for Basic Sanitation, chaired by the Ministry of Regional Development, was created to improve institutional articulation between the federal agencies operating in the sector. The National Water Agency, linked to this ministry, started to regulate sanitation.

According to the law, contracts for the provision of this type of services must contain essential clauses, such as non-interruption; reduction of losses in the distribution of treated water; quality; improvement in treatment and reuse processes; and use of rainwater.

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2. NEW sanitation framework is sanctioned and guarantees advances for the country. Government of Brazil, 2020, Available at the [site](#).

New legal milestone and Sanepar GRI 103-1, 103-2, 103-3

The new milestone increased competitiveness in the basic sanitation sector. If the goals stipulated in the contract are not met, the new Law guarantees municipalities the right to resume the system, making room for new organizations. Within this context, Sanepar must intensify planning and increase its efficiency and economic-financial capacity to achieve the goals imposed on the country's sanitation area, taking advantage of the prerogatives of the public sector and the agility of the private sector to promote joint solutions.

Financial, human and technological resources are provided for this challenge. Sanepar seeks to expand and maintain the market, and increase satisfaction, strengthening its image. Based on its ex-

SANEPAR SEEKS TO EXPAND AND MAINTAIN THE MARKET, AND INCREASE SATISFACTION, STRENGTHENING ITS IMAGE

ecutive capacity and available resources, the Company prioritizes projects to meet the commitments assumed in the Concession Agreements and Program Agreements, without forgetting environmental compliance and operational needs.

To this end, it annually reviews its Multi-Year Investment Plan (PPI), with a five-year horizon, when it reassesses the demands for new ventures, in accordance with operational and environmental compliance needs with contractual universalization goals signed with the granting authority. The consolidation of resource allocation strategies is carried out by the Investment Committee – composed of representatives from all boards – through the application of the Company's investment policies and guidelines. The body meets weekly to analyze the progress of the PPI and decide on any adjustments to ensure compliance with the plan. In this sense, in 2020, the Effectiveness Index of the Multi-Year Investment Plan (new KPI) was created, with a target of 80.0% for 2021.

Regarding investments, the main targets are based on the Service Indexes with the Water Network (Iarda) and the Service Indexes with the Urban Sewage Collection Network (Iarce), which, in 2020, were 100.0% and 75.08%, respectively. Both the PPI index and the others are monitored on a monthly basis, generating actions to ensure quality water supply in 100% of the municipalities served by Sanepar, as well as compliance with environmental legislation. According to the Municipal Management Challenges (DGM) ranking – analysis of the recent evolution of the

country's 100 largest cities, which represent half of the Brazilian GDP, published by *Exame* magazine³ – the entire urban population of the municipalities served by Sanepar has access to drinking water. Regarding the service with sewage collection and treatment, the largest cities in Paraná present the following results: around 99% in Maringá and Cascavel; 96.4% in Curitiba; 94.8% in Londrina; 90.7% in Ponta Grossa; and 75% in São José dos Pinhais. All collected sewage is treated.

Infrastructure

GRI 103-1, 103-2, 103-3, 303-1, 303-2

Water treatment and distribution

In 2020, Sanepar reached more than 4 million active water⁴ economies, maintaining one of the largest structures in Brazil in basic sanitation. There are 168 Water Treatment plants (ETAs) and more than 55 thousand kilometers of distribution network. Sanepar's water is treated with chlorine and fluorine, which guarantees its potability and quality, and helps prevent tooth decay.

The Company follows water quality control and surveillance procedures determined by the Ministry of Health. The analysis is carried out in all treatment plants and in a further 4 central laboratories and 153 decentralized laboratories located in Paraná. Approximately 560,000 analyzes were performed per month in 2020.

The collection of water for public supply was carried out throughout the year in 265 surface springs – rivers, mines and 4 dams –, in addition to 1,154 deep tu-



bular wells, distributed in 9 aquifer units. The limits for the water extraction flow are established by the federal and state regulatory bodies, through the Grants of Right to Use Water Resources. For surface water sources in rivers, the assessment of water availability is based on the reference flow of the water body under historical dry conditions in the region, discounting grants for other uses. In water accumulation reservoirs, the catchment conditions are determined by the flow regulated by the dam and the downstream flow to be maintained in the river. As for underground abstractions, the assessment is carried out through production tests and monitoring of the quality and quantity of

water extracted from each well, and the reserves calculated for each aquifer unit.

The monitoring of the average monthly flows captured, the pumping regime and the monthly volume captured in each spring and well is carried out by the operational areas, which record the data in Sanepar's Environmental Information System (SIA).

Since 2017, the Company has been following the guidelines of the Sanitation Project Manual (MPS) for the assessment of water availability under severe drought conditions, thus verifying the impacts on water supply systems. In 2020, Sanepar



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3. SANITATION is a highlight in the best six cities to live in. Paraná News Agency, 2020. Available at: <http://www.aen.pr.gov.br/modules/noticias/article.php?storyid=110865>.

4. Term used to designate any property or subdivision of a property that has a private facility or common use of water and/or sewage services registered and billed by Sanepar.

hired, for five years, the Meteorological System of Paraná (Simepar) to implement active environmental monitoring and hydrometeorological forecasting/alerts in the basins of interest. It is a preventive approach regarding the management of quali-quantitative risks inherent to water bodies, aiming to ensure the safety of water for human consumption.

Considering the high demand of the Integrated Water Supply System in the Metropolitan Region of Curitiba, since 1980 the basins of current and future water sources have been decreed as areas of interest for public supply, in order to control the use and occupation of the land, ensuring water qual-

ity conditions compatible with human consumption. The hydrographic basins upstream of the five dams used by Sanepar (Piraquara I and II, Passaúna, Iraí and Rio Verde) were established as Environmental Protection Areas (APAs) by state decrees. In addition to these APAs, other surface water sources are inserted in municipal (Araras creek, in Paranavai, and Piava river, in Umuarama), state (Mello river, in Guaratuba) and federal (Cerquinho river, in Guaraqueçaba) APAs.

The management of processes in line with the sustainable use of natural resources and the pursuit for legal compliance are Sanepar's premises. The Compa-

ny has a structured strategic vision on the subject and works towards a balanced and efficient use of these resources, and the consequent conservation of the environment. To ensure the integrity of processes, Sanepar continually invests in environmental education programs, river revitalization, watershed protection, research and development, greenhouse gas (GHG) emission control, dam management and certifications.

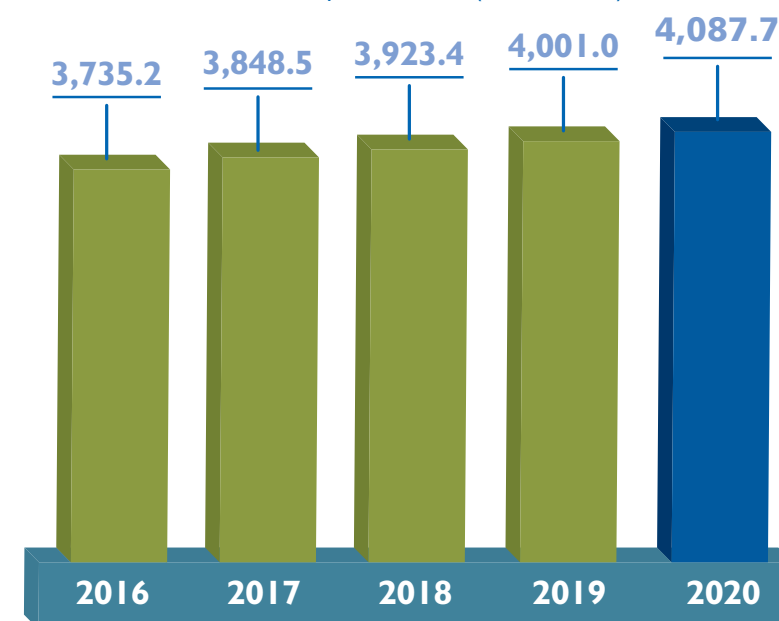
VOLUME ADDED IN 2020

Source	Volume (in m ³)	Representativeness
Wells	168,259,141	21.23%
Surface springs	624,389,623	78.77%
Total volume added (m³)	792,648,764	100.00%

Source type	Water abstraction (in millions of m ³)			% 2020 x 2019
	2018	2019	2020	
Surface water	609.23	624.39	624.38	-0.002
Underground water	164.47	168.26	168.26	0.000
Total	773.70	792.65	792.64	-0.001

Note: All abstracted water is considered fresh water (it has ≤1,000 mg/l of total dissolved solids). Of this total, 261.07 million cubic meters of surface water and 25.71 million cubic meters of groundwater were supplied from areas with water stress, totaling 286.78 million cubic meters.

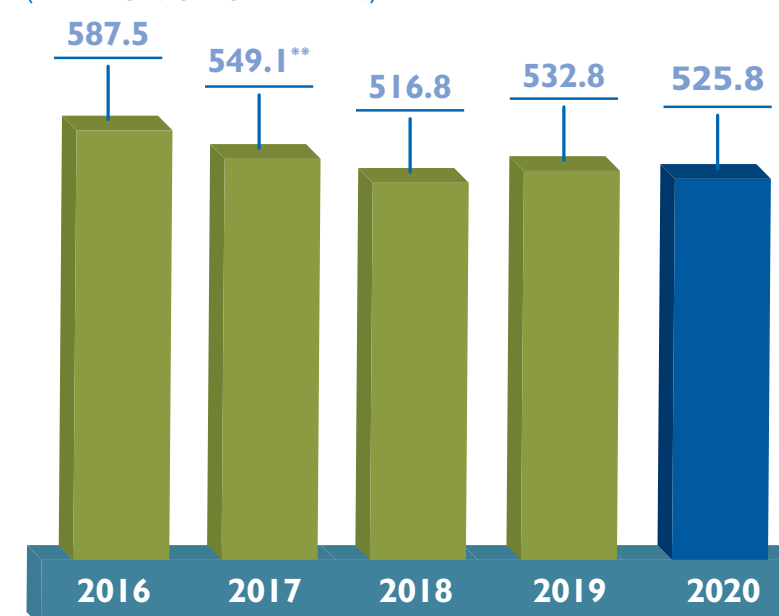
ACTIVE ECONOMIES*/WATER – (IN MILLIONS)



* The term active economy is used to designate every property or subdivision of a property that has a private or common use facility for water and/or sewage services registered and billed by Sanepar.

INVOICED VOLUME*/WATER

(IN MILLIONS OF CUBIC METERS)



* Considering also the volumes referring to industrial consumers (non-potable water).

** In 2017, there was a change in the basic structure of the minimum tariff from 10 m³ to 5 m³.

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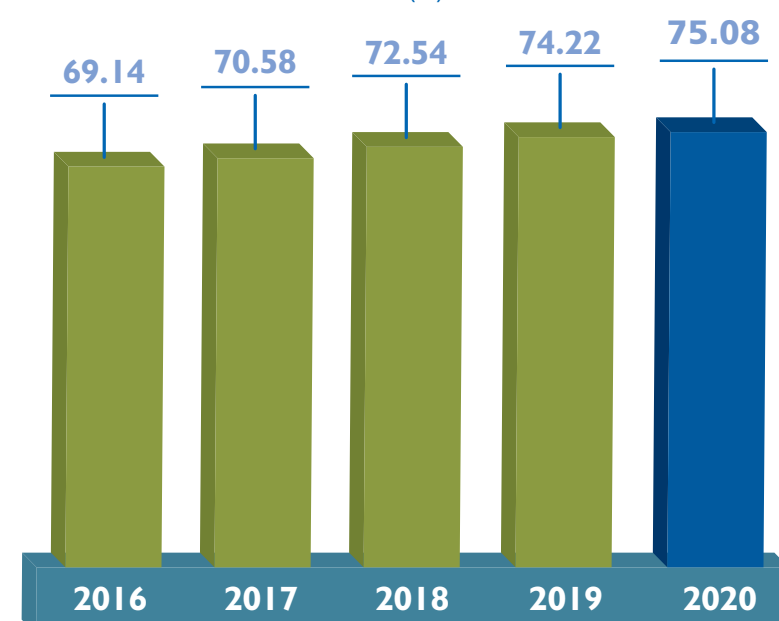


Sewage network

In 2020, the collection network grew 4.7%, reaching 38.5 thousand kilometers in length. The number of active economies connected to the network grew by 3.2%, surpassing the total of 3.1 million active economies.

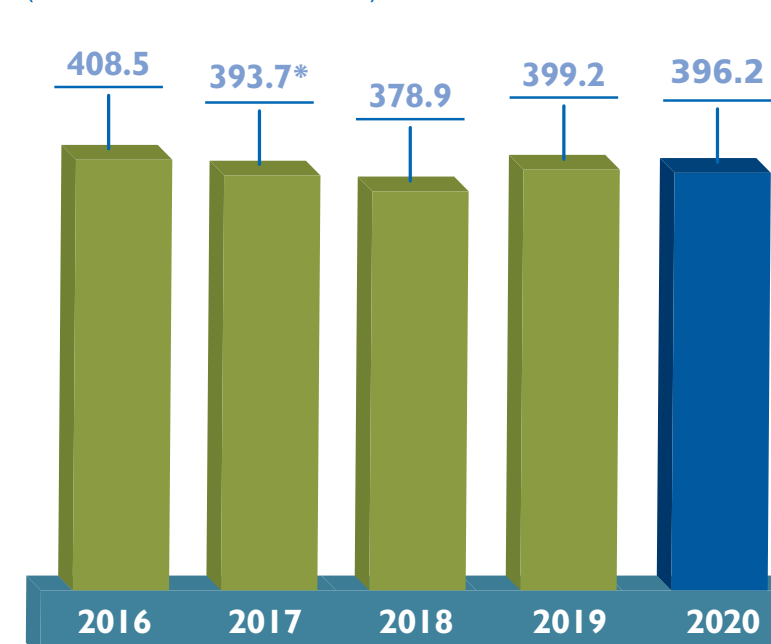
To improve the sewage treatment processes, investments were made in modular treatment plants (prefabricated), in modular post-treatment and in adjustments to the Sewage Treatment Plants (ETEs) in operation. All these efforts showed significant improvements in ETEs efficiency.

IARCE - SERVICE INDEX OF SEWAGE COLLECTION NETWORK* - (%)



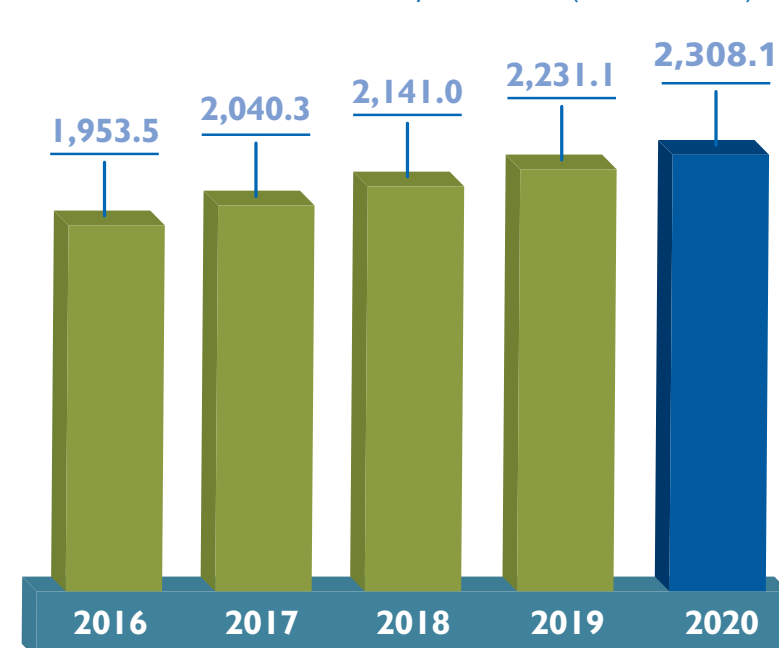
* Index based on active, inactive, and feasible economies in the collection network's area of operation.

INVOICED VOLUME*/SEWAGE (IN MILLIONS OF CUBIC METERS)

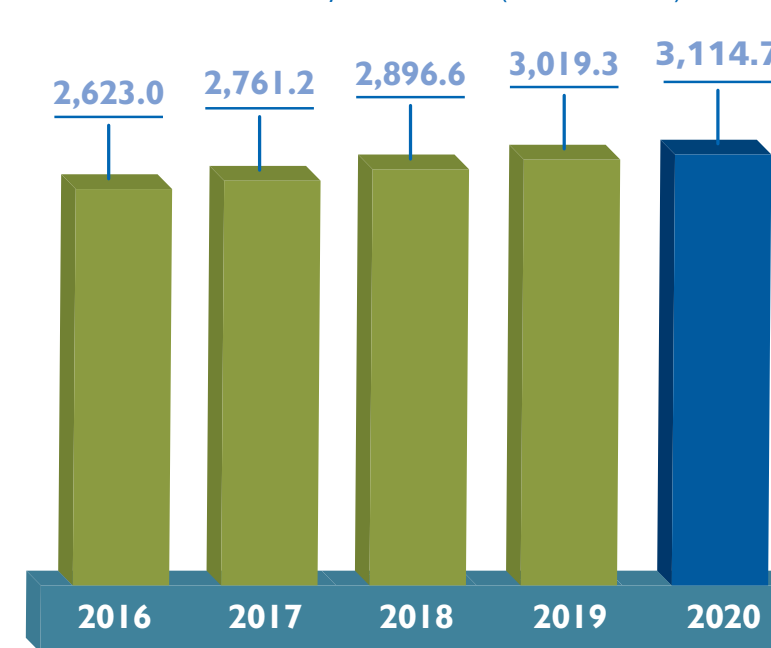


* In 2017, there was a change in the basic structure of the minimum tariff from 10 m³ to 5 m³.

NUMBER OF CONNECTIONS/SEWAGE (IN THOUSANDS)



ACTIVE ECONOMIES*/SEWAGE - (IN THOUSANDS)



* The term active economy is used to designate every property or subdivision of a property that has a private or common use facility for water and/or sewage services registered and billed by Sanepar.

VOLUME OF DISCARDED EFFLUENTS (IN MILLIONS OF M³) | GRI 303-4

2018	362.4
2019	382.1
2020	377.3
% 2020 x 2019	-1.26

Urban solid waste

Sanepar makes the environmentally appropriate final destination of urban solid waste to seven municipalities in the northern region of the State. Through contracts with the municipalities of Cianorte, Apucarana and Cornélio Procópio, the Company manages three landfills that, in 2020, handled 65 thousand tons of waste and served a population of 297,000 inhabitants.

The experience in solid waste management began in 2002 in Cianorte. The landfill, which operates regionally, serves the municipalities of São Tomé, Terra Boa, Guaporema and Indianópolis, and was the first in the country under the management of a public company to receive ISO 14001 certification for environmental management.



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Investments in 2020 GRI 203-1

As a basis for human development, sanitation requires constant investments to guarantee and improve water supply, sewage collection and treatment, and the fulfillment of commitments made to society and the granting authority. In addition to following the allocative efficiency guideline, investments are also guided by the tripod of sustainability: financial efficiency, which seeks the lowest cost to society; environmental efficiency, in com-

pliance with legislation standards; and social efficiency, with attention to the regions that most need sanitation.

The resources are prioritized in compliance with the premises of Sanepar's Investment Policy:

- 1) Guarantee of water supply, legal agreements and environmental compliance (water and sewage);
- 2) Targets of program and concession contracts (water and sewage);
- 3) Terms of commitment with the Public Ministry;
- 4) Demands arising from operational and environmental diagnoses of systems, preliminary technical studies and mas-

- ter plans for sanitation (operational improvements) and new businesses; and
- 5) Infrastructure and solid waste.

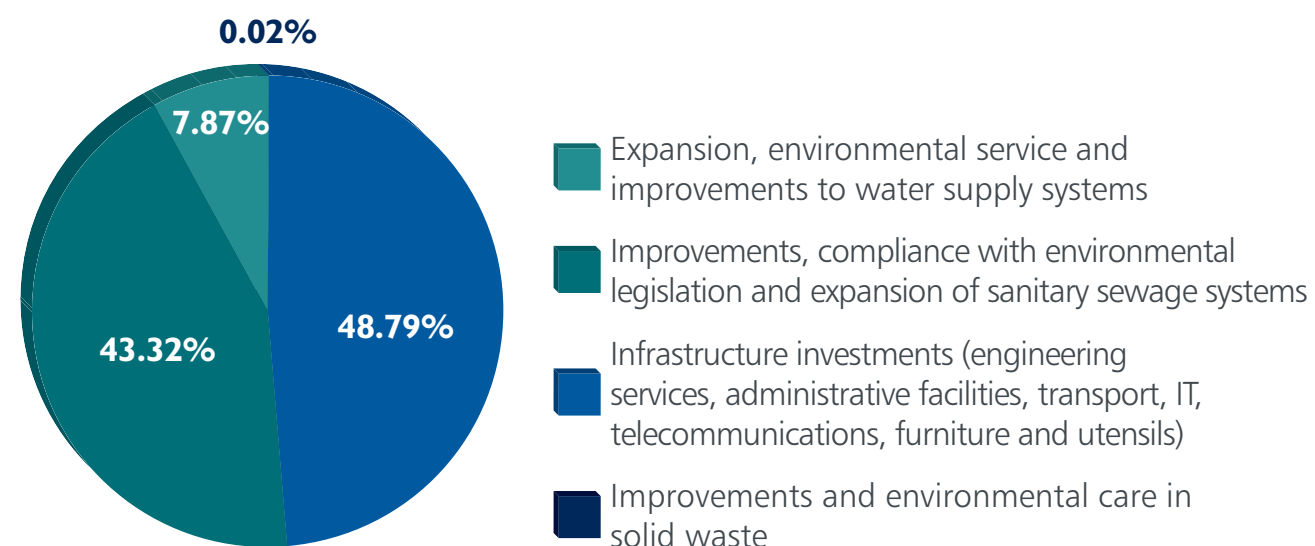
Following these guidelines, in 2020, Sanepar made investments in the order of R\$ 968.93 million, divided as shown in the graph below.

The allocation of resources followed the Multi-year Investment Plan (PPI), and its version for the period of 2021 to 2025 was elaborated in 2020. The amount approved for the period is R\$ 7.86 billion, in accordance with the Company's debt and payment executive capacity. Coordinated by the Investment Committee and consolidated by the Investment Board, the PPI was debated throughout the state.

Still in 2020, and already to meet the PPI, the execution of 86,17 thousand meters of network lines were contracted to improve the water distribution network of the Water Supply System in the municipality of Londrina (PR). The entire population comprised by the area covered by the Higienópolis Buried Reservoir will be benefited, as well as distant regions, such as Vila Brasil and Vila Casoni, which total approximately 28 thousand inhabitants.

The work must be completed within three years. The long distance, together with the excessive loss of pressure produces low flows, which also causes a lack of water and, consequently, low consumption in connections, further increasing losses in the distribution system. Thus, the main objectives of the intervention are to operate with new networks and with controlled pressures, which form the virtuous circle of a balanced system with low losses.

DISTRIBUTION OF INVESTMENTS IN 2020



SANITATION REQUIRES CONSTANT INVESTMENTS TO GUARANTEE AND IMPROVE WATER SUPPLY, AND SEWAGE COLLECTION AND TREATMENT





Investments on the coast

Since 2018, Sanepar has been investing in the expansion of the sewage collection network on the coast of Paraná, which, in 2020, reached 82% of the region. Throughout the year, the Company intensified projects to improve and expand these systems towards universalization, the Water Network Service Index (Iarda) at 100% and expanding the Urban Sewage Collection Network Service Index (Iarce), with investments exceeding R\$ 56 million in the last two years. The differential is the intervention to expand the Sewage Treatment Plants of Pontal do Paraná and Matinhos, completed in 2019, which doubled the capacity to receive effluents, and the Solimar Collector, still under construction, with completion forecast for 2021, which will reinforce the capacity of the existing pipelines and will expand the network in the five municipalities covered.

Investments that increased the water storage capacity were also delivered. Pontal received two new reservoirs: in the Atami and Canoas resorts, with capacities of 1 million liters and 2 million liters, respectively, with investments totaling R\$ 2.9 million. Sanepar also invested R\$ 1.9 million in the structural recovery of the Central Reservoirs, in Guaratuba, and in the sustained reservoir (RAP) of ETA Matinhos and Praia Grande, with a total capacity of 3 million liters. Also noteworthy is the construction of two important water mains: one connecting ETA Matinhos to the Caiobá Reservoir, delivered in 2020, and another from the Canoas Reservation Center to the Ipanema Reservoir, scheduled for completion in 2021.

The Implementation of the Miringuava Dam, located in the municipality of São José dos Pinhais, is part of the water supply master plan for the Metropolitan Region of Curitiba (RMC). The Miringuava System has already been completed and is in operation, including the water treatment plant, the pipelines and the reservoirs, with only

the dam's implementation remaining to be completed. R\$ 160 million are being invested in infrastructure.

The dam, which aims to guarantee the regularization of a 2.00 m³/s flow in the catchment, will increase by 38 billion liters of water the reservation capacity of the Integrated Water Supply System of Curitiba, currently composed of the Iraí, Passaúna, Piraquara I and Piraquara II dams. Currently, the Miringuava System has been operating with a flow of less than 1.00 m³/s. With the dam's implementation, it will be able to serve an additional population and eliminate the current deficit in periods of drought, providing more reliability to the system. Around 650,000 inhabitants will benefit by 2030.

Sanepar's Environmental Education Management (Gesa) has been developing, since 2017, social and environmental education actions, through the Technical Social Project of the Miringuava enterprise, with the objective of awakening in the agricultural community and residents the adoption of sustainable practices in land and water use, focused on environmentally preserving the source. This was the first stage of the work, which is expected to end in April 2021.

In the second stage of the work, Gesa will prepare and implement the Socio-territorial Development Plan for the Miringuava Basin, focusing on the economic development of local producers and entrepreneurs, that is, agricultural producers, meliponiculturists, rural tourism entrepreneurs, among others. The Plan will be developed in partnership with public authorities, such as the Rural Development Institute (IDR) and Invest Paraná, and the private sector, such as *Fundação Grupo Boticário* and others.

The socio-environmental actions developed in the region are also aimed at complying with the Environmental Licensing, as well as at the sustainability of the enterprise.



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Investments in technology

Among the operational technologies evaluated and/or developed by Sanepar in recent years, it is worth mentioning the modular effluent treatment systems, both for new processes and for effluent post-treatment, in order to comply with the release parameters. Since 2017, Sanepar has already implemented around 51 modular systems, and, in 2020, 15 of them were commissioned. This technology adds value to the Company's business,

as it has greater efficiency and less space demand (on average, half of the area) compared to conventional systems.

Also noteworthy, is the thermal drying system for sewage sludge under construction at ETE Atuba Sul. This innovative system is environmentally sustainable as it uses, in drying, biogas and biomass produced at the station itself. Another positive environmental impact is that

Sanepar will no longer send the sludge generated in the sewage treatment process to a landfill. The works on the thermal drying system should be completed in the second half of 2021. Additionally, a sludge mineralization site was made operational in the municipality of Santa Helena, in a system adapted from the retrofit of a sewage treatment pond and designed to stabilize the sludge deposited there for more than ten years, with the help of plants.

A real-time monitoring and operating system was implemented in the water distribution network in the municipality of Lapa, with remote access to data via cloud. Projects of this nature, but with different Internet of Things technologies – the 4.0 technology concept –, are being replicated in the cities of Curitiba, Ipiranga and Londrina.

In 2020, seeking to reduce electricity costs, Sanepar continued with its strategy of scaling up the solution for real-time monitoring of consumer units, as well as developing studies aimed at the transmission of some of them to the free electricity market, which is under evaluation by the regulatory agency (Agepar). In the electricity generation area, the Company had already inaugurated, in December

SINCE 2017, SANEPAR HAS ALREADY IMPLEMENTED AROUND 51 MODULAR SYSTEMS

2019, the Passaúna floating solar system, in Curitiba, an unprecedented project in the Brazilian sanitation sector. With an installed capacity of 130 kWp, the system was installed in floating structures over the dam's lake, which represented a challenge, as few similar installations had already been built in Brazil. The plant comprises 396 polycrystalline photovoltaic modules and occupies an area of approximately 1.2 thousand square meters. It is the first floating solar plant installed in a sanitation company in the country.

Photovoltaic solar panels, which total a power of 75 kWp, are fixed on the roof of the new administrative building at Sanepar's headquarters. This initiative

was conceived within a certification strategy for sustainable buildings (LEED Gold certification). The case was contemplated in the KNX Award 2020, electing the champion in the energy efficiency category among more than 2,000 competitors at an international level. Sanepar also carried out studies, at an experimental level, aiming at the use of electric and natural gas-powered vehicles in the execution of its employees' daily activities. The pilot project is taking place in the region of Toledo (PR).



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Dam safety management

The four dams that are part of the Integrated Supply System of Curitiba (Saic) – Iraí, Piraquara I and II and Passaúna – are operated, inspected and monitored periodically in accordance with Federal Law 12.334/2010 (National Security Policy of Dams) and State Ordinance 46/2018. For this activity, the Company follows the Entrepreneur's Manual on Dam Safety, published by the National Water Agency (ANA). Legal requirements are fulfilled at all stages of the projects – design, construction, commissioning and operation –, that is, during the entire useful life of each one of them, so that decisions relating to dams are technically, environmentally and socially adequate.

Teams of independent dam review consultants periodically assess the safety of these structures, indicating corrective or preventive actions, in order to prioritize investments, expenses and actions. The Company is preparing to implement im-

provements in the dam safety management process, with the development and acquisition of new technologies, tools and solutions, aiming at integrated and continuous management.

Sanepar's Dam Safety Plan (PSB) is composed, as determined by the state ordinance, of six volumes, which provides for the entire process to be adopted, including the Emergency Action Plan (PAE). The preparation of these documents was completed, delivered and presented to the state inspection agency within the legal deadline, in 2020, with the exception of the plans for the dam on the Miringuava River, which is still under construction (see page 31). Such plans were also handed over to state and municipal civil defenses. Then, the planning of improvement actions indicated in the plans of each dam was started, as well as the planning for the operationalization of the PAEs.

Law 12.608/2012 established the National Policy for Civil Defense and Protection to carry out drills, survey of risk areas, monitoring and treatment of occurrences with dangerous cargo around public water supplies. In this context, Sanepar is a partner of the Municipal and State Civil Defenses in the elaboration of Municipal Contingency Plans for Dams. The Company also offers support and full interaction with external bodies to organize these plans, and prepare and respond to incidents, failures or unforeseen events, such as severe droughts or heavy rains. It also establishes agreements with city halls to protect the areas surrounding the dams.

Since March 2020, Sanepar has been a representative of the sanitation sector in the Technical Chamber for Dam Safety, created by the National Water Resources Council. Participation is active in specific technical groups, such as Resolution 143/2012 and the analysis of annual dam safety reports from the National Water Agency, among others. It is also a member of the Paraná Dam Safety Committee – established by the government of Paraná –, a participative and active body in the related state regulation.

Sanepar has representation on the Paraná Regional Board of the Brazilian Dam Committee (CBDB). CBDB collaborates to spread the dam safety culture in Brazil, through forums, workshops, lectures and technical groups, with which it promotes training and networking among the various actors.

SANEPAR HAS BEEN A REPRESENTATIVE OF THE SANITATION SECTOR IN THE TECHNICAL CHAMBER FOR DAM SAFETY



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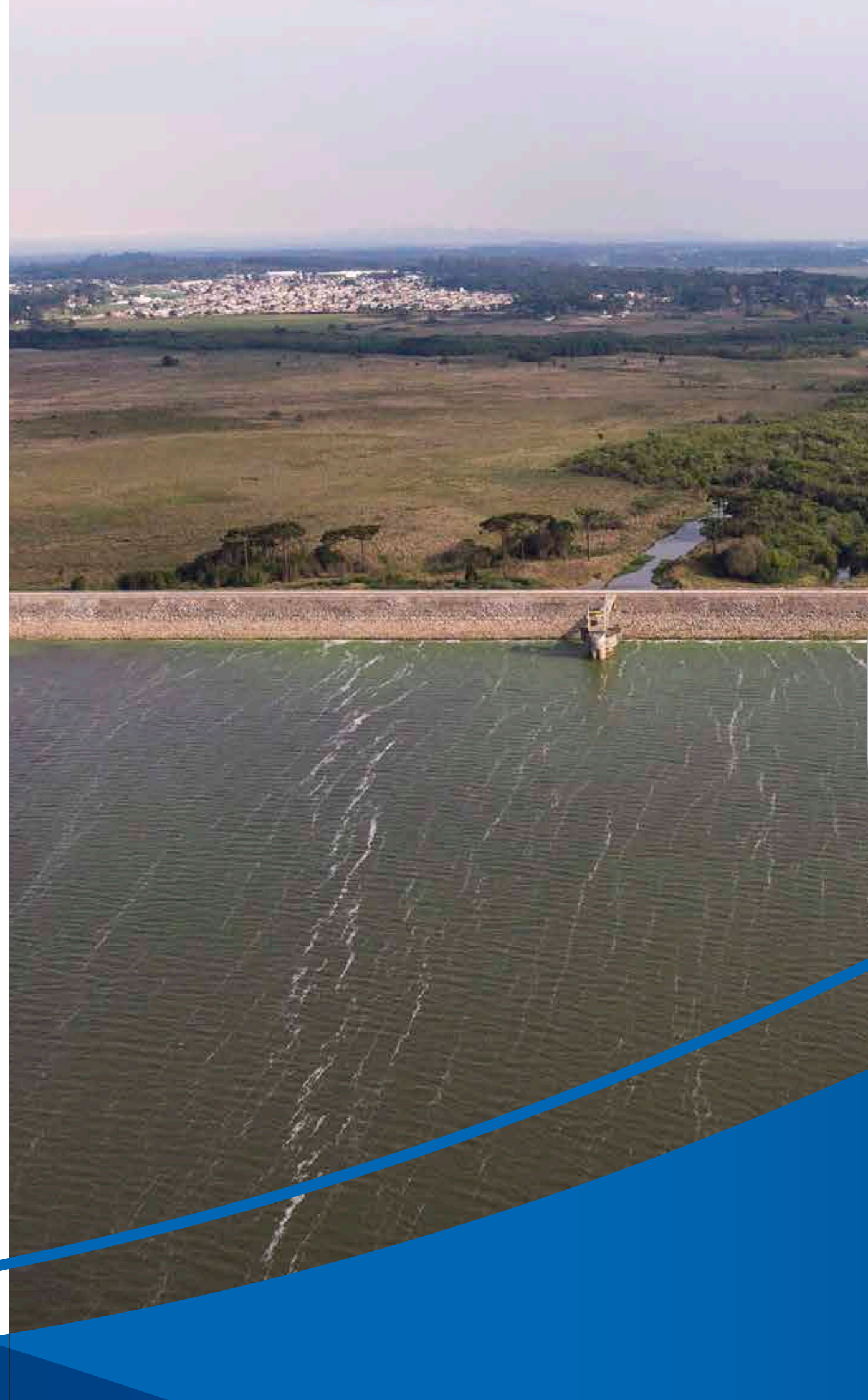
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Water security plan

Sanepar has been implementing, since 2019, the Water Safety Plan (PSA), as determined by Consolidation Ordinance 5/2017, of the Ministry of Health. The methodology was published by the World Health Organization (WHO) and comprises the following macro-steps: system risk assessment; monitoring; action and review plans; and PSA validation.

In 2020, five rigs were acquired to start monitoring the quality of the Cascavel springs, a pioneer Water Supply System (SAA) in the implementation of the PSA. Later, rigs were also purchased for the SAAs in Curitiba, Londrina, Maringá, Ponta Grossa and Foz do Iguaçu, totaling R\$ 1.6 million in investment.

The monitoring contracted with the Meteorological System of Paraná (Simepar), mentioned on page xx, is part of the plan. In addition to the PSA, there are other initiatives underway with the same objective, the so-called Action Plans, in which another R\$ 3.9 million were invested. Part of it was allocated to the *Fundo Azul* Program, carried out in several municipalities in Paraná in partnership with local entities or city halls. In Cascavel, the Management for the Cascavel River Watershed, Dam Safety and Requalification Plans for the surroundings of the Cascavel Municipal Lake were drawn up. Cattle manure deposits from small rural properties located in Castro (São Cristóvão River), Carambeí (São João River) and Piraí do Sul (Piraizinho River) watersheds were adjusted. In Francisco Beltrão, the Permanent Preservation Area (PPA) around the Marrecas River springs basin, the municipality's water supply, underwent environmental recovery. In Paraíso do Norte, the management plan for the Environmental Protection Area of the Palmital stream, in the Palmital River Supply Watershed, was revised and complemented. In Umuarama, the springs in the Piava River basin underwent soil management, fencing and recovery. Resources were also invested in the Watershed Conservation Program/Moringa Cheia, for the recovery of the surroundings of the Piraquara II and Iraí reservoirs, and of the Timbú River APP. Payments were also made for environmental services performed in the Piraquara I Reservoir. In a public call, 11

owners were selected, to receive in January 2020, R\$ 137 thousand in total – an average of R\$ 12.4 thousand per owner. An agreement signed between Sanepar, the Social Development Secretariat and the municipality of São José dos Pinhais provides Payment for Environmental Services to owners of the surroundings of the future Miringuava Reservoir (R\$ 1.5 million).

At the end of 2020, the Technical and Financial Cooperation Agreement was also signed with Itaipu Binacional and the Itaipu Technological Park Foundation, for the development of the project "Water Resources Management and Water Security in the West Region of Paraná" (see [page 56](#)).

Water quality

The results of certain water quality analysis parameters described on [page 65](#) are periodically posted by Sanepar on its website; in an annual report; summarized in the clients' monthly bill, in compliance with Federal Decree No. 5.440/2005; and through mandatory disclosure to the municipal and state Health Secretariats, and the Ministry of Health.

The water treatment processes are regularly evaluated with the execution of the Exceletas (Excellence of Water Treatment Plants - ETAs) program, which consists of on-site checks of the conditions for the water source, physical facilities, operational performance, training of personnel and operational management.

Loss management

In 2020, Sanepar recorded a water loss rate of 220.18 liters/connection/day (IPL), compared to 230.5 liters/connection/day in 2019. The percentage of distribution losses in the average of the last 12 months (PSD12) – a metric adopted for all of Brazil – was 34.1%, below the national average of 39.2%, according to the National Sanitation Information System (SNIS 2019). We highlight the results obtained in the Ponta Grossa system, which exceeded its IPL target, going from 292.07 liters/connection/day in 2019 to 265.59 liters/connection/day in 2020; and in the regional area of Telêmaco Borba, whose IPL was less than 100 liters/connection/day.



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Water losses are one of the main indicators of Sanepar's system's efficiency. Processes subject to loss of resource – production, distribution and network maintenance - are managed and controlled in a systematic and structured way based on the Methodology of Analysis and Problem Solving Applied to Water Losses (Masp-P). Combined with the Water Balance technique, Masp-P allows the identification of causes, in order to direct more assertive correction and improvement actions.

Sanepar also manages the hydrometers park, to keep them correctly sized and technologically updated, according to the consumption profile of each consumer. Equipment is replaced preventively and correctively, avoiding measurement failures due to wear. Every year, around 400 thousand hydrometers are changed in Paraná. This equipment can be defrauded or there may even be clandestine connections, factors that cause losses and have increased in recent years. Measures to combat these frauds and irregular connections are ongoing.

Monitoring the pressures and flows in the distribution networks is essential for identifying leaks and directing maintenance teams. Daily identification, control and reduction activities are carried out, which includes inspections and installation of branches and trestles in regions with signs of leaks, the repairs of which are carried out as quickly as possible. The installation of new networks mitigates the risks of old pipes leaking.

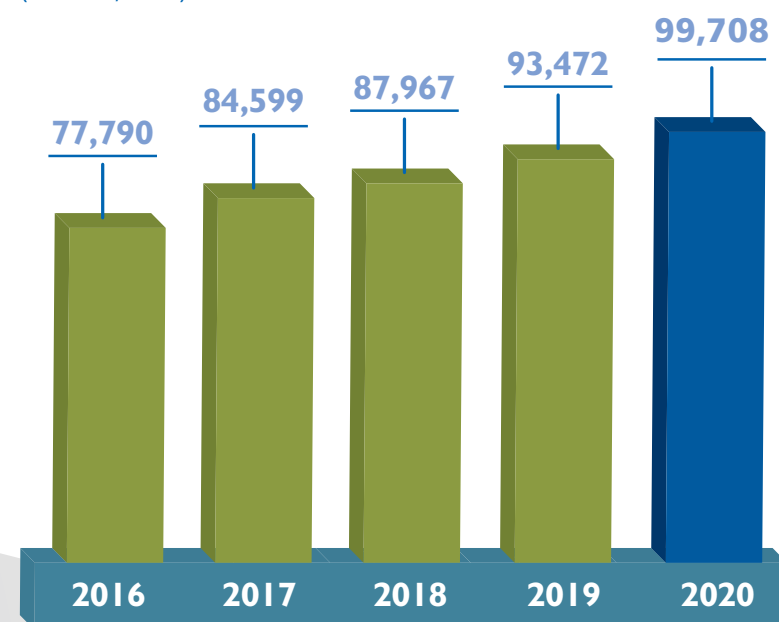
Sewage treatment

The sewage treatment plants' function is to remove the polluting load, meeting the limits of the different parameters determined by environmental legislation. Sanepar measures the load removed from the treatment process taking into account the standard limits of all evaluated parameters and the measured organic load, according to Biochemical Oxygen Demand (BOD).

The sludge generated in the ETEs has been destined by Sanepar for agricultural use for decades, a practice considered an example by the Program of the United Nations Environment Organization (UNEP). The experience began in the Metropolitan Region of Curitiba and reached other regions of the State. In areas such as Umuarama and Campo Mourão, where agriculture has a strong presence, 100% of the sludge is directed for this purpose. Since 2007, around 320 thousand tons of sludge have been disposed of and there are projects to expand this practice.

Sanepar's actions influenced the elaboration of rules by Conama (Resolution no. 375/2006) and by the State Secretariat for the Environment of Paraná (Resolution SEMA no. 021/2009), regulating the agricultural use of waste. Before being sent to the properties, the sludge must undergo tests and meet quality standards that measure the amounts of heavy metals and health in terms of viable helminth eggs, salmonella, thermotolerant coliforms and enteric viruses. All these parameters must be below the limits of the relevant legislation. The agricultural area that will receive the product also undergoes inspection and analysis by a qualified professional.

ORGANIC LOAD REMOVED
(IN TONS/YEAR)

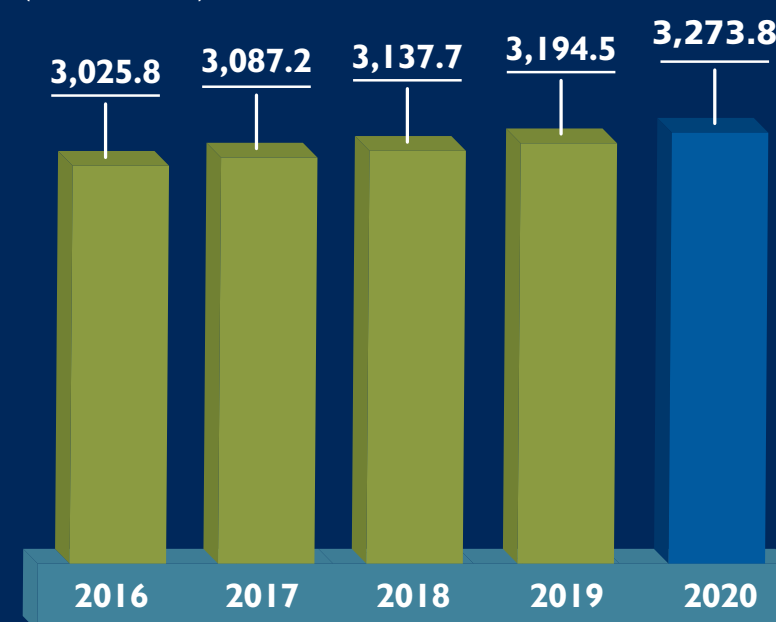


Urban rivers

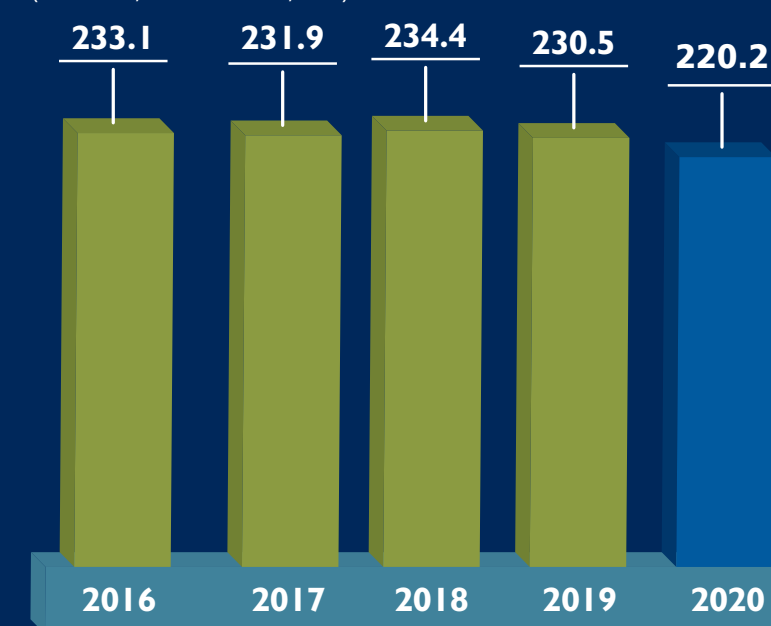
Through the Urban Rivers Revitalization Program (PRRU), Sanepar monitors water conditions by measuring the dissolved oxygen content in different stretches of rivers, streams and galleries in urban areas. This action makes it possible to detect points for repairs in the collection network, illegal connections and irregular discharges of sewage into water bodies.

In 2020, the Belém (North section), Juvevê, Uvu, Bacacheri, Palmital and Córrego do Muelier rivers were monitored in Curitiba. In the capital's Metropolitan Region, the Vila Formosa, Avariu and Ressaca rivers were evaluated. In Foz do Iguaçu, the Monjolo and M'Boicy river basins were verified.

NUMBER OF CONNECTIONS/WATER
(IN THOUSANDS)



INDEX OF LOSSES PER CONNECTION
(IN LITERS/CONNECTION/DAY)



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**STRATEGY AND
VISION OF THE FUTURE**

STRATEGIC PERSPECTIVES AND OBJECTIVES WERE BROKEN DOWN INTO STRATEGIC PLANS, ALIGNED WITH RISK MANAGEMENT

2020 was the year to consolidate Sanepar's new strategic map, the result of a work which began in the previous year, when the Company revisited its strategies and perceptions of stakeholders and the business environment. The process generated a realignment of the Mission and Vision and the definition of the Company's Purpose, forming the new Strategic Map, which will direct the efforts and goals to be followed to meet the new standards and challenges of the market in the next five years (2021 to 2025).

Strategic perspectives and objectives were broken down into strategic

plans, aligned with risk management in order to mitigate them and, thus, make Sanepar successful in its purpose. To monitor and control this process, strategic indicators and responsible management were defined. Directors and managers are signing management agreements to achieve them, thus creating an environment of corporate engagement.

The strategic review process was improved with the consolidation of the Investment Committee and the Integrated Planning Committee's performance, which were coordinated by it. The improvement of the Business Pre-Plan for the entire Company and the creation of

the Investment Prioritization Matrix were very important pieces for all of the managements' planning construction, which contributes to better procedural alignment and translates into more consistency of the Long-Term Business Plan and Strategies. The Pre-Plan's purpose is to guide the Company's planning process, establishing expected results and performance indicators based on analysis of scenarios, operating projections, tariffs, results and investment budgets.



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Purpose, Mission, Vision and Values

GRI 102-16



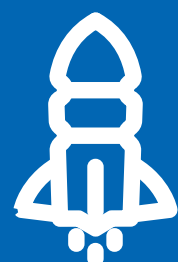
Purpose

Health and Sustainability for Society.



Values

- **Responsibility:** Be responsible for its actions and decisions, committed to the company's objectives
- **Innovation:** Search for new solutions, aiming at the efficiency and universalization of environmental sanitation
- **Competence:** Perform professional duties supported by knowledge, skills and assertive attitudes
- **Respect:** Act correctly, respecting diversity, society and the environment
- **Commitment:** Act in a dedicated and committed manner with the company's principles, values, vision and mission
- **Professionalism:** Perform duties with dedication, ethics and respect
- **Transparency:** Act and inform clearly and truthfully
- **Ethics:** Act in accordance with values that guide truthful, transparent and honest conduct parente e honesta



Mission

Ensure sustainable and innovative environmental sanitation services, contributing to economic and social development.



Vision

Universalize environmental sanitation, with excellence, in all municipalities served, committed to customer satisfaction.

Sanepar Integrated Management Excellence System (SIEGS)

SIEGS was created in 2019 as a result of the strategic objective to "Develop the organizational environment," aiming to promote management maturity and continuous improvement of the Company's value chain processes. In 2020, the Boards formalized the technical chambers, nominating their representatives to carry out the implementation of the quality requirements in their processes. The training of these chambers took place through virtual platforms, such as webinars and Google Meet, involving approximately 260 employees. The management body's awareness, transfer of the methodology and commitment to the program took place during the planning meetings.

Legislative change

Sanepar is prepared to take advantage of the opportunities made possible by State Law 20.266/2020, sanctioned by the Governor of the State of Paraná. Such legislation authorizes the Company to act, including abroad, in the exploration of public services and private water supply systems, collection, removal and disposal of effluents, domestic and industrial solid waste, urban drainage, in addition to protecting the environment and its water resources.

Sanepar will be able to commercialize the energy generated in its units and the services and rights arising from its patrimonial assets and use network lines to install optical fibers. It may also participate, as a majority or minority, in consortia, investment funds or partnerships with public and private companies. Businesses may be operated through specific purpose companies (SPE), a model in which a new company is created to operate exclusively in certain projects, or other legal types approved by the General Shareholders' Meeting.

The text updates a 1963 legislation that prevented the expansion and diversification of the Company's businesses.



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RELATIONS WITH STAKEHOLDERS

Stakeholders

GRI 102-40, 102-42, 102-43

Sanepar's main stakeholders are customers, employees, suppliers, government and regulatory bodies, investors, society and unions due to the influence of these stakeholders on its operations, performance and image. Sanepar, therefore, respects and recognizes its stakeholders and business partners as decisive agents in carrying out activities and achieving strategic objectives.

The Company is committed to the balanced use of natural resources, the adoption of sustainable practices and compliance with legal requirements, which is explained in its Mission. Achieving it requires the engagement of all interested parties, building a relationship of trust with customers, protecting the environment, seeking excellence and respecting the law.

The principles and values reflect a high standard of ethics and integrity, which ensure credibility and preservation of the Company's image with its stakeholders. For Sanepar, these principles and values can be incorporated into the daily lives of all those with whom it interacts. To facilitate this process, Sanepar shares them in its Code of Conduct and Integrity for suppliers and business partners, guiding the construction of an ethical, transparent and sustainable relations ([see page 52](#)).

Stakeholder	Interlocutor	Needs and expectations	Type of identification / engagement
Customers	<ul style="list-style-type: none"> Consumer protection bodies; and Residents' association. 	<ul style="list-style-type: none"> Water supply regularity; Water quality; Quality sewage service; Services provided; Price; Universalization of sanitation; and Collection of solid urban waste. 	<ul style="list-style-type: none"> Materiality Matrix; External Customer Satisfaction Survey; Relations Channels (Contact Us and 0800); and Mobile, SMS, Virtual Self-Service and Relations Centers.
Employees	<ul style="list-style-type: none"> Unions; and Employee associations. 	<ul style="list-style-type: none"> Training and development; Health and safety; and Well-being and satisfaction. 	<ul style="list-style-type: none"> Materiality Matrix; Organizational Climate Survey (Speak Frankly); Intranet; Code of Conduct and Integrity; and Union Relations Commission.
Suppliers	Representatives	<ul style="list-style-type: none"> Timely payment and quality of service. 	<ul style="list-style-type: none"> Materiality Matrix; and Supplier Code of Conduct.
Government	City Halls; Paraná State Government	<ul style="list-style-type: none"> Universalization of sanitation; Compliance with contracts; and Landfill operation. 	<ul style="list-style-type: none"> Materiality Matrix; Concession Agreement/Program; Municipal Basic Sanitation Plan; and Meetings with mayors.
Regulatory bodies	Paraná Regulatory Agency (Agepar), transferable securities Committee (CVM)	<ul style="list-style-type: none"> Compliance with regulatory requirements. 	<ul style="list-style-type: none"> Materiality Matrix; Public Hearings; and Meetings.
Investors	Investor Funds, B3	<ul style="list-style-type: none"> Return on invested capital; Growth; Productivity; and Efficiency. 	<ul style="list-style-type: none"> Materiality Matrix; Meetings with the Board of Directors; Board Meetings (Redir); and Strategic planning.
Unions	23 Unions	<ul style="list-style-type: none"> Freedom of association, recognizing union entities as legitimate employee representatives and viewing collective negotiations as essential to conflict prevention, and managing claims and negotiations in an ethical and respectful manner. 	<ul style="list-style-type: none"> Permanent Union Relations Commission. Meetings recorded in minutes, information, emails, etc.
Society	<ul style="list-style-type: none"> Representatives; Instituto Água e Terra, IBAMA, State Audit Court, Public Ministry, Basin Committees and Municipal Councils. 	<ul style="list-style-type: none"> Compliance with applicable legislation; Environmental quality; and Social and environmental development/health. 	<ul style="list-style-type: none"> Materiality Matrix; External Customer Satisfaction Survey; Contact us; Basin Committees; Training of Social and Environmental Agents; and Community meetings.



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Customer relations

GRI 103-1, 103-2, 103-3

Customer relations is the main strategic commercial process, permeating from the commercialization itself, to the registration, billing, collection and charge. Together, these actions result in the Company's revenue, essential for its economic and financial sustainability and, consequently, its social and environmental sustainability.

Sanepar serves two groups of customers:

- granting authority: the municipal governments, which transfer or grant the

CUSTOMER RELATIONS IS THE MAIN STRATEGIC COMMERCIAL PROCESS

right to provide basic sanitation services - in the case of Sanepar, water supply, sewage and solid waste disposal -, through the formalization of contracts, whether they are a concession or a program (see page 26), in compliance with the rules, regulations and legislation in force. Of the 346 municipalities served, 166 are concession contracts and 180 are program contracts, which are constantly monitored, with a view to guaranteeing and fulfilling the goals and commitments established in the contracts. Sanepar maintains a close and partner like relation with municipal governments, promoting meetings, encounters and visits to assess the quality of services provided and identify new demands, always in pursuit of excellence. Additionally, it makes available its entire team of highly qualified and committed technicians to assist in the process of preparing, updating or revising Municipal Basic Sanitation Plans, an indispensable requirement for planning actions aimed at basic sanitation in municipalities, in accordance with current legislation and the Regulatory Framework for the sector.

- end customers: are supplied with treated water, sewage collection and treatment services and/or solid waste reception and disposal. They are classified into five categories: residential, commercial, industrial, public utility and public power.

The high amount of this public of interest brings the challenge of serving everyone with excellence. To this end, the customer relations structure is composed of several channels, to serve both those seeking mobility, through virtual self-service, and those who opt for telephone or face-to-face contact. The Company has increasingly invested in innovation and technology, to strengthen this relationship and facilitate communication, allowing free access to consultations and requests for services.

Sanepar's commitments to customers are established in Sanitation Law 14.026/2020, which amends law 11.445/2007, in the Municipal Basic Sanitation Plans (PMSB), the Consumer Defense Code, State Decree 3926/1988 and Ombudsman guidelines. The relation is guided by Sanepar's Customer Policy, with the objective of promoting this public's satisfaction. Annually, a survey is carried out by a specialized company, with residential and non-residential customers, in addition to a specific solid waste survey in the locations where this service is operated. Due to the covid-19 pandemic, the 2020 edition was postponed, taking place in the first quarter of 2021.

The goal of the External Customer Satisfaction Index is 80.5%, related to the objective of "Increasing Satisfaction" and "Customer Loyalty." The Image Favorability Index is also a metric, with a target of 80.5, aimed at strengthening the

company's image. The Service Index with the Sewage Collection Network (Urban larce), target is 77.1%, is a commercial indicator, linked to the objective of "Maintaining and Expanding the Market" (see more on page 29).

Complaints about Sanepar can be sent via 0800, Contact Us, website, Ombudsman, Customer Relations Centers and Reporting Channel. Sanepar also provides a direct link to the regulatory agency (Agepar) on the website.

The Commercial Board is responsible for the commercial and customer relations processes. The structure is composed of the General Commercial Management, which, in turn, comprises the Regional Commercial Managements and their respective Regional Commercial Coordinations; the Commercial Relations Management; the Commercial Planning and Development Management; and the Concessions, Market and New Business Management.

The performance of plans, projects and commercial processes occurs via Management Agreements signed between the Executive Board and its Managements and the monitoring of management and delivery indicators, on a monthly basis. Critical analysis meetings are held and, if deviations are identified, strategies are adjusted to achieve the goals.

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Customer relations channels



Mobile Sanepar – The final customer can access Sanepar by tablet or smart-phone. An application that works on the Android and iOS platforms is available for free in online stores. Through it, it is possible to request online services, such as updating the registration, checking water supply interruptions, changing the due date of the invoice, obtaining a bar code and information on payments, debits, readings and consumption. Services can be requested even on Saturdays, Sundays or holidays.

The application was created by an internal team at Sanepar, from the commercial and information technology areas.



Service by email – Provision of virtual e-mail service to request all of Sanepar’s services, expanding digital tools.



Whatsapp to face the water crisis – In 2020, the Company opened a reporting channel to face the water crisis in real time on Whatsapp. The use of technology, drones, self-manned vehicles and satellite data was implemented to increase the accuracy of the weather forecast and to develop new algorithms in order to achieve lasting water security.



Self-service totems – In 2020, the totems helped in the service, and also helped reduce queues and crowding Customer Relations centers, helping to respect the sanitary guidelines defined to fight the covid-19 pandemic. The availability of equipment began in 2018, at the State level, with the installation of 100 of them. Totems allow consultation of debts, consumption, payments and suspension of supply; issue of duplicate;



registration update; request for repairs; and payment of water/sewage bills by debit card. In Curitiba, the equipment is on the so-called *Ruas da Cidadania*, a city hall structure that concentrates the provision of services from the Municipal, State and Federal governments. In 2019, totems were extended to outdoor environments, such as supermarkets and bus terminals.

QR code – The QR Code, a two-dimensional bar code that can be easily scanned with a cell phone camera, is being printed on the back of monthly bills and also on the Company’s cardboard boxes and bottled water.

The tool has been used to inform customers about Sanepar’s commercial actions, publicize Sanepar Mobile, account registering in automatic debit and self-service totems, and provide links to important topics, such as the Annual Water Quality Report; encouraging the rational use of water (whose goal by Sanepar is a 20% reduction in consumption, measured by the volume billed); the installation of a reservoir (water tank); Paraná Artificial Intelligence (PIA); and the Sustainable Development Goals (SDGs).



SMS – For emergency situations, such as water supply being cut, Sanepar uses the SMS sending system to inform customers of an interruption to the supply in the region. To receive the messages, it is necessary to update the registration and provide a mobile number on the Company’s website or application. In 2020, more than 14 million SMS were sent with information about water shortages and institutional messages.



It is important to highlight that, in this water crisis period, SMS was a fundamental tool to inform the customer on a monthly basis about the rotation table, to allow for population planning.

The channel is advantageous because it is a cheaper means of communication compared to phone calls, and more efficient than e-mail because, in addition to being mobile, it does not require internet connection.

Paraná Inteligência Artificial (PIÁ) – *Paraná Inteligência Artificial (PIÁ)*, launched in June 2019, is a platform with more than 380 services provided by the State Government. The tool facilitates access to public services and increases the citizen’s interactivity with the service provider. On the website, for example, the registered person can find out about the water supply stoppage in the region and other public services.



Phone service – Sanepar’s call center works 24 hours a day, 7 days a week, to receive customer demands, clarify doubts and register requests, rectify accounts, complaints, suggestions, among others.

The service can be accessed through the number 0800 200 0115, free of charge.

At the end of each service, a quick survey is carried out on the referral given to the demand presented by the customer. In 2020, there was a peak of 16,000 daily phone calls during the period in which the Customer Relations Centers remained closed, from March 23 to July 20, due to the pandemic. The average in a normal situation was 8,500 daily calls. During the year, approximately 3 million calls were answered and the satisfaction rate with the call center’s service was 88%.

At the call center, customers are provided with automatic responses in the URA (Audible Response Unit) for information on water shortages and outstanding debts, in order to facilitate and speed up customer information.

The Company also has a structure with its own team, which works during business hours and is responsible for the so-called “active service,” with return of some services.

Satisfaction score		2019	2020
1	Terrible	56,603	46,060
2	Bad	26,762	23,378
3	Regular	64,326	58,106
4	Good	143,882	133,749
5	Great	986,348	888,823
Total		1,277,921	1,150,116
Satisfaction 4 and 5		1,130,230	1,022,572
Satisfaction Index (4+5) / Total		88.44%	88.91%



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THE YEAR 2020 WAS A YEAR TO REVIEW AND IMPROVE PEOPLE MANAGEMENT AT SANEPAR

People management

The year 2020 was a year to review and improve people management at Sanepar. Adversities such as the new coronavirus pandemic and the water crisis in Paraná, and important regulatory and legislative developments, such as the General Data Protection Law (LGPD) and the Sanitation Regulatory Framework, posed a unique challenge in managing the workforce, processes and people, in order to ensure the Company's sustainability in this scenario.

The Personnel Management Department (GGPS) was encouraged to rapidly review processes and make decisions in all areas of activity: personnel administration, development, structure management, social service, occupational medicine and safety, and people management in general.

Communication with employees was strengthened, which provided more agility, organization, transparency, clarity and reach, aiming to increase internal confidence and satisfaction, foster proximity and integration, and humanize relations.

Employees profile

GRI 102-7, 102-8

In 2020, the workforce was reduced due to the adhesion of 565 employees to the Retirement Incentive Program (PAI), in addition to the usual departures, by request, death or dismissal. The turnover rate was 4.32%. As a result of this staff reduction, 3.4% of overtime hours were spent in relation to normal working hours, while the absenteeism rate was 1.66%.

Since 2016, around 14% of employees left Sanepar through PAIs, which are considered an important instrument for valuing and recognizing the dedication and history of each employee. The 2020 edition was approved by the Board of Directors on February 6 for employees who had already retired under the General Social Security System, but who continued to work at the Company. This was PAI's fifth edition.

The initiative was communicated through meetings, training, intranet content, scheduled sending of emails, webinars and individualized service, resulting in excellent adherence, exceeding the ini-

tially established expectations. The eligible public totaled 1,624 employees, 799 already retired and 825 in retirement conditions. R\$ 132.8 million were paid in indemnities, the financial return of which is estimated at 11.25 months. The result is close to the sum of all previous editions, which together totaled 584 subscriptions.

PAI provides employees with greater financial security for those who wish to take new directions, allowing individual planning for the future. For the Company, it brings greater competitiveness against the major challenges of the current market scenario.






PAI 2020 Statistics

Seniority period: 26.48% of employees have been with the company for less than 30 years, 37.84% are between 30 and 35 years and 35.68% have been with the company for more than 35 years.




Gender: 22.7% are women and 77.3% are men.

Position and career: 72.61% are mid-level operational technicians, 10.81% are technical-level professional technicians and 16.58% are higher-level professionals




TOTAL EMPLOYEES BY EMPLOYMENT CONTRACT AND GENDER IN 2020

	Permanent contract	Temporary contract
	1,350	43
	5,063	30
	6,413	73¹

TOTAL OUTSOURCED EMPLOYEES BY EMPLOYMENT CONTRACT AND GENDER IN 2020




	956
	3,771
	4,727²

TOTAL OUTSOURCED EMPLOYEES BY EMPLOYMENT CONTRACT AND GENDER IN 2020

	Permanent contract	Temporary contract	Total
	2,306	43	2,349
	8,834	30	8,864
	11,140	73	11,213










Notes:
 1. The employees with a temporary contract are the interns.
 2. There are no outsourced employees with a temporary contract. Included in this total is the outsourced labor of the most significant contracts for Sanepar's business: network maintenance services, sewage maintenance services, commercial field services, water meter reading, call center and cleaning, conservation and surveillance.

TOTAL EMPLOYEES BY TYPE OF JOB AND GENDER

	2018			2019			2020		
	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total
	1,494	88	1,582	1,487	80	1,567	1,350	43	1,393
	5,528	82	5,610	5,498	65	5,563	5,063	30	5,093
	7,022	170	7,192	6,985	145	7,130	6,413	73	6,486

Note: 2018 and 2019 data do not include Board of Directors and committee members.

TOTAL EMPLOYEES BY FUNCTIONAL CATEGORY AND GENDER

	2018			2019			2020		
									
Boards and Committees	3	24	27	3	33	36	4	27	31
Board of Directors	1	6	7	1	7	8	2	8	10
Management	144	335	479	148	416	564	82	231	313
Professional	245	471	716	236	455	691	224	457	681
Technical	197	741	938	193	734	927	187	688	875
Operational	907	3,976	4,883	909	3,886	4,795	851	3,652	4,503
Interns	88	82	170	79	66	145	43	30	73
Total	1,585	5,635	7,220	1,569	5,597	7,166	1,393	5,093	6,486

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TOTAL EMPLOYEES BY REGION OF THE STATE OF PARANÁ

Region	2018	2019	2020
Metropolitan and Coastal	2,933	3,060	2,697
Northeast	1,223	1,217	1,107
Northwest	1,018	1,003	955
Southeast	835	846	796
Southwest	1,013	1,004	931
Total	7,022	7,130	6,486

Note: 2018 and 2019 data do not include Board of Directors and committee members.

TOTAL EMPLOYEES BY EMPLOYMENT CONTRACT, BY REGION OF THE STATE OF PARANÁ, IN 2020

Region	Permanent contract	Temporary contract	Total by region
Metropolitan and Coastal	2,657	40	2,697
Northeast	1,099	8	1,107
Northwest	951	4	955
Southeast	785	11	796
Southwest	921	10	931
Total	6,413	73	6,486

Diversity GRI 405-1

Guided by constitutional principles in public administration since its foundation, respect for legality, impersonality, morality and equality is in Sanepar's DNA – guidelines that foster a corpo-

rate environment free from any type of discrimination.

The Company encourages harmonious and courteous coexistence regardless of ethnicity, gender, color, age, nationality, creed, religion, political orientation, sexual orientation, physical or mental disability and/or any other characteristic that reflects the richness of human expression.

As a signatory to the Sustainable Development Goals (SDGs) and the Women's Empowerment Principles (WEPs) since 2016, the Company has Diversity as a theme to be revered and propagated throughout its structure and processes.

The Company promotes reflections on the gender issue through the Equity Committee, monitors the participation of African Americans and people with disabilities in the workforce, and adopts measures to meet the legal rights and particular needs of each of these groups, such as architectural accessibility, competition quotas, automotive spot reservations, uniform differentiation, extended maternity and paternity leave, Program for employees and family members with Special Needs (PPNE), among other initiatives

Functional category	Councils and Committees	Board of Directors	Management	Technical	Professional	Operational	Interns	Total
Total employees by functional category	31	4	319	916	827	4.591	73	6.761
Men	27	3	231	720	559	3.721	30	5.291
Women	4	1	88	196	268	870	43	1.470

Age-group	Councils and Committees	Board of Directors	Management	Technical	Professional	Operational	Interns	Total ¹
Up to 30 years old	1	0	3	38	11	152	0	
Between 31 to 50 years old	17	2	228	605	567	2.981	0	
Over 50 years old	13	2	88	273	249	1.458	0	
Total	31	4	319	916	827	4.591	0	6.688

*Untargeted

Total employee percentage by functional category	Boards and Committees	Board of Directors	Management	Technical	Professional	Operational	Interns	Total ¹
Men	87%	75%	72%	79%	68%	81%	41%	78%
Women	13%	25%	28%	21%	32%	19%	59%	22%
Age-group								
Up to 30 years old	3%	-	1%	4%	1%	3%	-	10%
Between 31 to 50 years old	55%	50%	71%	66%	69%	65%	-	66%
Over 50 years old	42%	50%	28%	30%	30%	32%	-	31%

Notes:

1. The total number of employees and members of corporate governance bodies by age group does not include the 73 interns, as there is no control over the data.

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Employees covered by ACT
GRI 102-41

Of the total number of employees, 98% are covered by the Collective Bargaining Agreement (ACT). Five directors, interns, boards and committees are not included. Sanepar's employees are represented by 23 unions, which act on behalf of the various professional categories that make up

the Company's workforce. To strengthen ties with these entities, Sanepar created a permanent Union Negotiation Committee. In collective bargaining, salary readjustments and payment of benefits are defined, such as the Profit Sharing Plan (PPR), based on the indicators obtained in the previous year. The PPR is a way to recognize employees' efforts in the search for results and better indicators for Sanepar.

Benefits

The Company assures its internal public with rights not provided for in the CLT (Labor Laws Consolidation) or in specif-

ic laws, but which depend on negotiation between employee and employer, or with union mediation. Regardless of their nature, all benefits granted seek to motivate employees and improve their quality of life. The package provides social assistance, indemnity allowance, daycare allowance, sickness allowance, food stamps and transportation vouchers, fractional vacations and unpaid leave, among others.

In addition to salary replacement, according to the National Consumer Price Index (INPC), the 2020 salary agreement included differentiated benefits for the employee's daily life. Leave for family medical monitoring, leave due to cases of domestic violence, expansion of leave due to the death of a relative, workload reduction for employees who are parents of People with Disabilities (PwD) are items that reinforce the importance of humanization in work relations.

Personal development and knowledge management

Maintaining excellent services and assistance requires a qualified workforce that is up to date with corporate world trends and technological advances, which is why Sanepar continually invests in personal and professional development programs. In 2020, more than 147 thousand opportunities were offered, which recorded, in total, approximately 373,918 thousand hours of training, with an average of 54 hours per employee.

As a result of the covid-19 pandemic, all personal training was suspended as of March. Technology, however, made it possible to continue with these processes even during social isolation. The alternative to maintain employee training was to intensify the use of Sanepar's existing Distance Education (EAD) platform. A new resource was developed to enable lectures, technical demonstrations and live training in a webinar format, which combines the web (network, internet) and seminar concepts. It is a distance education and corporate communication resource for presentations, lectures, thematic demonstration meetings and synchronous training, in real time. The platform also allows you to share content, such as slideshows, manuals and videos, among others, to make the experience even more collaborative and interactive.

It was possible to continue with various trainings through the EAD platform: in the environmental area (Conama protocol, socio-environmental education, etc.); in the people management area (Retirement Incentive Program, Training Planning and Management, structuring of corporate volunteering, etc.), in the area of occupational health and safety (covid-19 protocol, Sipat, traffic week, etc.), among others, such as budgets, projects, disciplinary regulations and lectures on Pink October/ Blue November, Universal Sanitation and New Sanitation Framework.

Currently, the platform offers about 300 courses in general catalog modules and another 40 courses called customized, that is, with themes related to Sanepar's activities. All courses provide a certificate. The platform also provides access to technical publications and videos.

One of the main training programs developed and implemented in 2020 in EAD was the "Think and Act with Integrity Trail," consisting of three courses:

- Governance, Risks and Control: with 1,744 participations, it was the training with the largest number of people enrolled and who completed it;
- Code of Conduct and Integrity: with 1,648 participants, it presented the third largest audience and people who concluded it; and
- Training, Consequence Management and Monitoring: 605 participations were recorded.

The "Digital E-Protocol – Sanepar without Paper Program" course also stands out; it had a record number of partici-





pations (1,744). The “Learning About the New Plan for Positions, Careers and Remuneration” course had 1,527 conclusions, followed by the “Covid-19 Protocol” course, with 1,021 participations.

Other lectures and training were conducted throughout 2020, through a partnership with Detran (National Traffic Week), Sanepar Foundations (webinars and lives throughout the pandemic and in campaigns such as Pink October and Blue November), Sanepar Curitiba Employees Association (AESC) and Gympass (webinar focused on leaders), among others.

Specialization

Sanepar subsidized Specialization in Environmental Sanitation for employees, in partnership with the State University of Northern Paraná (UENP) and with the State Department of Science and Technology and Higher Education (SETI). From a selection process with 947 applicants, two and a half years after the beginning, 282 applicants completed the course in 2020, completely free of charge. Ten poles welcomed participants for face-to-face assessments: Campo Largo, Céu Azul, Colombo, Congoninhas, Curitiba, Guarapuava, Jacarezinho, Londrina, Ponta Grossa and Sarandi.

The 30 best Course Conclusion Papers (TCCs), selected by a multidisciplinary committee comprised by Sanepar and UENP professionals, will be published in a corporate book in 2021 and the subjects that comprised the Specialization Course in Environmental Sanitation will be transformed into online courses, open to all employees on the Sanepar EAD platform.

THE POSITIONS, CAREERS AND REMUNERATION PLAN (PCCR) IS ONE OF THE TOOLS USED BY THE COMPANY TO RETAIN TALENT

Knowledge management

In 2020, advisors, directors and some leaderships participated in the governance course, with the Brazilian Institute of Corporate Governance (IBGC). In addition to adapting the qualification possibilities for the moment, the People Management Department has already projected future needs for 2021, designing a Leadership Development Program, approved in December 2020 by the Board of Directors.

Performance evaluation and career plan

The Positions, Careers and Remuneration Plan (PCCR) is one of the tools used by the Company to retain talent. The process considers three major aspects: institutional indicators, management contribution to the results and each employee’s technical and behavioral skills. In 2020, 6,983 employees were evaluated, that is, employees who worked more than 120 days in the year, which corresponded to 100% of the qualified workforce.

In order to promote more efficient and meritocratic management, Sanepar’s Board of

Directors, which already had a committee with representatives from all boards to align the report presented in 2018 with the Company’s strategic objectives, promoted the PCCR’s review in 2020. The way of evaluating and rewarding individual and institutional performance was readjusted, responding to requests from the staff itself to provide opportunities for those who obtain the best results for the Company. The amendments proposed by the commission were validated and became effective in September 2020, to be applied starting in 2021.

The big change brought about by the new PCCR is in the weight of the dimensions evaluated. The impact of each dimension on the employee’s grade has been completely changed. The individual result becomes the dimension with the greatest influence, corresponding to 50% of the assessment, followed by the institutional and sectoral dimensions. This means that the grade with the greatest influence on the individual result corresponds to the employee’s own performance.

Another relevant change was the subdivision of individual competences into



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Techniques and Behaviors, the latter being broken down into Desired and Demanded and targeted as much as possible, to make the process less impersonal as possible. Required individual competences, for example, are totally objective and quantifiable, having the impact of reducing the person's grade in case of non-compliance. As they are the result of releases in people management systems over the period, this performance's control is entirely in the employee's hands.

A critical point is the restriction on the attribution of maximum team performance criteria, in order to encourage meritocracy and the appreciation of individual aspects in which employees stand out. In addition, the scoring began to value issues hitherto disregarded, such as participation in committees, compliance with the Disciplinary Regulations and compliance with strategic indicators.

The changes underwent wide internal dissemination, in an extensive and continuous communication and training schedule, aimed not only at employees, but also at multipliers and leaderships throughout the second semester. During 2021, a specific dissemination plan for the new PCCR will be executed.

Employee motivation and satisfaction
The degree of satisfaction and well-being of Sanepar's employees is periodically evaluated through an organizational climate survey, called *Fale Francamente* (Speak Frankly), carried out via Intranet. The results of the questionnaires are analyzed and disclosed, being used to diagnose and define action plans included in the Company's sectoral and strategic planning.

In the last survey, carried out at the beginning of 2021, 4,970 employees expressed their opinion in relation to Sanepar in the years 2019 and 2020, reaching 76.42% of participation – surpassing the 70% expectation. The 75% satisfaction level goal was precisely achieved: 75.01% average satisfaction.

Although traditional at the Company since 2001, the survey underwent several changes in the last edition. Among the main ones, the substitution of scores (1 to 10) to degrees of satisfaction was an important step to align the study metrics to the Reference Guide for Performance Measurement (GRMD), of the Brazilian Association of Sanitary and Environmental Engineering, and to the Best Companies to Work For certification, promoted by the Great Place to Work institution. From now on, both initiatives will serve

as an excellence reference to align people management practices at Sanepar.

In addition to aesthetic and thematic novelties, in the format, the content of the questions and the measurement method, the Company's willingness to listen and the employees' frank cooperation allowed for an unprecedented reading of the organizational climate, with very relevant results.

The themes with the highest score in the last edition were the changes in *Fale Francamente* itself and the management of the covid-19 pandemic, which respectively reached 94.69% and 79.57% approval by employees, indicating that, despite all of the market and society's instability in times of pandemic, the staff feels safe with the measures adopted by Sanepar to face the coronavirus in the corporate environment. The information flow on preventive measures and the feeling of stability and security in working at the Company during the pandemic period, in particular, reached 82.91% and 82.05% satisfaction, respectively.

Ranking
Excellent results were also registered in the performance by areas, which motivated the analyzes structuring of each management's individual evolution and

the grouping of managements in a Board of Directors. It also enabled the creation of performance rankings, considering criteria such as the managements' complexity, based on size (number of employees involved). This type of classification will be a reference for benchmarking and exchange of experiences related to human and organizational development practices among different Sanepar areas.

After being presented to the Board of Directors, the results of *Fale Francamente* guided important corporate developments. Totally preserving the confidentiality of individual responses, in compliance with the Privacy Policy and the Data Protection Law (LGPD), managers receive access to their areas' performance report to start the analysis and planning process, for individual referral.

Regarding the last edition, by the end of July 2021, all managements are responsible for providing feedback to their teams, presenting the area's performance. Themes that have been evaluated with an index of less than 75% require the preparation of Action Plans for improvements in the work environment, which must be registered in SisWeb by the end

of September of the current year and carried out by December 2022, with continuous monthly monitoring in the System to completion.

Organizational awareness rating
Before carrying out the internal official climate survey, Sanepar accepted an invitation to participate for the first time in the Humanized Companies Survey – a study developed in partnership with the University of São Paulo (USP), which aims to identify the degree of humanization of large national companies both internally and externally.

Although participation was embryonic and for diagnosis purposes, the Company accepted the challenge of looking at humanization practices using organizations from different private sector segments already widely recognized for their people management as a parameter.

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The study was carried out between November and December 2020. At Sanepar's request, more than a thousand questionnaires were answered by different stakeholders, making way for the necessary reflections to apply *Fale Francamente* and the human resources practices adopted by the Company.

Involvement in the survey provided an opportunity for first contact with the "Consciousness Rating," measured by the Conscious Business Assessment (CBA®), revealing opportunities for greater employee engagement and development of the "Conscious Leadership" and "Conscious Culture" principles as priorities.



The unprecedented participation is already beginning to bear fruit. Sanepar was included in the list of organizations with positive results and good practices, in the "TOP 20 Best for Partners – Large Size" category. The results also indicate a direction to work on the organizational maturity index and the quality of relations with multiple interest groups linked to the Company.

This experience brought Sanepar the desire to invest in the evolution of its "Consciousness Rating," inspiring and supporting the development of internal plans, programs and projects with a fo-

cus on humanization, and it also generated the commitment to monitor this index, in order to follow the evolutionary journey of organizational maturity.

Occupational health and safety

Providing a healthy and safe working environment for employees is one of Sanepar's commitments, with a direct impact on improving the workers' quality of life and, consequently, that of their families. The Company understands health and safety as everyone's duty and right, to ensure the physical and psychosocial integrity of its staff.

Management is carried out by the Occupational Health and Safety Coordination based on Sanepar's Safety Policy. The area is supported by the Internal Commissions for the Prevention of Accidents at Work (Cipas) and by the Specialized Service in Work Safety and medicine Engineering (SESMT), which act in accordance with the Regulatory Standards of the Ministry of Labor NR-05 and NR-04, respectively. Also, Chapter V of the Consolidation of Labor Laws (CLT) and Federal Law no. 8.213/91 are complied with.

The objective is to prevent the occurrence of accidents at work and occupational diseases. Although there is a limitation regarding this indicator, since it depends on human and subjective factors that are not only related to the work environment conditions or the adoption of prevention measures, the goal is zero accident/illness. This mark has not yet been reached, but the frequency rate in the occurrence of occupational accidents is considered very good, according to the criteria established by the National Labor Organization.

The sanitation activities' risk degree, according to the National Classification of Economic Activities (Cnae) table, is characterized as 3, on a scale from 1 to 4. The activity therefore presents a moderate risk to occupational safety and health.

The Environmental Risk Prevention Program (PPRA) focuses on evaluating the characteristics of the work environment and its impacts on the employee, providing support for the Occupational Health Medical Control Program (PCMSO), which checks the health of workers subject to certain environments and production processes through periodic medical examinations. The PPRA and PCMSO are annually reviewed by the SESMT team and the results are presented to the Cipa of each establishment.

Occupational health and safety training promotes the prevention of accidents, with a direct impact on the reduction of these occurrences. In 2020, 11,183 thousand spots were made available, totaling around 34,495 thousand hours of training

Flu vaccination

In 2020, the annual vaccination campaign against the H1N1 flu reached high adherence, with 5,032 employees. The volume is relevant, as Sanepar sees a significant reduction in the absence of employees vaccinated due to the occurrence of flu-like illnesses.

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Internal campaigns

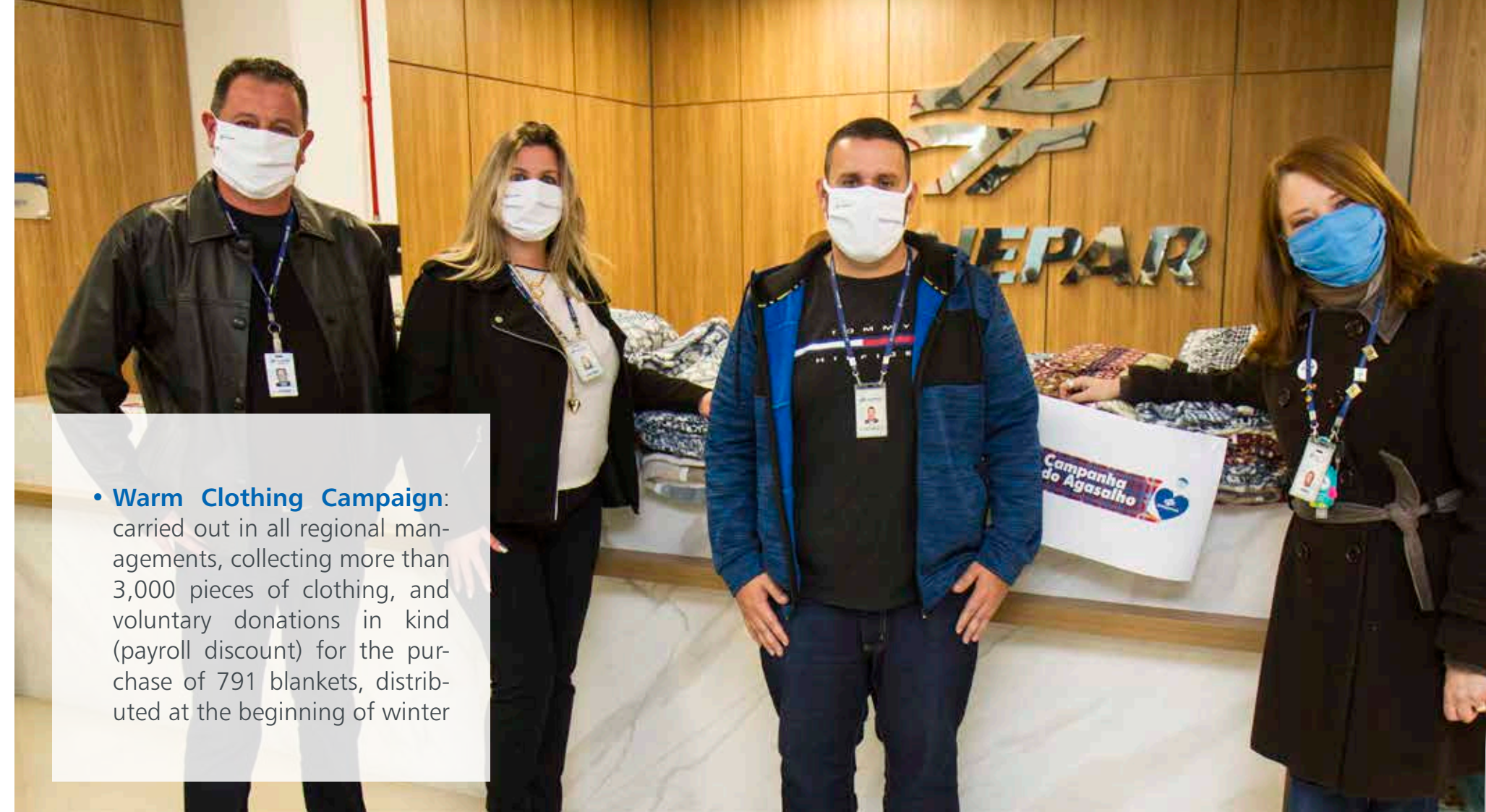
The people management area continued to carry out social, mobilization and internal awareness campaigns, despite the restrictions imposed by the pandemic in 2020. Although the limitations made the Solidarity Book donations to schools unfeasible and required restructuring of the Post Office Santa Claus, the campaigns carried out engaged employees.

- **Water is life, solidarity too campaign:** collection of amounts (with payroll discount) for the purchase of survival items for families unable to work due to the pandemic and who are in an emergency situation. The products purchased are distributed in communities located in the regions served by Sanepar, through employee associations. In the first semester, the campaign raised more than R\$ 33,000 for this purpose.
- **Paraná Piá Campaign:** on the occasion of Children's Day, toys were collected for patients up to 12 years of age, hospitalized, undergoing treatment or undergoing consultations in public and university hospitals in the State of Paraná. About 800 toys donated by employees were delivered to Palácio Iguaçu, in Curitiba, where the collection was concentrated. Sanepar also donated five thousand booklets to children that guide them to make rational use of water.
- **Solidarity Christmas Campaign:** adapting to the restrictions imposed by the pandemic and social distancing, in 2020 the Solidarity Christmas Campaign called for a financial contribution

so that children assisted by social institutions located in the regions served by Sanepar could have Christmas. Contributions intended with a payroll discount were transferred to the Employee Associations for the purchase and allocation of toys: Sanepar Londrina Employees Association; Sanepar Maringá Employees Association; Sanepar Recreational and Sports Association; Sanepar Oeste Clube and Sanepar Curitiba and Metropolitan Region Employees Association. The donations allowed the partnership to continue with Post Office Santa Claus. In the other regions, the General Managements themselves defined the benefited institutions, in partnership with the Associations of local employees and with the support of the Social Workers' team in the personnel management area.

- **Post Office Santa Claus in Curitiba and the Metropolitan Region:** in addition to the financial contribution to the Solidarity Christmas, employees located in Curitiba and the Metropolitan Region also had the option of adopting the traditional Post Office Santa Claus letters, a practice incorporated ten years ago by the Sanepar family to gift children registered in the local public school system.

In addition to collecting donations and material resources, internal awareness campaigns were also carried out with employees, such as the National Traffic Week, in September, Pink October and Blue November.



- **Warm Clothing Campaign:** carried out in all regional managements, collecting more than 3,000 pieces of clothing, and voluntary donations in kind (payroll discount) for the purchase of 791 blankets, distributed at the beginning of winter



- **Voluntary Christmas:** it was also possible to contribute to Voluntary Christmas, a campaign promoted in Paraná by the State Government as part of the Federal Government's *Pátria Voluntária* (Voluntary Homeland) program. The initiative collected new toys for any age group at collection points – state public agencies and Sanepar's headquarters in Curitiba. In addition, cash contributions were made directly on the platform www.patriavoluntaria.org, to subsidize the charities' Christmas dinner. All the proceeds went to institutions registered with *Pátria Voluntária*.



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Suppliers

Bidding processes

Since Federal Law 13.303/2016 allows each company to define its own bidding rules, Sanepar's Internal Regulation for Bidding and Contracts (RILC) was published in May 2017, available on the [Company's website](#). The document, together with the aforementioned law, provides legal support for the procedures carried out when contracting suppliers.

The law, however, governs the bidding procedures, setting the dispute modes as open or closed. In the open dispute mode, bidders present their written or electronic proposals in a public session and, subsequently, offer successive, ascending or descending bids, according to the adopted judgment criteria. In this type of dispute, Sanepar uses the Electronic Auction mo-

ality to purchase materials and contract common administrative services.

In closed dispute mode, written (closed envelopes) or electronic proposals submitted by bidders are confidential until the date and time designated for the opening of the public session, with no bidding phase, but price negotiation with the best placed company to reach a more advantageous proposal for the Company, pursuant to Article 89 of the RILC, takes place. In this type of dispute, Sanepar uses a modality similar to the National Competition provided for in Law 8.666/1993, with the presentation of sealed envelopes and a public session in person to contract works and engineering services.

Law 13.303/2016 further stipulates that the disclosure of the contract's estimated value in the bidding instrument or in another formal act is an option of the public company. This value is confidential, but may be disclosed at the company's discretion. The measure encourages the preparation of their own and independent budgets by organizations potentially interested in participating in the bidding and tends to reduce the contracting risk.

The bids carried out and the contracts entered into by Sanepar are intended to ensure that the most advantageous bid is selected, observing the principles of impersonality, morality, equality, publicity, efficiency, administrative probity, economy, sustainable national development, binding to the invitation to tender, obtaining competitiveness and objective judgment, according to Art. 2 of the RILC.

In the bidding documents, in accordance with the internal regulations and to comply with contractual requirements, Sanepar establishes the contractors' charges, predicting possible sanctions for cases of non-compliance with their obligations and which conducts are considered reprehensible under the Terms of the RILC and of Sanepar's Code of Conduct and Integrity.

Supplier registration GRI 102-9

Sanepar maintains a suppliers register, which is not mandatory. Comprised of companies that maintain a business relations with the Company, such registration enables these companies to participate in the hiring processes, speeding up the competitors' qualification phase. The qual-

IN 2020, THE NETWORK OF SUPPLIERS WITH A CURRENT REGISTRY TOTALED 439 COMPANIES

ification is made based on the analysis of tax certificates, articles of incorporation and supply certificates. For technical qualification of materials, the supplier must pre-qualify their brand with quality control.

In 2020, the network of suppliers with a current registry totaled 439 companies, most of which were suppliers of engineering works and services. In that year, R\$ 263,026,544.00 were paid to suppliers.

Monitoring and evaluation

Products or service suppliers performance monitoring and evaluation is carried out by the areas managing the contracts, through measurement, inspection and criteria defined in Sanepar's Normative System, notices and terms of reference for the contracts.

The assessment of service providers of the Maintenance Management System (SGM) and the Sewage Maintenance System (SME) is carried out in accordance with other internal regulations. These services' compliance parameters are checked daily and, at the end of each month, a performance evaluation is generated.

In 2019, the Supply and Logistics Management's Quality Control area was restructured, especially in inspection, materials catalog and manufacturer qualification activities. In order to im-

prove the efficiency of the management of materials provided by contractors who provide services to the SGM, two processes were implemented: single material control, which includes procedures/improvements, and ensures more practicality, safety and reliability for managers and for the business in the ordering, storage, distribution and transfer processes; and the Local Consumption Indicator (ICL), which allows for the optimization of stocks, sending and purchasing materials according to the applications made and informed by the system, providing leaner stocks and more assertive procurements.

Code of Conduct

To ensure a bond and performance based on ethics and transparency, Sanepar implemented, in 2019, the Code of Conduct for Suppliers and Business Partners, with guidelines on ethical conduct in business relations and in the relations of these companies with other Company stakeholders. This code applies to all suppliers, service providers and other business partners that maintain business relations with Sanepar or act directly between the Company and its customers. Not all possible situations are dealt with in a specific way, but the document presents the behavior model expected by Sanepar. More information is available in the [Suppliers section of the website](#).





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in which Sanepar reports its positive experiences, with internal and external audiences, in meeting the 17 SDGs.

This is how Sanepar monitors and manages the aquifers sustainably, inventories Greenhouse Gas (GHG) emissions and develops the Quality, Social Tariff, Sanepar Equity and Sanepar Community programs, which contribute to meeting the SDGs and generating shared value for stakeholders. It also participates in the *Paraná Inteligência Artificial* (PIÁ – see page 43) program.

The performance is guided by the Environmental Policy, which advocates for the balanced use of natural resources, the adoption of sustainable practices and compliance with legislation. Innovation plays a fundamental role in this process, as part of strategic planning and guided by the Development and Innovation Policy. The Company voluntarily develops environmental education actions, maintaining proximity to society’s various segments, its customers and its workforce.

Learn about the correlation between material themes for Sanepar and the SDGs on pages 5 and 6.

Research and innovation

Sanepar is among the leaders in infrastructure innovation in Brazil, according to the Valor Econômico 2020 ranking, which reinforces the Company’s leading role in the search for innovative and sustainable solutions, in order to provide services more quickly, efficiently and always aiming at the lowest impact on Paraná’s population budget and the constant improvement of its processes.

In line with corporate planning, in 2020, Sanepar consolidated its innovation strategy, using the framework proposed

by the Water Research Foundation (WRF) for water and sewage companies as a methodological reference. Additionally, it created the “Sanitation 5.0” concept, adhering to the “Government 5.0” guidelines adopted in the State of Paraná and recognizing that technologies and innovation are at society’s service.

Throughout this process, Sanepar’s innovation vision was established, which can be translated into: “Allowing the achievement of corporate strategic objectives through innovative solutions that generate sustainability, high performance standards and greater competitiveness.” Three strategic pillars were also established to guide corporate innovation efforts: Innovation in production processes, Partnerships for Innovation and an Innovation Culture, which were incorpo-

rated into Sanepar’s Development and Innovation Policy.

Innovation in the Company stopped being sectoral to become transversal, an open process in relation to the ecosystem, which brings scale gains by applying programs and actions incubated in the research area, which, at this stage, became connected to the production line and the value chain. The innovation culture permeates Sanepar’s operations, which, year after year, rethinks several processes for more competitiveness. In order to stimulate the innovation ecosystem dedicated to the sanitation sector, the Company created the Sanepar Sustainable Technologies Awards, open to researchers from all over Brazil, and Inova Sanepar, exclusive to its employees. The latter can also share innovative practices through the Ideas and Practices Database corporate platform.

Performance premises

GRI 102-12

In November 2019, Sanepar formalized its adherence to the Global Compact, proposed by the United Nations (UN) as a stimulus for companies to adopt corporate social responsibility and sustainability practices and policies. The pact proposes that companies align their strategies and operations with ten universal principles in the areas of Human Rights, Labour, Environment and Anti-corruption, in order to develop actions that contribute to facing society’s challenges.

Sanepar was already a signatory of the 17 Sustainable Development Goals (SDGs), also promoted by the UN. The Company works by uniting society’s three sectors (public, private and third sector), fostering partnerships and intensifying the dissemination of the SDGs, aiming to directly impact the sustainable economic development of the State of Paraná. This is a milestone for the Company, which has its essence linked to water, but cares for all of nature’s elements. Customized training on the subject is available on the Distance Corporate Education platform,

With innovation as the driving force behind the business, the Company maintains its attention focused on economically viable and environmentally and socially adequate alternatives, using it as a tool to generate value and, consequently, promote public health and social well-being.

Permanent investments in R&D+i ensure competitive and strategic advantages to the Company, which stands out among its peers for its capacity to innovate and, at the same time, allow it to respond to market changes with agility and skill.

As the focal point of Sanepar's innovation ecosystem, there is the Research and Innovation Management (GPIN), linked to the Environment and Social Action Board. Currently, its human resources structure includes its own employees, in-

cluding those with a master's degree and PhD, fully dedicated to R&D+i activities.

GPIN manages the Sanepar Sustainable Technologies Center (CETS), an excellence center that is an international reference in the environmental sanitation area. CETS has administrative spaces for project development, a library, meeting rooms and specialized laboratories (Prototype Laboratory, Water and Sewage Analysis Laboratory and Water Treatment Technology Laboratory), in addition to the Continents Room, a place specially created to host partner-researchers, and the Creativity Laboratory, a co-working space to foster intra-entrepreneurship and open innovation. Demonstration units and pilot plants of different technologies linked to the environmental sanitation sector complement the Company's own infrastructure dedicated to innovation.

Sanepar is attentive to collaborative innovation, cooperating with research centers, universities and companies in Brazil and abroad (Germany, Portugal, Netherlands, Sweden, England, United States, Mexico, Paraguay, Japan and South Korea). Dozens of national and international partnerships are being conduct-

ed, with different natures, ranging from basic research to the implementation of new solutions at scale.

Currently, over 100 R&D+i initiatives are in progress at Sanepar, which are associated with its core activities (water, sewage and solid waste) and linked to the Sustainable Development Goals. These initiatives envision technological prospecting, the production of new knowledge, carrying out applied research, improvement of technologies, anticipation of trends and specialized technical training, covering, among others, the following themes: raw water and springs, water treatment, sewage treatment, waste recovery (sludge, scum, biogas and organic materials), energy, automation and sustainable management.

Regarding intellectual property, in 2020 Sanepar obtained the registration for an invention patent on the production of liquid biofuel from the sewage treatment process. The patent was required by the Company in partnership with the Midwest State University (Unicentro). The registration is the first in Sanepar's Green Patent category. The new technology, registered with the National Institute of Industrial Property (INPI), uses algae from the anaerobic lagoon of sewage treatment plants to produce third-genera-

IN 2020 SANEPAR OBTAINED THE REGISTRATION FOR AN INVENTION PATENT ON THE PRODUCTION OF LIQUID BIOFUEL

tion ethanol. Additionally, in partnership with the National Service for Industrial Learning (Senai Cimatec), Sanepar filed, in that same year, an invention patent application for an innovative method to optimize integrated systems for the treatment of aqueous liquid industrial waste and water distribution.

Fund-raising

Although Sanepar uses its own resources to carry out its R&D+i projects, it has sought to increase the impact of its operations through prospecting for external resources and mechanisms to encourage innovation. For example, the use of tax benefits from Law 11.196/2005 (*Lei do Bem*), as well as access to resources from the Brazilian Industrial Research and Innovation Company (Embrapii), from the State Agency for Development and Commerce (USTDA), the German cooperation agency Deutsche Ge-

sellschaft für Internationale Zusammenarbeit (GIZ) and the Japan International Cooperation Agency (Jica).

Sanepar also has a partnership with the Araucária Foundation, an agency that promotes research and extension in the State of Paraná, joining efforts within the scope of the Paraná Environmental Sanitation Research Program (PPPSA). The research projects carried out at PPPSA are guided towards meeting the Company's demands, being co-financed in equal proportions by Sanepar and the Araucária Foundation. In 2020, Sanepar consolidated a partnership with the Brazilian Cooperation Agency (ABC) and Jica, training third world countries, notably located in Latin America and Africa, in the field of good operations practices and innovation in environmental sanitation.

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2020 highlights

Innovation management

Sanepar participated as a Latin American representative in the Leading Water Utility Innovation project, promoted by WRF in partnership with Arcadis. The project, which is still in progress, brought together more than 80 international water and sewage companies and institutions to discuss the best innovation practices for the sector. The initiative guided the preparation of the Company's Strategic Innovation Plan.

Sanepar was also present at the main national technical-scientific events in the sector, especially those promoted by the Brazilian Association of Sanitary and Environmental Engineering (Abes) and by the Association of Basic Sanitation State Companies (Aesbe). Additionally, it closely followed the state of the art inherent to the Brazilian environmental sanitation sector, participating in strategic forums dedicated to innovation.

Water resources management

Sanepar has improved its models for decision-making in relation to water resources. In 2020, the Company expanded

the real-time monitoring of natural and built assets (rivers, reservoirs and dams), besides climate monitoring. Such information contributed to the fight against water scarcity, in addition to streamlining communication and transparency with stakeholders.

To face this challenge, Sanepar sought to evaluate new technical-scientific strategies, such as the hydroseeding of clouds to induce localized rainfall and its quantification in the main contribution basins of the supply system in the Metropolitan Region of Curitiba. Guidelines for the conservation of water sources and studies on sustainable management of reservoirs were also developed, and studies and conceptions of phytoremediation projects were developed for the revitalization of urban rivers in partnership with the State Secretariat for Sustainable Development and Tourism, and with the municipality of Curitiba.

Another area in which Sanepar conducts projects is the desalination of brackish water. The results of this project guid-

ed the conception and feasibility and technology studies for an effluent reuse system capable of producing industrial water, an alternative that the Company intends to launch in the market in the near future. As it is well known, fresh water is not an infinite resource and foreseeing future challenges is part of the Company's actions. Therefore, throughout 2020 Sanepar developed economic and financial feasibility studies, in partnership with the USTDA, in the United States, aiming at the implementation of an industrial reuse system in the municipality of Araucária.

Studies were also carried out at an experimental level with an advanced system for removing fluoride ions from groundwater, as well as with ozone produced from ultraviolet radiation. A mechanical scraper system for water treatment plant flotators has also been designed and validated to scale.

Resilient and sustainable infrastructure

Sanepar signed a technical and financial cooperation agreement with Itaipu and the Itaipu-Brasil Technological Park Foundation, for the development and imple-

mentation of Sustainable Sanitary Sewage Systems project. The initiative foresees investments around R\$ 74 million over five years, for the expansion, modernization and optimization of these systems in six municipalities in the Southwest region, through sustainable technologies.

The cooperation between the entities and Sanepar has seven goals. Goal 1 foresees the implementation of the data integration and water resources management platform. Both Itaipu and Sanepar have data for monitoring the quantity and quality of water, as well as data on environmental aspects in their respective basins, each with different objectives. Thus, developing a computerized system that is capable of automatically integrate and handle both databases helps to minimize rework by the teams in feeding different systems and brings information securi-

ty to participants, allowing protocols to be established for data and technology transfer on mutual interest topics. Cooperation for the integrated management of water resources at its various levels is one of the objectives of Sustainable Development Goal 6.

Goal 2 is to map spaces with a forest deficit in permanent preservation areas (PPAs), soil erodibility and environmental vulnerability in the Hydrographic Basins of the Ivaí and Piquiri rivers, and in the Paraná 3 Basin. Riparian forests play an important role in regulating water resources, reducing the amount of river sediment and silting, increasing the lifespan of reservoirs and water quality standards. That way, the achievement of goal 2 will provide subsidies for the selection of priority conservation areas.



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The objective is to propose a methodology at different scales, using a geographic information system capable of crossing, analyzing and synthesizing all levels of information, with the purpose of mapping the main areas of conservation programs actions, those carried out by Itaipu, or even by the State Government and Sanepar, such as the Moringa Cheia Program and *Fundo Azul*.

Goal 3 aims to prepare the Water Safety Plan (PSA) in the water supply systems of Umuarama, Goioerê and Palotina (Piquiri Basin), and Paranavaí, Cianorte and Paraíso do Norte (Ivaí Basin). This plan follows the methodology developed by the World Health Organization (WHO) and meets the guidelines of the Consolidation Ordinance 5/2017, Annex XX, of the Ministry of Health, which defines the standards on water potability for human consumption. WHO defined and created important concepts for the assessment and control of water quality

SANEPAR'S SUSTAINABLE ADMINISTRATIVE BUILDING PROJECT EARNED THE COMPANY A KLX AWARD

risks for public health, considering the comprehensive assessment of the hydrographic basin where the water supply sources are located.

The last goals foresee, respectively, the implementation of the Missal Sanitary Sewage System (SES), with the construction of the Missal Interceptor – Itaipulândia; the construction of the Ramilândia ETE; the construction of the Serranópolis do Iguaçu ETE; and the monitoring and measurement of environmental and socioeconomic benefits promoted by the implementation of SESs in the Ocoí hydrographic sub-basin.

Eco-efficiency

Sanepar expanded the scale gain of real-time electricity consumption monitoring, and carried out studies on reused water for industrial purposes and the treatment of industrial effluents. It also started to offset electricity in the hydro-energy generation system at São José dos Pinhais Airport and in the CS Bioenergia S.A. company. In 2020, R\$ 2.5 million in energy credits were generated.

Sanepar's sustainable administrative building project earned the Company a KLX Award, considered the Oscar for automation and energy efficiency. The project competed in the energy efficiency for green buildings category, competing with more than 2.5 thousand international initiatives.

Open innovation

In partnership with the Itaipu - Brasil Technological Park Foundation (FPTI-BR), the Financier of Studies and Projects (Finep), the Support Service for Micro and Small Businesses in the State of Paraná (Sebrae-PR) and the Inter-American Development Bank (BID), Sanepar struc-

tured its first innovation notice, aimed at attracting startups and entrepreneurs to solve challenges in the environmental sanitation sector.

II Good Practices Seminar - Like and Share good management practices

The Strategic Planning Management and the Research and Innovation Management promoted the "II Seminar on Good Practices – Like and Share good management practices." Held on a virtual platform, the event recognized three practices selected from the Bank of Ideas and Practices of the Sanepar Quality System by a technical examining board and open voting by employees. The three most voted practices were presented in December as a pitch at the strategic planning event for the entire Company's leadership and as a webinar for all employees.

Environmental management

TAJs Renegotiation

In 2020, after a structured articulation based on meetings with Ibama, the Water and Land Institute (IAT), the Federal Public Ministry and the Federal Attorney General, the partial renegotiation of the Terms of Judicial Agreement (TAJs) signed by Sanepar, which is still awaiting approval by the Federal Court, was defined. These TAJs were signed in 2018, with the Federal Court and with the participation of the Federal Public Ministry, Ibama and IAT, to seek environmental compliance in Public Civil Actions (ACPs) arising from the Água Grande operation, in 2016.

Such actions result from the inadequacy of the old sewage treatment models, implemented by Sanepar in the 1980s and 1990s, to the efficiency required with the evolution of environmental legislation. In TAJs, Sanepar undertakes responsibility to

comply with the conditions imposed by the environmental licensing and parameters established in the IAT grant for the release of liquid effluents from its Sewage Treatment Plants through increased operational efficiency and technological solutions.

The 2020 renegotiation consists of partially adjusting the deadlines of some of these scheduled interventions and temporarily making them more flexible to meet the parameters required by environmental legislation, but without changing the final deadline programmed for 2027.

As a compensatory measure for this renegotiation, Sanepar will implement and expand Sanitary Sewage Systems in locations with low Human Development Indexes (HDI), anticipating investments in

the execution of these systems and promoting environmental compensation.

Since assuming the commitments in the TAJs, Sanepar has implemented several actions in the strategic and operational spheres for the effective fulfillment of the signed clauses, inserting all the applicable demands in its multi-year investment planning.

The Company has been acting with the commitment to fully comply with environmental legislation in its ETEs. To prevent further assessments, Sanepar negotiates, when necessary, a Conduct Adjustment Term (TAC) in addition to the current federal one with the state agency, which includes treatment plants that are not in the TAJs signed in 2018.



Energy efficiency and bioenergy

GRI 103-1, 103-2, 103-3

Electric energy is a fundamental input for the functioning of Sanepar's activities and for meeting the growing demand for its services. Energy consumption in more than 4.1 thousand units, mainly in sanitary infrastructure, makes the Company the largest corporate electricity consumer in the State of Paraná. Given this scenario and at a time when global warming and climate change are issues of global repercussion, the implementation of energy efficiency actions becomes essential to minimize environmental impacts and reduce greenhouse gas emissions.

To this end, Sanepar has encouraged innovation, applied research and the development of good practices that enable cost reductions, energy efficiency of processes and the improvement of environmental sanitation services. The Company has successfully implemented measures such as the management of electricity bills, based on the selection of the most appropriate tariff modality, and the con-

trol of reactive surpluses, exceedance and additional demand. Sanepar has sought to reduce the system load factor at peak hours, a period in which the electricity tariff is more onerous, shifting the electricity contracted with the concessionaire to times when the electricity grid is less demanded. It has also prioritized the periodic maintenance of operating units and the acquisition of efficient equipment, especially motor pump sets.

Actions in distributed generation in sanitation systems have advanced. Hydroenergetic potentials are being evaluated in pilot plants in the localities of Foz do Iguaçu (Ouro Verde Sewage Treatment Plant) and in the Metropolitan Region of Curitiba (Piraquara 1 Dam).

Based on the conception of a new business, supported by the concepts of circular economy, a high-tech biodigestion plant, CS Bioenergia S.A., is installed next to ETE Belém, producing renewable energy from the simultaneous and innovative treatment of sewage sludge and organic

materials from other large generators. Its production capacity is 2.8 MW – enough energy to supply approximately 2.1 thousand homes, or 8.4 thousand people. Since 2019, CS Bioenergia S.A. has reached its operational stability and started the process of transferring electric energy credits to Sanepar's consumer units, a movement that generated R\$ 2.5 million for the Company in this type of credit, reducing the cost of biogas production.

Sanepar has also been carrying out studies on the use of biogas as a fuel to thermally promote the drying and cleaning of sewage sludge. The results obtained so far prove that the technique can reduce operating costs with handling and final disposal of the material. This is because thermal processing significantly reduces the final volume of sludge to be disposed of, promoting sanitization without the use of chemical products. Dry sludge, in turn, can be used as an agriculture fertilizer and used as biomass, being thermally transformed into complementary energy for its own drying process.



Energy consumption

GRI 302-1, 302-2, 302-3, 302-4

In 2020, Sanepar consumed 2,682,000 GJ of energy, considering energy from fuels and electricity, acquired from the local concessionaire. There was a reduction of 3.47% compared to 2019, a result influenced by the covid-19 pandemic and water scarcity.

Electricity, which represents 96% of the Company's energy consumption and whose acquisition is the second highest operating cost, equivalent to around 23.1% of the total, also dropped by 2.47%. With this reduction, Sanepar managed to save approximately R\$15.3 million in the year.

This drop resulted from the 1.38% reduction in the water volume produced in 2020 compared to 2019, corresponding to approximately 8.91 million cubic meters, due to the water rotation in the

Metropolitan Region's Integrated System since May. Consequently, there was a decrease in the demand for kilowatt-hours at the Water Treatment Plants (ETAs), Sewage Treatment Plants (ETEs) and Sewage Pumping Plants (EEE), calculated at approximately 0.5%. The volume of treated sewage fell 2.10%, or 6.72 million cubic meters. However, there was an increase from 0.188 to 0.200 kilowatt-hours per cubic meter of treated sewage, mainly due to the operations of the seven modular stations, which were not in operation in 2019 and, therefore, did not record energy consumption for the treatment processes.

It is also important to point out that, although the readjustments applied by the electric energy concessionaire have occurred as planned, there was the application of the green flag, in which the energy value drops.



ENERGY CONSUMPTION

ENERGY CONSUMPTION FROM NON-RENEWABLE FUELS (IN GJ) | GRI 302-1, 302-2 | SASB IF0103-01

	2018	2019	2020	% 2019 x 2020
Diesel	46,614.64	46,331.99	38,585.06	-16.72
Gasoline	90,135.80	61,324.85	46,377.04	-24.37
Vehicular natural gas	101.48	344.38	-	-100.00
Total	136,851.92	108,001.22	84,962.10	-21.33

ENERGY CONSUMPTION FROM RENEWABLE FUELS (IN GJ)

	2018	2019	2020	% 2019 x 2020
Ethanol	28,660.58	29,499.20	21,304.52	-27.78
Total energy consumed from fuel combustion	165,512.50	137,500.42	106,266.62	-22.72

ELECTRICITY CONSUMPTION (IN GJ)

	2018	2019	2020	% 2019 x 2020
Electricity consumption (in GJ)	2,540,417.00	2,641,261.00	2,576,014.00	-2.47

TOTAL ENERGY CONSUMPTION

	2018	2019	2020	% 2019 x 2020
Total energy consumption	2,705,929.50	2,778,761.42	2,682,280.62	-3.47

Note: energy consumption from fuels is controlled through a report provided by the supply manager hired by Sanepar, which does not distinguish the volumes used by its own and leased fleet. In 2020, the proportion of leased vehicles was 72.88% and owned vehicles were 27.12%.

ENERGY INTENSITY IN 2020 | GRI 302-3

	2018	2019	2020
Total electricity consumption (GJ)	2,540,417.00	2,641,261.00	2,576,014.00
Volume of water produced (m ³)	760,841,619.00	778,606,653.00	764,917,368.00
Energy intensity (GJ/m ³)	0.003	0.003	0.003
Treated sewage volume (m ³)	362,380,051.00	382,115,054.00	377,326,945.00
Energy intensity (GJ/m ³)	0.01	0.01	0.01
Volume of solid waste destined for landfill (t)	63,104.96	63,436.99	65,000.00
Energy intensity (GJ/t)	40.26	41.64	39.63



Greenhouse gas emissions

In line with the sustainable management practices set out in the Company's Strategic Map, annually the emissions of greenhouse gases (GHG) from the Company's activities are quantified for the preparation of the Greenhouse Gas Inventory (GHG).

IGEE makes it possible to identify the main GHG generation processes and manage them, seeking reduction or neutralization. Sanepar's first inventory was prepared in 2008 with data referring to 2007 and for 11 years the Company has been reporting its IGEE to the Public Registry of the Brazilian GHG Protocol Program.

In the IGEE 2020 preparation process, emissions from business trips and the combustion of machinery used in the operation of landfills were added to Scope 3. In addition, fugitive emissions were calculated using the source screening method, and factors for the calculation of emissions from solid waste treatment were

adjusted. In indirect N₂O emissions from effluent treatment, the use of standards and factors from the literature was modified by monitoring nitrogen data in the effluent.

Due to the representation of each emission source, the recalculation of direct emissions was carried out for comparison with previous years. Compared to IGEE 2019, direct emissions decreased by 2%. Electricity consumption and Scope 2 emissions showed respectively reductions of 2.47% and 20.4% compared to the previous year, as a result of the 17.7% drop in the emissions factor of the National Interconnected System (SIN). **GRI 102-48**

Sanepar is the only Brazilian company in the water, sewage, waste management and decontamination activities to report its emissions. The Company's history is available at www.registropublicodeemissoes.com.br.

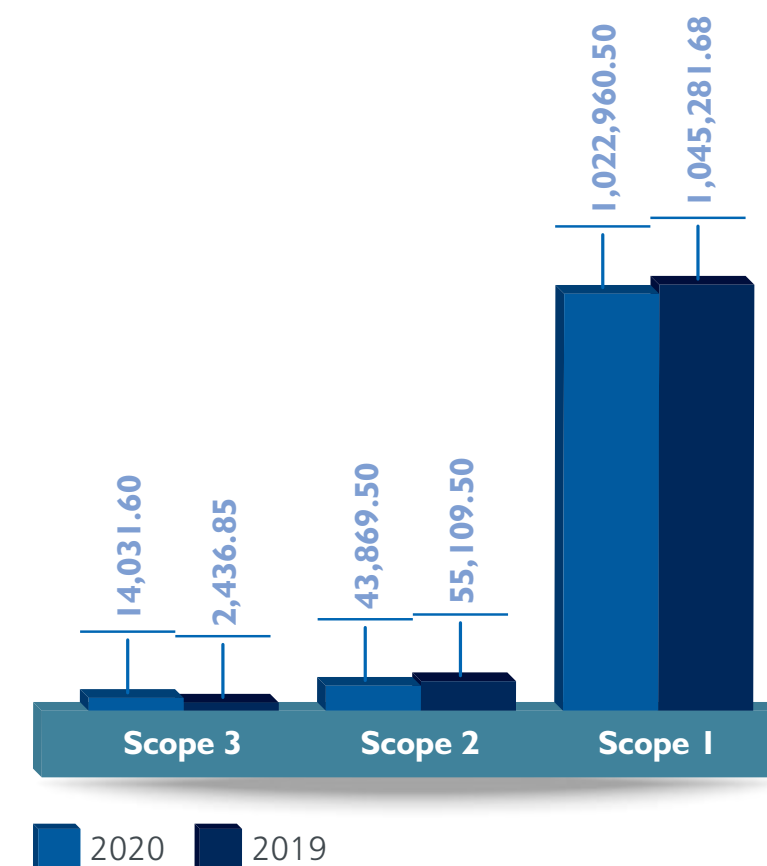
SANEPAR IS THE ONLY BRAZILIAN COMPANY IN THE WATER, SEWAGE, WASTE MANAGEMENT AND DECONTAMINATION ACTIVITIES TO REPORT ITS EMISSIONS

In 2020, the IGEE for base year 2019 was qualified with the Silver Seal of the Brazilian GHG Protocol Program and received the Paraná Climate Seal in the Original category, recognition promoted by the State Secretariat for Sustainable Development and Tourism (Sedest).

In 2021, the 2020 base year IGEE went through the verification process and received the Declaration of Conformity from the Brazilian Association of Technical Standards, certifying that the inventory was calculated in accordance with the specifications of the Brazilian GHG Protocol Program, with fair representation of the data and GHG information.

The inventory was released by the end of May on the company's website.

GHG EMISSION 2019 X 2020



GHG EMISSIONS IN 2020

Scope	Consolidated emissions (tCO ₂ e)	Biogenic
Scope 1	1,022,960.5	289,054.1
Scope 2	43,869.5	
Scope 3 ¹	14,031.6	5,729.48

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kg CO ₂ e of direct emissions* / m ³ of treated sewage	2.61
kg CO ₂ e process RS / t of solid waste destined	604.3
kg CO ₂ e of direct emissions* / population served with sewage treatment	104.61
kg CO ₂ e of direct emissions* / m ³ of water produced	0.06

Note:

1. It only considers emissions from the disposal of waste from the sewage treatment process.

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which topics are debated and evaluated and resolutions with legal force are published within specific attributions, which can influence the planning and management of Sanepar's processes.

Participation in entities
GRI 102-13

Sanepar is affiliated with the National Quality Foundation, the Brazilian Association of Sanitary Engineering and Anefac – Fipecafi (an institution that provides institutional, financial and operational support to the Department of Accounting and Actuarial - EAC of the School of Economics, Administration and Accounting at University of São Paulo (USP)).

The Company also has formal representation and actively participates in collegiate deliberative or consultative forums on the environment and water resources at the municipal, state and federal levels, in

There are 11 Hydrographic Basin Committees of the State of Paraná and a Federal Basin Committee, of the Paranapanema River. The composition is heterogeneous, with representatives from different sectors of society. The attributions include establishing the classification in classes of use of rivers and the guidelines and charging procedures for the use of water, debates and guidelines for the effective management of water resources and contributions to the implementation of policies related to preservation and rational use.

In addition to the Basin Committees, Sanepar has formal representation in the State Council of Water Resources of the State of Paraná, in the Municipal Councils for the En-

vironment of the main municipalities where it operates, in the Paraná Forum on Climate Change, in the Management Council of Water Sources of the Metropolitan Region of Curitiba and the National Water Resources Council and its Technical Chambers, through the Brazilian Association of State Sanitation Companies (Aesbe).

The systematization and organization of the Company's representation performance in Deliberative Forums on the Environment and Water Resources is provided for in an internal normative procedure.

River basin committees with Sanepar's participation

- Coaliar - Alto Iguaçu and tributaries of Alto Ribeira (with a water use charge instituted since 2013 by the Basin's agency);
- Tibagi;
- Jordão;
- Paraná III;
- Baixo Ivaí and Paraná I;
- Piraponema (Pirapó, Paranapanema 3 and Paranapanema 4);
- Norte Pioneiro (Cinzas, Itararé, Parana-

- panema 1 and 2);
- Paranapanema (Federal Committee together with the São Paulo State Committees);
- Litorânea;
- Baixo Iguaçu (implemented, with activities to be initiated);
- Piquiri (implemented, with activities to be initiated); and
- Alto Ivaí (implemented, with activities to be initiated).

Environmental projects

Sanepar develops programs and projects that are transversal to corporate processes, in line with its environmental policy to promote and consolidate social and environmental actions with the use of formal and non-formal education tools, as recommended by the National and State Environmental Education policies (Laws nos. 9.795/1999 and 17.505/2013), the National Solid Waste Policy (Law 12.305/10) and the UN Sustainable Development Goals.

In 2020, the Company carried out 237 internal and external environmental education actions throughout the state.

Se Ligue na Rede Program

Initiative that aims to ensure that the sewage collection network available to the

population is used correctly, in order to reduce the pollution of urban rivers and improve the beneficiaries' quality of life.

Normally, during the installation of a new sewage system, Sanepar promotes community meetings, courses for plumbers and socio-environmental workshops to encourage social participation, the multiplication of knowledge, the improvement of conditions and quality of life, the realization of social rights and the intervention sustainability.

In 2020, due to the covid-19 pandemic, the Program's actions were reduced by 2/3. Alternatively, customers started to receive information about works in their neighborhood, such as schedules, impacts and guidelines, sent via SMS. In neighborhoods already served by the collection network, Sanepar only carried out technical inspections on the properties on an emergency basis, to identify irregular connections and make families aware of the correct procedures for the system's good use.

Social and environmental projects management

GRI 203-2

Miringuava Social and Environmental Project

To ensure water security in the Miringuava Basin and meet the licensing requirements for the construction of the reservoir dam, Sanepar has been developing, since 2011, the Miringuava Socio-environmental Project, whose objective is to promote positive impacts on the quality of life of rural area producers and residents that will be affected by the dam. The initiative includes actions to guide and qualify these producers to adopt new practices in the cultivation and marketing of agricultural products, with an emphasis on sustainability.

Throughout the work's planning and execution, Sanepar technicians have been supporting the families. Dialogue was established with the community about the expropriations and impacts of the project on their lives, a practice that strengthened and organized the community, reducing conflicts and the number of lawsuits in the indemnity process. Additionally, it promoted negotiations for the establishment of partnerships with several public,

Open doors to the community

Sanepar has several education spaces for sustainability in the State, where visitors have contact with concepts and practices for the conservation of water resources. The Mananciais da Serra Environmental Education Center (Ceam) is located next to the Piraquara I and II Reservoirs, in the Metropolitan Region of Curitiba. Inserted in an Environmental Preservation Area (APA), next to river sources, Ceam houses the first public water supply system in Paraná, the Carvalho Reservoir, dating back to 1908.

private, education and research institutions, not only around the dam, but also in São José dos Pinhais.

In 2020, the project's actions reached the urban public of Greater Curitiba, with the participation of technicians from the capital. That year, a Technical Cooperation Agreement was formalized with *Fundação Grupo Boticário*, which launched the Viva Água Movement for the Miringuava Basin.

Through the agreement, farmers who maintain low-impact crops in the region will receive a "Friend of Water" seal. The products from these crops will be able to access better markets, an appreciation that may attract good farmers to the reservoir's surroundings. As a result, Sanepar expects the soil to be conserved and less sediment released into the water. As the project progresses, it is also waiting for the region to receive less pesticides and to have more abundant and better quality water.

The place can be visited by the general public, but it is especially sought after by students, who walk along trails in the remnants of the Serra do Mar Atlantic Forest. In 2020, 1,940 visitors were registered.

There is also the Sanitation Museum and the Rio Iguaçu Memorial, with actions aimed at students and the community in general, where visitors learn about historical, geographic, social aspects and

proposals for sustainable actions for their daily lives. The Memorial has a multimedia room and an auditorium for 120 people, intended for training courses for the community, in addition to lectures and events on environmental issues. In 2020, 1,287 visitors were received.

Due to the covid-19 pandemic and the closing of schools, there was a large reduction in the number of visits to socio-environmental spaces. Even so, prevention protocols were adopted to ensure the safety of these locations' public and employees.

Verão Maior

Each year, during the summer season, Sanepar develops special actions to improve service to the flow of vacationers who travel to the coast of Paraná, in partnership with State Government institutions. The actions seek to ensure continuous water supply and maintenance of hygiene and cleanliness conditions on the shore.

To guarantee the availability of treated water and sewage collection and treatment throughout the summer, Sanepar continually invests in maintenance and new infrastructure on the supply system. More information can be found on [page 30 to 32](#).



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THE NUMBERS FOR THE 2019/2020 SEASON WERE

48 km
of clean beaches

679 ton
of collected waste

339 jobs
created

Almost **25,000**
participants in recreational activities

100,000
used garbage bags

300 drums
200-liter distributed on the shore to receive waste from vacationers

Environmentally, Sanepar contributes to the cleaning of beaches. During the season, every day, teams hired by the Company covers 48 km of shore to remove residues left in the sand and debris brought in by the tides. This initiative is considered a reference in the country.

A team is also hired, in partnership with other municipal and government agencies, to work in raising awareness among vacationers about co-responsibility with solid residues and combating waste. The environmental education actions were attended by more than 24,918 people.

The Chuá project, with the installation of ecological showers by the sea at the main bathing points along the shore, served more than 98,359 bathers, offering comfort and reducing the consumption of treated water in summer homes.

In the 2020/2021 season, the Company opted to keep only the beaches clean, following the authorities' recommendations for combating the covid-19 pandemic.

Accessibility on the beaches

The Accessible Beach Project, developed in partnership with the State Government, provides amphibious chairs so that people with limited mobility can safely enter the sea. In the 2019/2020 season, Sanepar registered 298 assistances. Ten chairs were made available for use on the beaches of Guaratuba, Matinhos and Pontal do Paraná. A trained team guarantees the safe enjoyment of bathing in the sea for people with mobility restrictions.

The initiative was suspended in the 2020/2021 season due to the pandemic, as a preventive measure.

Environmental education for the internal public

With the same commitment which it shows to society, Sanepar also develops social and environmental education projects and programs for its workforce. The objective is for employees to internalize the concept of sustainability and understand the socio-environmental dimension of sanitation.

In 2020, due to the restrictions imposed by the pandemic, the actions for the internal public were adapted with the use of digital resources, such as webinars. The topics covered and debated were "Wa-

ter Crisis and challenges for Sanitation"; "Shared Responsibility and Loss Management"; "Water and Forest"; "New Sanitation Law: impacts on the sector and its public function"; "The New Sanitation Framework, part 2"; and "Equity and Sanitation: challenges for universalization." Nine actions were carried out, with the participation of 1,728 employees.

Check out this idea: no oil in the network lines

Program that encourages the reduction of oil consumption in food preparation and provides for the correct collection and disposal of used oil, so that Sanepar people adopt correct, healthy and responsible social and environmental practices.

The collection of saturated oil avoids water pollution, clogging of collection networks and reduces the formation of scum in sewage treatment plants.

Created in 2016, initially for employees, the program was expanded with the installation of collection points in customer service offices and, in 2020, it was present in 64 municipalities, with 158 collection points, which collected 6,307 liters of oil.



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Macroeconomic context

The year 2020 was unusual due to the covid-19 pandemic, which generated a health crisis and also affected the country's politics and economy. According to IBGE, the Gross Domestic Product (GDP) was 4.1% lower than in 2019, totaling R\$ 7.4 trillion⁵.

Paraná's GDP, of R\$ 477.45 billion, was equivalent to 6.41% of the Brazilian GDP in 2020. This index decreased by 1.65% compared to 2019, mainly due to the reduction of 3.49% and 3.14% in the added values of Services and Industry, respectively, due to the contraction of accommodation and food activities, and the drop in electricity generation due to the drought. Agriculture had an annual

expansion of 15.32%, driven by the soy harvest and the expansion in meat production, especially in poultry and pig farming. Tax collection fell by 2.15%.

For Sanepar, the temporary closing of lottery outlets, which are one of its main collecting agents, brought great challenges so that default was not much higher than historical levels. Even with the customer area looking for new forms of collection, an increase in the revenue evasion rate of 2.80% at the end of 2020 was observed, against 1.65% in 2019.

Also as a result of the pandemic, the Regulatory Agency (Agepar) suspended the tariff adjustment that should take effect starting in May. The correction was postponed for 120 days, ending on August 17, 2020, after which the agency contin-

ued discussions on the topic. On December 29, 2020, at an ordinary meeting, Agepar's Board of Directors ratified the Tariff Adjustment through Resolution No. 040/2020, with its 5.11% increase rate being applied starting February 5, 2021.

Faced with the challenges pointed out, the Company significantly reduced several of its expenses, maintaining efficiency in its processes. This way, it was also possible to carry out the Investment Plan for the period, contributing to the maintenance of the Water Network Service Index (Iarida) at 100% and the expansion of the Sewage Collection Network Coverage Index (Iarce) at 75%.

In this scenario, the maintenance of the Company's financial health stands out, with a cash result at the end of 2020 above previous years, low leverage and operating costs under control. This position is in line with Sanepar's objective of ensuring the economic and financial balance of the businesses.

Achievements

Despite the challenging scenario, Sanepar achieved positive results, making, albeit at a slower pace, the planned investments and advancing with fund raising projects, such as the issuance of debentures and cost reduction, especially with

the Retirement Incentive Program (PAI – see page 44).

The Company's net revenue increased by 1.6% compared to 2019, but net income decreased by 7.7%, due to the drop in billed water and sewage volumes, the postponement of the tariff adjustment and PAI indemnities. The net margin was 20.8%, lower than the 22.9% in the previous year. The Ebitda margin reached an index of 40.3%. With such results, the profitability indicators showed positive results, such as the return on invested capital of 11.7% in 2020.

Sanepar's quest for universalization was marked by the improvement and expansion of services, growth in the population served, increase in the water supply and sewage collection network, with investments of R\$ 968.9 million, after the postponement of some developments due to the scarcity of raw materials caused by the pandemic ([learn more on page 30](#)).

Funded resources of R\$ 350 million were raised with the 10th issue of incentivized

debentures, used in the scope of projects approved by the Regional Development Ministry. Moody's América Latina Ltda. affirmed the National Long-Term Rating "Aa2.br" for this operation and for the Company, and the outlook for the corporate rating is Stable. This indicator was supported by the low risk of the Company's activities in the Brazilian basic sanitation sector and by its solid financial and business profile, characterized by strong liquidity.

Sanepar's commitment to economic-financial sustainability guided the financial management in the last year and will continue to be a reference, with the perspective of ensuring the balance of finances with the efficient management of revenues, costs and expenses, cash flow management, in addition to execution of prudent investments aligned with the Company's strategic objectives.

THE MAINTENANCE OF THE COMPANY'S FINANCIAL HEALTH STANDS OUT, WITH A CASH RESULT AT THE END OF 2020 ABOVE PREVIOUS YEARS

5. GDP drops 4.1% in 2020 and closes the year at R\$ 7.4 trillion. IBGE, 2021. Available at the [website](#).

Revenues

GRI 102-7

Net operating revenue was R\$ 4.8 billion, 1.6% higher than in 2019, reflecting the 8.37% Annual Tariff Adjustment (IRT) and the reinstatement of the 3.76% IRT applied in the previous year, fully impacting in 2020, despite the postponement of readjustments by Agepar due to the covid-19 pandemic. The result was also influenced by the decrease in billed volumes of water and sewage, as a result of the water emergency situation in the State of Paraná, which required mitigating actions due to the low reservation volume and lack of rain.

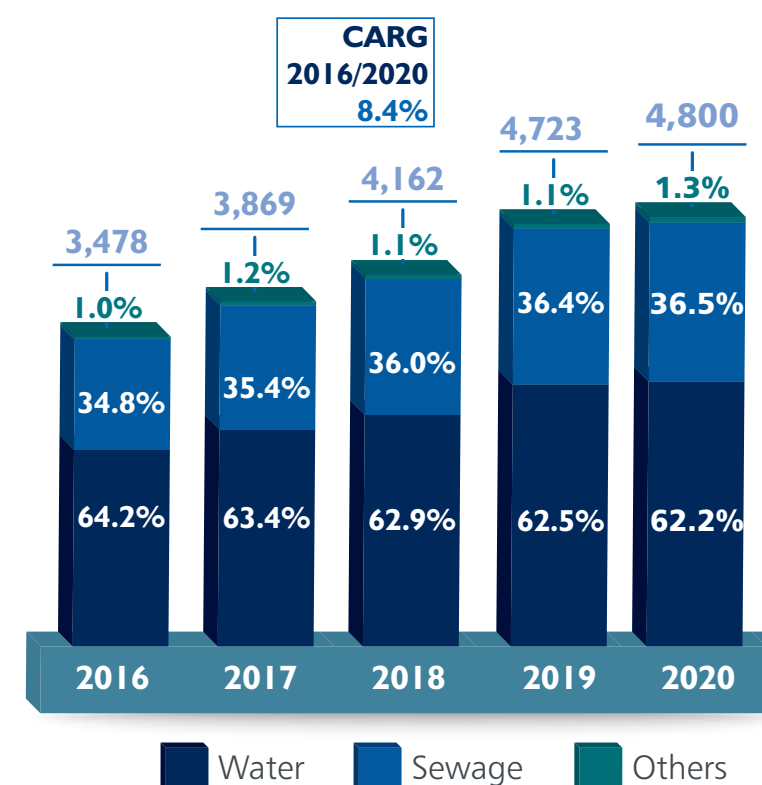
After suspension of the effects of Resolution No. 19/2020, which established the percentage of the annual tariff re-

adjustment of 9.63%, Agepar's Board of Directors approved, on December 29, the 5.11% index for tariff readjustment, as of February 5, 2021. In the decision, the agency provisionally excluded the portion of the deferral of recognized amounts referring to the 1st Periodic Tariff Review of 2017, which should have been applied in 2020. The agency informed that the differences not transferred will be subject to compensation in the 2nd Periodic Tariff Review (RTP). The agency already started the processing for the next RTP, scheduled for 2021, which opened public consultation of the Technical Notes referring to the first phase of this review. The way of recomposing amounts resulting from the suspension of the readjustment will be defined in due course by Agepar.

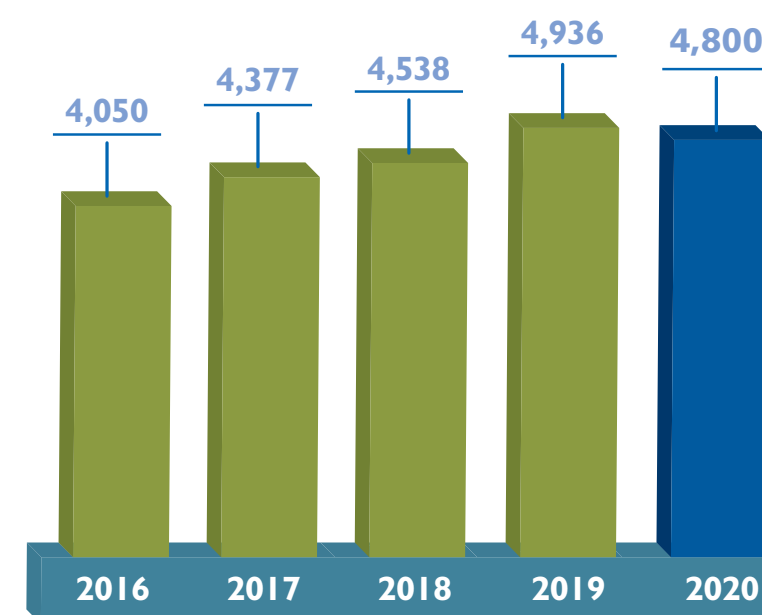


The Company's revenue continues to be composed mainly of services rendered to residential customers in the municipalities served, with 80.0% coming from water supply and 79.8% from sewage revenue. The revenue's strength is supported by the program/concession contracts between the Company and the municipalities with a Maturity (average contract term from 2020 onwards) of 19.4 years.

NET REVENUE – (R\$MM)

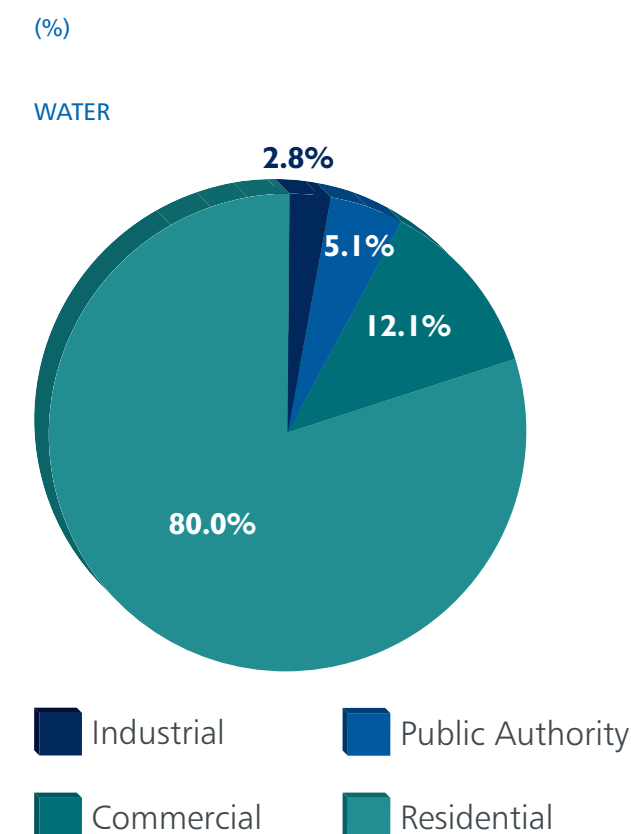


NET REVENUE UPDATED BY IPCA – (R\$MM)

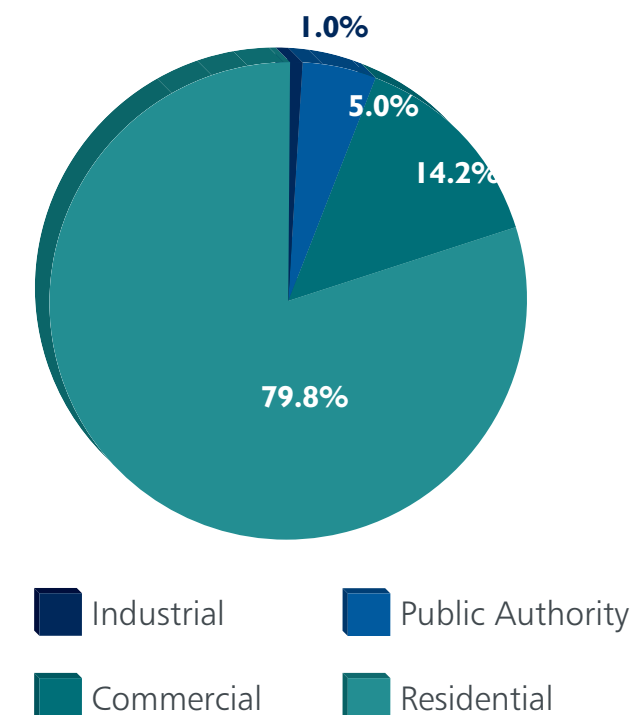


IPCA IBGE: 2017: 2.95%, 2018: 3.75%, 2019: 4.31%, 2020: 4.52%

REVENUE COMPOSITION (%)



SEWAGE



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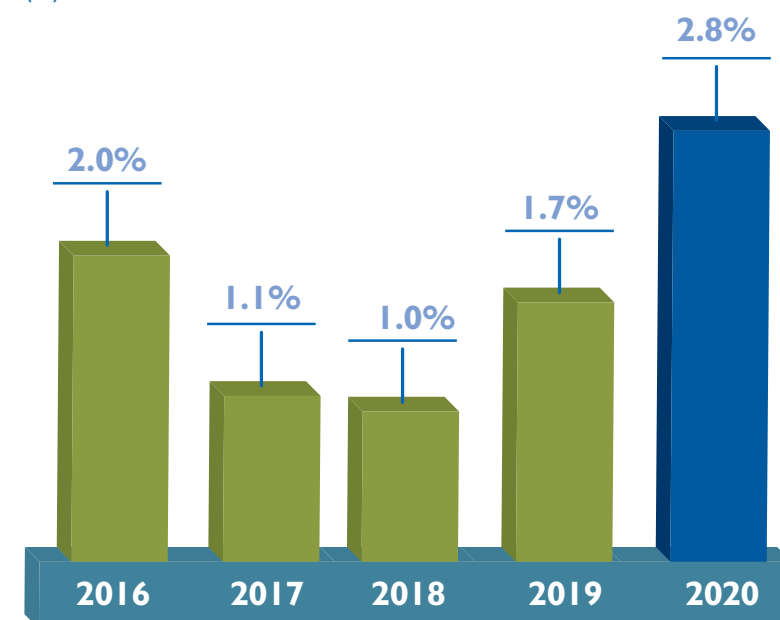
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Default

In 2020, the default rate grew by 2.8%, mainly due to the covid-19 pandemic, which had the effect of reducing economic activity and, consequently, the population's income. Additionally, as the Company provides essential services, it complied with State Law 20.187 of 04/22/2020, which prohibits cuts due to default while the pandemic lasts. In 2019, the index presented was 1.7%.

DEFAULT (%)



Ebitda

In 2020, Ebitda decreased 2.0% compared to 2019, totaling R\$ 1,932.4 million, as a result of the pandemic, which had the effect of postponing the tariff adjustment, and the reduction in billed volumes of water and sewage as a result of the water emergency. The Ebitda margin, of 40.3%, was 1.5 p.p. lower than the previous year.

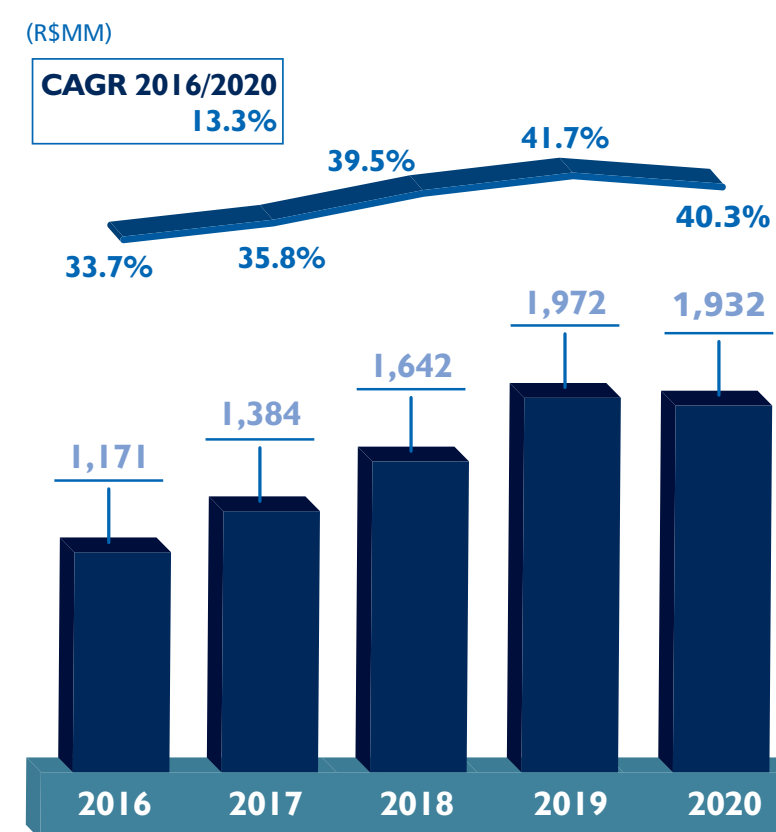
While net revenue grew by 1.6%, operating costs and expenses that influence Ebitda increased by 4.2%, mainly due to the Retirement Incentive Program (PAI) 2020, which had the adhesion of 565 employees, accounting for R\$ 132.8 millions in indemnities. There was also an increase in the costs of treatment material and sewage removal services, which reinforced the Company's commitment to the mitigation of the water crisis and the proper treatment of water and sewage. Additionally, there was an increase in other operational expenses.

COMPOSITION OF EBITDA FROM NET INCOME

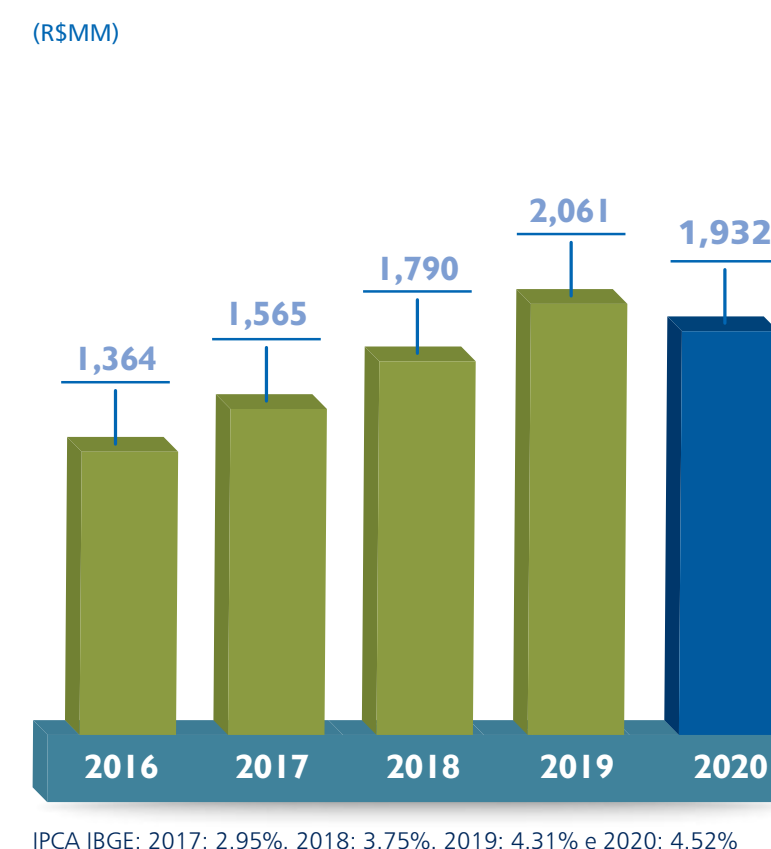
EBITDA (R\$ mil)	2016	2017	2018	2019	2020	Var.%
Net profit for the year	626,847	686,172	892,487	1,080,034	996,343	-7.7%
(+) Taxes on profit	162,738	227,901	272,515	373,851	369,412	-1.2%
(+) Financial income	164,281	222,167	205,639	180,400	204,775	13.5%
(+) Depreciation and amortization	217,111	247,282	271,387	337,442	361,867	7.2%
(=) EBITDA	1,170,977	1,383,522	1,642,028	1,971,727	1,932,397	-2.0%
EBITDA Margin	33.7%	35.8%	39.5%	41.7%	40.3%	-1.4 p.p.

The Company calculates EBITDA according to Instruction 527 of the Brazilian Securities and Exchange Commission (CVM).

EBITDA AND EBITDA MARGIN (R\$MM)



EBITDA UPDATED BY THE IPCA (R\$MM)



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Sustainability Report 2020

Net profit

Net profit totaled R\$ 996.3 million, a decrease of 7.7% compared to the previous year. The net margin decreased 2.1 p.p., reaching 20.8% in 2020. This reduction is the result of a combination of factors, including the reduction in water and sewage volumes, caused by the water crisis; the postponement of the tariff adjustment due to the pandemic; the increase in costs and expenses, mainly due to the Retirement Incentive Program 2020; and increased costs with treatment material and sewage waste removal services.

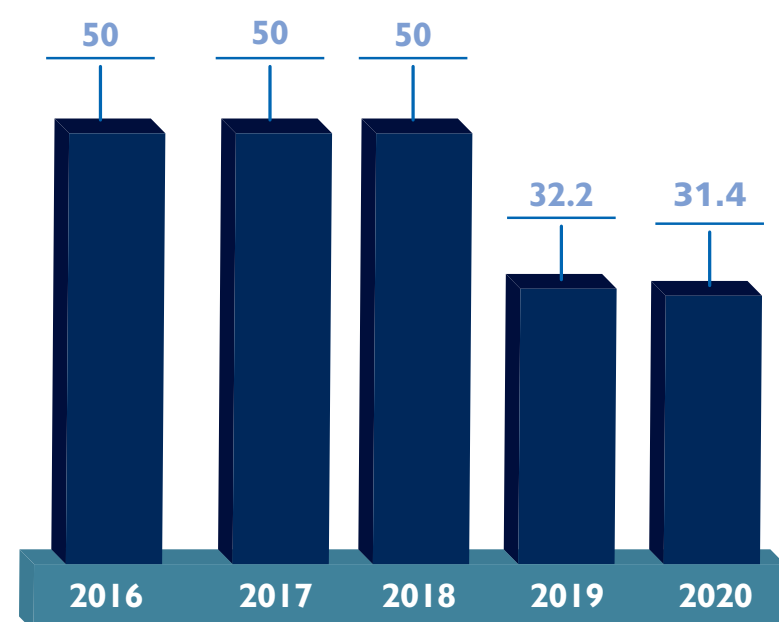
Shareholder remuneration

The legal determination grants shareholders the right to a mandatory minimum dividend of 25% of the adjusted net income. However, Sanepar's dividend policy provides that Management may, in addition to the mandatory annual dividend, observing the financial health and public interest that motivated the Company's formation, approve distribution as an additional

dividend and/or interest on equity of up to another 25% of net profit. Management is proposing the distribution of 31.4% of the adjusted net profit as interest on equity in the amount of R\$ 296.4 million, referring to the 2020 result. Payment occurs within 60 days after the Annual General Meeting that approves the accounts for the 2020 Financial Year.

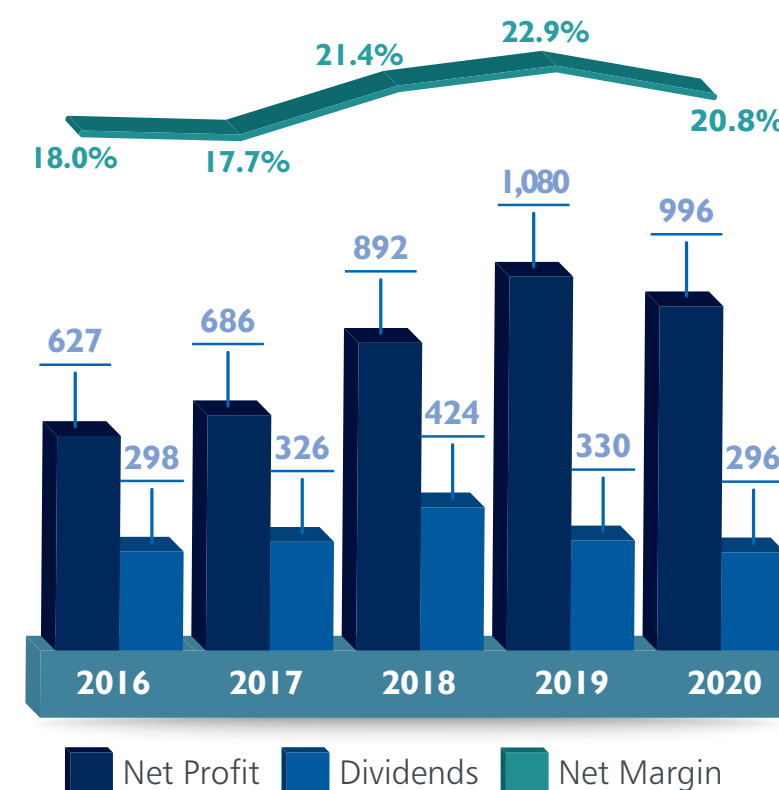
In this fiscal year, the Company split its shares, transforming each ordinary and preferred share into three shares, and each Unit into three Units. In the case of Units, they will continue with the same formation of one ordinary share and four preferred shares.

PAYOUT* (%)

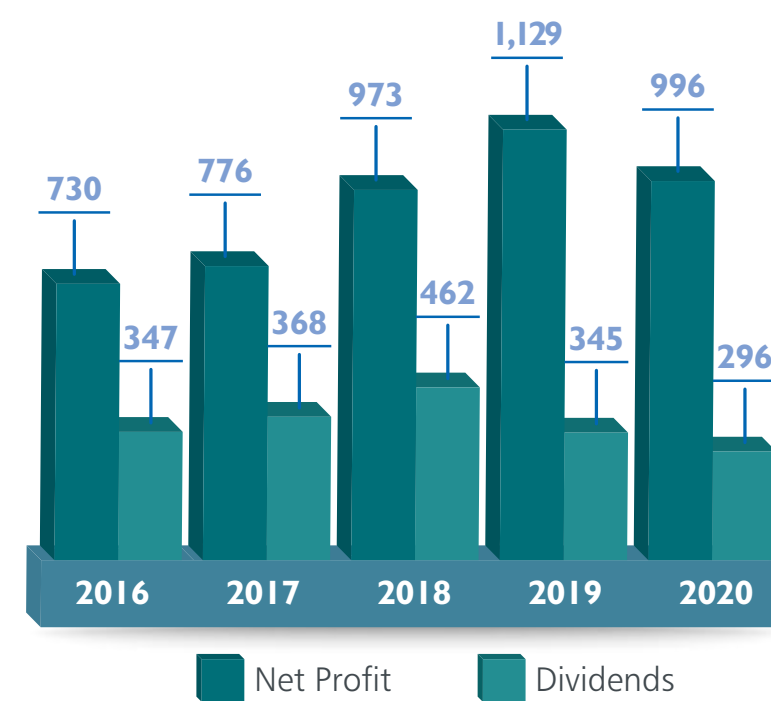


Pay-out: profit sharing percentage

NET PROFIT, DIVIDENDS AND NET MARGIN – (R\$MM)



NET PROFIT AND DIVIDENDS UPDATED BY THE IPCA – (R\$MM)



IPCA IBGE: 2017: 2.95%, 2018: 3.75%, 2019: 4.31%, 2020: 4.52%

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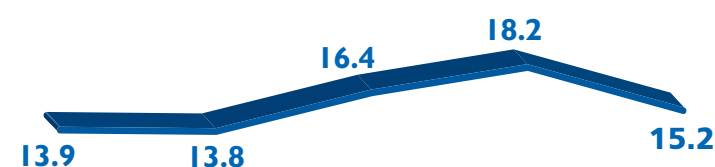
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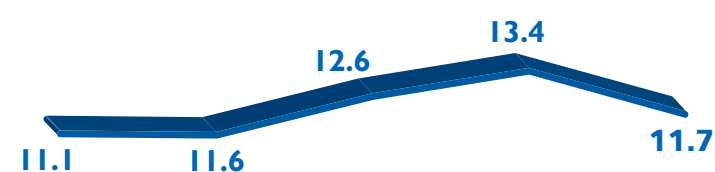
Profitability

The performance presented by the Company represented a decline in profitability regarding equity: the index went from 18.2% in 2019 to 15.2% in the year. The return on invested capital also decreased, from 13.4% in 2019 to 11.7% in 2020.

RETURN ON EQUITY – (%)



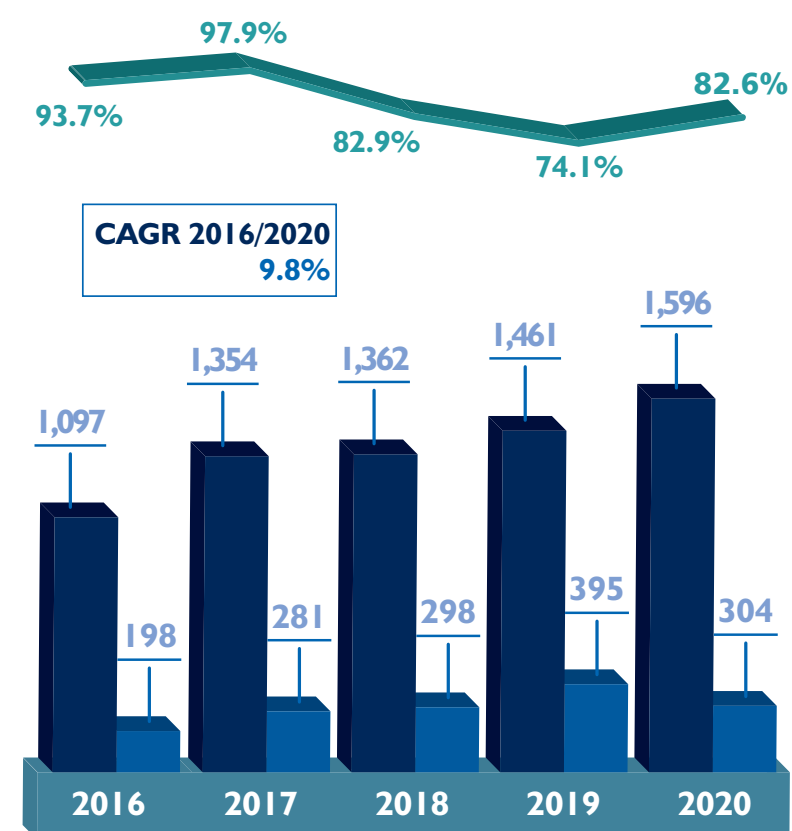
RETURN ON INVESTED CAPITAL – (%)



Operating cash generation

Sanepar's operation generated cash of R\$ 1,595.5 million in 2020. In the same period, the amount of R\$ 303.6 million was paid in dividends and interest on equity.

CASH GENERATION, DIVIDENDS AND EBITDA CONVERSION – (R\$MM)



■ Operating Cash Generation
■ Dividend Payments
■ EBITDA

Fund-raising

In order to maintain liquidity and complete the investment program, Sanepar uses available third-party funds, which are analyzed and allocated according to its operational needs.

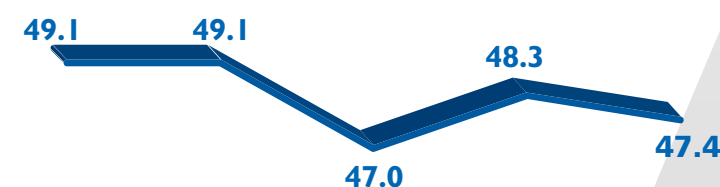
In 2020, the Company raised funds through the 10th issue of debentures, in a single series, in the total amount of R\$ 350 million. The debentures, not convertible into shares, mature in 2027. The operation was Rated as a credit risk by Moody's América Latina Ltda, with a Long-Term National Rating of "Aa2.br."

Funds were also raised through the contracting of a Bank Credit Bill (CCB) with Banco BTG Pactual, in the amount of R\$ 200 million and with final maturity in 2022.

Indebtedness

The Company ended the year with assets of R\$ 13.2 billion, net equity of R\$6.9 billion and total debt of R\$ 6.3 billion. The Indebtedness to Assets Ratio was 47.4% in 2020, a slight reduction compared to 2019.

DEBT TO ASSET RATIO – (%)



2016 2017 2018 2019 2020

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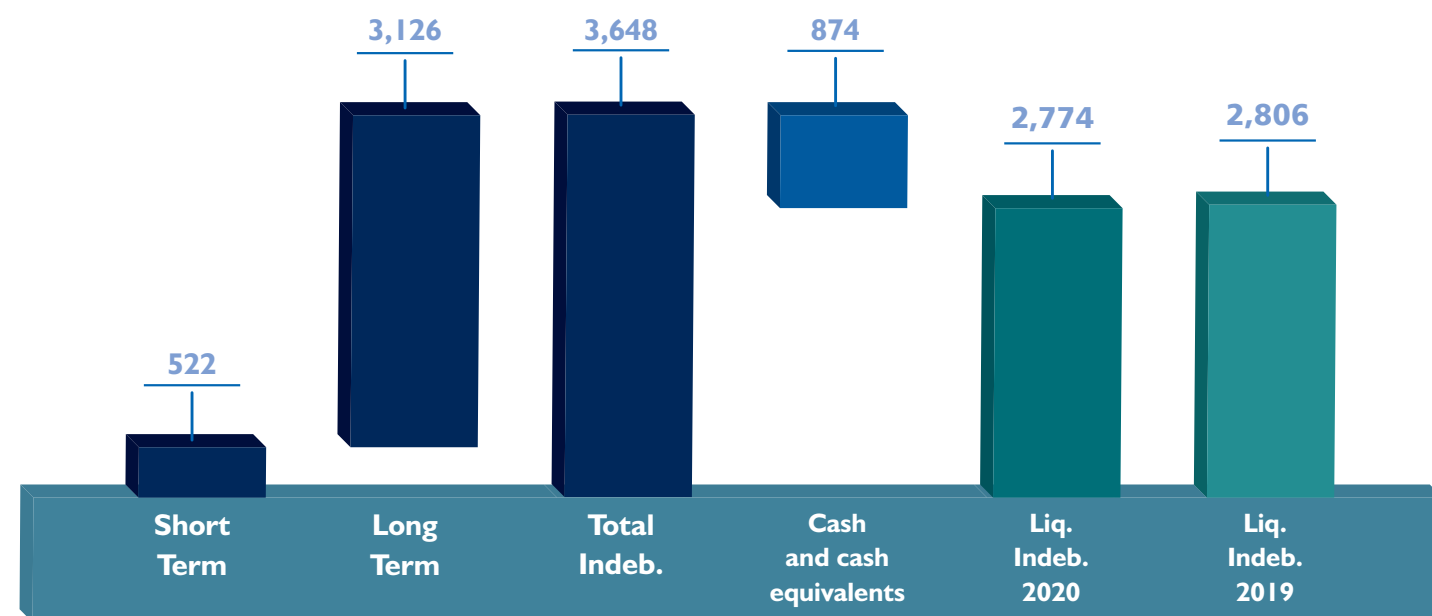
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Net debt

Net debt, which reflects the Company's level of indebtedness, was R\$ 2,773.3 million in 2020, while the Net Debt versus Ebitda ratio, which measures the leverage ratio, remained at 1.4 in 2020 and 2019.

NET DEBT – (R\$ MM) AND NET DEBT/EBITDA

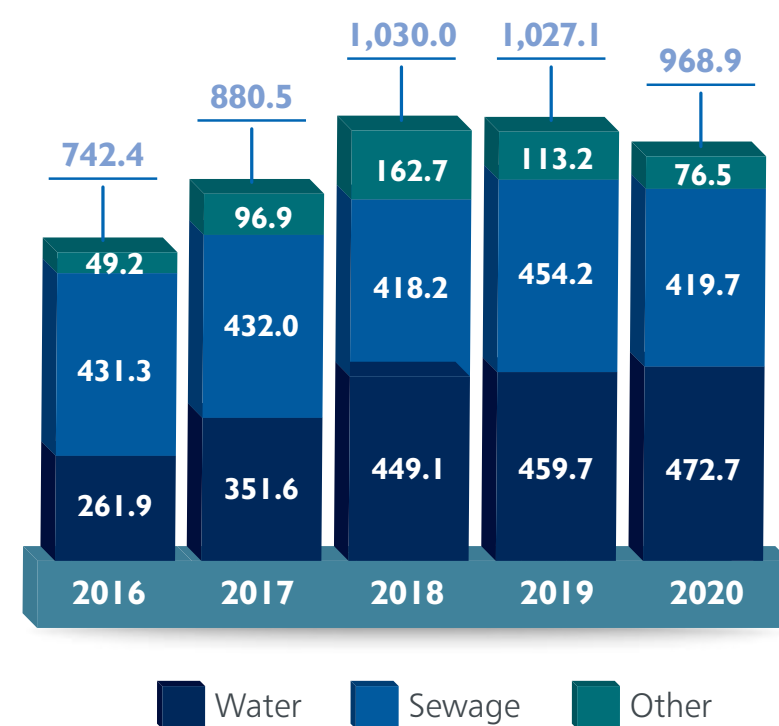


Investments

Sanepar invests according to the guidelines based on strategic and operational goals and legal and environmental commitments, in compliance with the Company's financial health. In the last five years, the accumulated investment was R\$ 4.6 billion, for the maintenance of its operations, expansion and services improvement. In 2020, the Company invested R\$ 968.9 million (see page 30).

Ensuring the provision of services in the future, the Multi-Year Investment Plan for the next five years contemplates the total amount of R\$ 7.8 billion, distributed in R\$ 1.4 billion in 2021, R\$ 1.5 billion in 2022, R\$ 1.6 billion in 2023, R\$ 1.7 billion in 2024 and R\$ 1.6 billion in 2025.

INVESTMENTS (R\$MM)



INVESTMENTS

GENERAL MANAGEMENT	Achieved in 2020		
	Water	Sewage	TOTAL
GREATER CURITIBA AND COASTAL REGION	168.8	141.4	310.2
SOUTHEAST REGION	90.0	63.5	153.5
SOUTHWEST REGION	102.8	55.9	158.7
NORTHEAST REGION	48.5	72.6	121.1
NORTHWEST REGION	62.6	86.3	148.9
TOTAL	472.7	419.7	892.4

INVESTMENTS – (R\$ MM)

	2016	2017	2018	2019	2020	From 2016 to 2020
Water	261.9	351.6	449.1	459.7	472.7	1,995.0
Sewage	431.3	432.0	418.2	454.2	419.7	2,155.4
Other	49.2	96.9	162.7	113.2	76.5	498.5
Total	742.4	880.5	1,030.0	1,027.1	968.9	4,648.9



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Shares

The year 2020 was marked by the split of Sanepar's shares and Units, in a 3:1 ratio, which took place in March. The Company's shares are listed on B3 S.A. – *Brasil, Bolsa, Balcão*.

The ordinary shares (SAPR3) ended 2020 with a price of R\$ 6.00, showing a positive variation of 3.45% compared to the closing of December 2019, when the price adjusted by the split was R\$ 5.80.

Preferred shares (SAPR4) closed the year quoted at R\$ 5.10, against a value adjusted for the split of R\$ 7.03 in December of the previous year, a negative variation of 27.42%.

The Units (SAPR11), launched in 2017 and consisting of one ordinary share and four preferred shares, reached the end of 2020 with a value of R\$ 26.00, compared to R\$ 33.81 (price adjusted for the split of Units) in December 2019, with a negative variation of 23.09%.

The financial volume of business with the Company's shares totaled R\$ 21.1 billion in 2020, 37.34% higher than the volume registered in the previous year (R\$ 15.3 billion).

The asset value of each share closed the year at R\$ 4.59, an increase of 12.2% compared to the previous period, when the value was R\$ 4.09, adjusted for the split (R\$ 12.26 in December 31, 2019).

THE FINANCIAL VOLUME OF BUSINESS WITH THE COMPANY'S SHARES TOTALED R\$ 21.1 BILLION IN 2020

Shares split

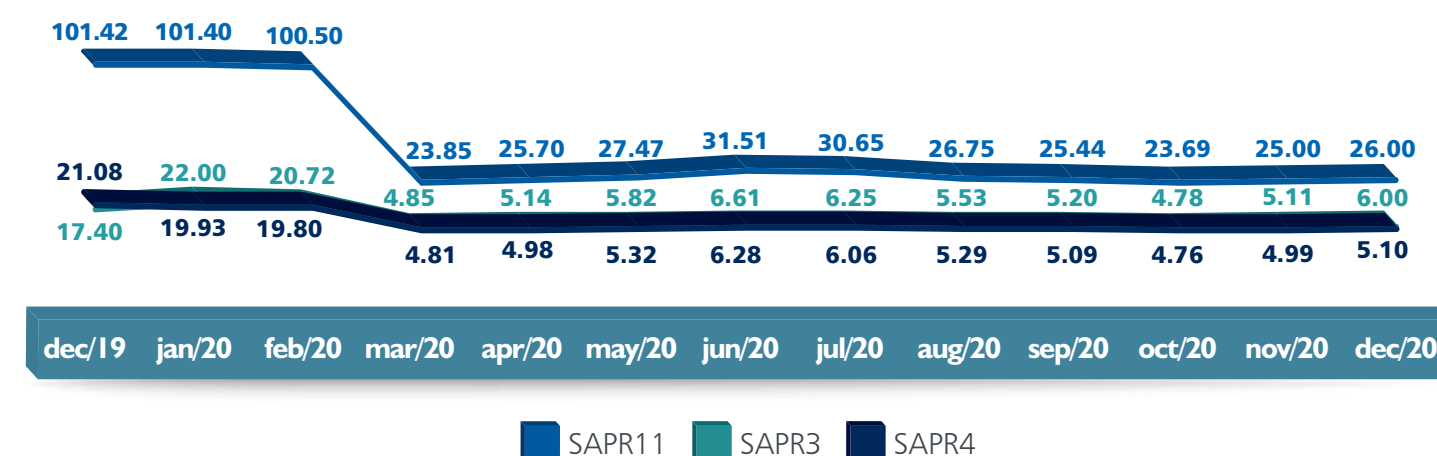
In 2020, the split of shares issued by Sanepar was approved and implemented. Each share, ordinary or preferred, was split into three shares; each Unit was also split into three Units, which continued with the same formation of one ordinary share and four preferred shares. The rights and obligations of ordinary and preferred shares, and Units remained unchanged.

The split gave shareholders with shareholding position the right to receive new shares on

March 27, 2020, and the shares issued by the Company started to be traded ex-split (without split right) on March 30, 2020.

With the split's implementation, the number of shares issued by the company that make up the Capital Stock increased to 503,735,259 ordinary shares and 1,007,470,260 preferred shares.

SHARE PRICE – (R\$)



Services provided by independent auditors

BDO RCS Auditores Independentes S.S. has a contract with the Company to perform independent audit services for the financial statements of the years 2019 and 2020 and for the issuance of special review reports on the quarterly information (ITR) of the 1st, 2nd and 3rd quarters of 2020. The audit contract is dated November 26, 2019.

Additionally, the entity has a contract to provide monitoring services and evaluating investigation procedures and protocols, Shadow Investigation, referring to the forensic investigation work carried out by an independent external investigation company hired by the Company.

No services other than those reported here were performed by the independent auditors.

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GENERAL STANDARD CONTENT				
ORGANIZATIONAL PROFILE				
GRI 102-1	Organization name		Cover	
GRI 102-2	Activities, brands, products and services		13	
GRI 102-3	Location of organization's headquarters	Rua Engenheiros Rebouças, 1376, Curitiba (PR)		
GRI 102-4	Location of organization's operations		13	
GRI 102-5	Nature of ownership and legal form of the organization		13	
GRI 102-6	Markets served		13	
GRI 102-7	Organization size		44, 66	
GRI 102-8	Information about employees (its own and third parties)		44, 45	
GRI 102-9	Supply chain		52	
GRI 102-10	Main changes regarding size, structure or shareholding	They didn't happen in 2020.		
GRI 102-11	Precaution principle		19, 22	
GRI 102-12	External initiatives		54	
GRI 102-13	Association affiliations		61	
STRATEGY				
GRI 102-14	Message from the CEO		8	
GRI 102-15	Description of the main impacts, risks and opportunities		22	
ETHICS AND INTEGRITY				
GRI 102-16	Values, principles, standards and rules of conduct		20, 39	
GRI 102-17	Counseling mechanisms and ethics concerns		22	
GOVERNANCE				
GRI 102-18	Governance structure		18, 19	
GRI 102-19	Delegation of authority	The delegation of authority to the Company's decision-making bodies is described in the Consolidated Bylaws and in the Table of Competence Limits and Internal Regulations of Sanepar's governance bodies, present in the Internal Regulations for Tenders, Contracts and Agreements (RILC).		

GRI 102: GENERAL
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GRI Standards	Disclosure	Observations	Report page	Omission	
GRI 102: GENERAL CONTENT 2016	GRI 102-20	Executive-level responsibility for economic, environmental and social issues			
	GRI 102-22	Composition of the highest governance body and its committees	18		
	GRI 102-23	Chairman of the highest governance body			
	GRI 102-24	Nomination and selection for the highest governance body	Diversity criteria or specific knowledge and experiences of an economic, social or environmental nature are not considered in the nomination process.	18	
	GRI 102-25	Conflicts of interest		21	
	GRI 102-26	Role of the highest governance body in defining purpose, values and strategy	The Executive Board and the Board of Directors are responsible for defining the Strategic Map and for deliberating on the Management Report and Financial Statements, under the responsibility of the Strategic Planning Management, which is subordinated to the CEO's Board. This Report is also subject to consideration by the Statutory Audit Committee and the Fiscal Council, for information, before being submitted to the Board of Directors.		
	GRI 102-27	Knowledge and development of the highest governance body		20	
	GRI 102-28	Evaluation of the highest governance body's performance		20	
	GRI 102-29	Identification and management of economic, environmental and social impacts		22	
	GRI 102-30	Effectiveness of risk management processes		22	
	GRI 102-31	Assessment of economic, environmental and social issues	The analysis of the external and internal environment is carried out annually, in the preparation of Planning Guidelines, through the Swot Matrix, which guides the Company's strategic change decisions. Following the Governance calendar, quarterly risk assessment reports are produced and, annually, the business plan is approved at Board of Directors meetings.	22	
	GRI 102-32	Role of the highest governance body in preparing sustainability reports		4	
	GRI 102-33	Reporting critical concerns		22	
	GRI 102-34	Nature and total number of critical concerns		22	



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STAKEHOLDER ENGAGEMENT				
GRI 102-40	List of stakeholder groups engaged by the organization		41	
GRI 102-41	Collective bargaining agreements		47	
GRI 102-42	Basis for identifying and selecting stakeholders to engage with		41	
GRI 102-43	Approach adopted for stakeholder engagement		41	
GRI 102-44	Main themes and concerns raised with stakeholders		5, 6	
REPORTING PRACTICES				
GRI 102-45	Entities included in the consolidated financial statements	The scope of the Sustainability Report and Financial Statements covers all Sanepar's operations.		
GRI 102-46	Definition of report content and limits of each material theme		4	
GRI 102-47	List of material themes		5, 6	
GRI 102-48	Information restatements	There were no information restatements provided in previous reports.	60	
GRI 102-49	Changes in reporting	In 2020, a new stakeholder survey was applied, which resulted in changes to the Materiality Matrix. The following themes were not identified as the most relevant for the year, in the intersection of the perceptions of interested parties with those of top management: Operational efficiency and quality in the provision of its own and third-party services; Sustainability and economic-financial balance; Environmental sustainability and Work organization and quality of life. These themes, however, were addressed in the report, in compliance with the comparability principle, but without complying with GRI requirements for the inclusion of indicators and information on forms of management.		
GRI 102-50	Period covered by the report		4	
GRI 102-51	Previous report date	The previous report was published on July 31, 2020, for 2019.		
GRI 102-52	Reporting cycle		4	
GRI 102-53	Contact details regarding the report		4	
GRI 102-54	"According" option chosen by the organization		4	
GRI 102-55	GRI Standards content summary		73	
GRI 102-56	External verification	This report has not undergone any external verification.		

GRI 102: GENERAL CONTENT 2016

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MATERIAL THEMES				
COMPLIANCE AND ANTI-CORRUPTION				
GRI 103: MANAGEMENT TYPES	GRI 103-1	Explanation of material themes and their limits	20	
	GRI 103-2	Management approach and its components	20	
	GRI 103-3	Management approach assessment	20, 22	
GRI 205: ANTI-CORRUPTION 2016	GRI 205-1	Operations subjected to corruption risk assessments	21	
	GRI 205-2	Communication and training on anti-corruption policies and procedures	20	There is no separation of governance body members and trained employees by region and functional category. It is not possible to report the percentages of those trained because training on the Integrity Program is divided into three courses, not taken simultaneously or sequentially, but according to the availability of administrators and employees.
	GRI 205-3	Confirmed cases of corruption and actions taken	21	
GRI 206: ANTI-COMPETITIVE BEHAVIOR 2016	GRI 206-1	Lawsuits filed for unfair competition, antitrust and monopoly practices		No lawsuits filed against Sanepar in 2020 were identified due to unfair competition, antitrust or monopoly practices.
PROMOTION UNIVERSAL SANITATION				
GRI 103: MANAGEMENT TYPES 2016	GRI 103-1	Explanation of material themes and their limits	26, 27	
	GRI 103-2	Management approach and its components	27	
	GRI 103-3	Management approach assessment	22, 27	
GRI 303: ÁGUA 2018	GRI 303-1	Interactions with water as a shared resource	27	
	GRI 303-2	Management of impacts related to water discharge	27	
	GRI 303-3	Water catchment	28	Data was provided in cubic meters as this is the most common measurement unit in Brazil. In megaliters, Sanepar consumed 624,38 thousand megaliters of surface water, 168,26 thousand megaliters of groundwater and 792,64 megaliters in total.

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WATER				
GRI 103: MANAGEMENT TYPES	GRI 103-1	Explanation of material themes and their limits	27	
	GRI 103-2	Management approach and its components	27	
	GRI 103-3	Management approach assessment	22, 27	
GRI 303: ÁGUA 2018	GR 303-4	Water discharge	29	
	GRI 303-5	Water consumption		In 2020, Sanepar's water consumption, measured by water withdrawal minus discharge, was 415.34 million cubic meters.
RISK AND CRISIS MANAGEMENT				
GRI 103: MANAGEMENT TYPES 2016	GRI 103-1	Explanation of material themes and their limits	22	
	GRI 103-2	Management approach and its components	22	
	GRI 103-3	Management approach assessment	22	
ENERGY				
GRI 103: MANAGEMENT TYPES 2016	GRI 103-1	Explanation of material themes and their limits	58	
	GRI 103-2	Management approach and its components	58	
	GRI 103-3	Management approach assessment	22, 58	
GRI 302: ENERGY 2016	GRI 302-1	Energy consumption within the organization	59	
	GRI 302-2	Energy consumption outside the organization	59	
	GRI 302-3	Energy intensity	59	
	GRI 302-4	Reduced energy consumption	59	
	GRI 302-5	Reductions in energy requirements of products and services		Does not apply to Sanepar.
CUSTOMER RELATIONSHIP				
GRI 103: MANAGEMENT TYPES 2016	GRI 103-1	Explanation of material themes and their limits	42	
	GRI 103-2	Management approach and its components	42	
	GRI 103-3	Management approach assessment	22, 42	

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GRI Standards	Disclosure	Observations	Report page	Omission
PROMOTING HEALTH				
GRI 103: MANAGEMENT TYPES 2016	GRI 103-1	Explanation of material themes and their limits	26	
	GRI 103-2	Management approach and its components	26, 27	
	GRI 103-3	Management approach assessment	22, 26, 27	
GRI 203: INDIRECT ECONOMIC IMPACTS 2016	GRI 203-1	Investments in infrastructure and services offered	30	The indirect economic impacts of investments in sanitation are related to health, as they reduce the water transmission of diseases, reducing hospitalizations and work absences. The valuation of properties that are serviced with potable water distribution and adequate sewage collection and treatment is also verified.
	GRI 203-2	Significant indirect economic impacts, including the extent of impacts	62	
CORPORATE GOVERNANCE				
GRI 103: MANAGEMENT TYPES 2016	GRI 103-1	Explanation of material themes and their limits	17	
	GRI 103-2	Management approach and its components	17	
	GRI 103-3	Management approach assessment	17, 22	
GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES 2016	GRI 405-1	Diversity in governance bodies and employees	46	

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IF0103-01. Total energy consumed, percentage of electricity from the network, percentage of renewable sources

Percentage of energy purchased from the network (in GJ)	96.04
Percentage of energy consumed from renewable sources (% - in relation to the total produced by the organization itself)	20.05
Percentage of energy consumed from renewable sources (% - in relation to the total energy)	0.79

IF0103-05. Volume of recycled water delivered

1,670,878 cubic meters	ETA Despique (ETA PUC) - Sludge Pond
Recycling is done by the following units:	ETA Guarapuava - Recirculation of water from filters
ETA Audi (Cotia) - Sludge Pond	ETA Jacarezinho - Sludge Pond
ETA Barigui - Sludge Pond	ETA Cafezal - Recirculation of water from filters
ETA Araongas - Recirculation of water from filters	ETA Ponta Grossa - Recirculation of water from filters
ETA Rio Verde - Sludge Pond	ETA Quedas - Recirculation of water from filters
ETA de Campo Mourão - Recirculation of water from filters	

IF0103-07. Number of drinking water violations (1) based on acute health, (2) based on non-acute health, and (3) not based on health.

Total cases of non-compliance with acute Tier 1 potable water, including treatment technique-based standard violations and quality-based standard exceedance	87.00
Total cases of non-compliance with non-acute Tier 2 potable water, including violations of a standard based on treatment technique and quality-based standard exceedance	1,959.00
Total Tier 3 health-based non-compliance occurrences, including violations of monitoring, reporting, or other non-health-based standards	638.00
Total cases of non-compliance	2,684.00

The description and causes of non-compliances are in the Report of Actions on Non-compliances (Ranc), which are grouped by Specific Non-compliances, which are monthly evaluated according to the history of each SAA, generally requiring only preventive actions; in Chronic, for which the result of the implementation of preventive and corrective actions in the short and medium term is evaluated; and in Criticism, in which preventive and corrective actions must be carried out immediately, being considered a case of urgency, as the lack of an immediate solution can result in a direct risk to health in the medium and short term.

Some systems in the regions of Francisco Beltrão, Santo Antônio da Platina, Litoral, Cornélio Procópio and Apucarana have operational and chronic water supply problems, mainly due to an excess of natural fluoride. It should be noted that fluoride non-compliances do not represent an immediate risk to the health of the population, as corrective measures are taken immediately after the situation is verified.

Sanepar does not currently have control over the amount of people affected by non-compliances and the costs they imply for the Company.

IF0103-10. Discussions about how fair pricing and access considerations are integrated into rate structure determinations

The average tariff and the current tariff structure meet the conditions approved by the Regulatory Agency of Paraná (Agepar) and are constructed in such a way as to allow the maintenance of the economic-financial balance for the efficient provision of services and tariff moderation.

The tariff structure is divided into user categories and consumption blocks, with the first consumption block corresponding to the minimum billable monthly consumption of 5 cubic meters for all user categories. The price paid for this first block is called the Minimum Tariff, which provides economic and financial conditions that meet the sustainability principle, resulting in greater stability in



by water supply and more than 3 million economies, also served by sewage collection network (SIS - Ref. Dec/2019).

These tariffs are the result of two main tariff processes: the Periodic Tariff Review (RTP) and the Annual Tariff Adjustment (IRT). The first is intended to price the tariff at a fair and reasonable value, that is, it should be sufficient to cover operating costs, make expansion investments, reinvestments in operating assets and remunerate the capital invested over a tariff cycle which is currently four years and is not substantially linked to inflation indexes.

In the years between the RTPs, the second tariff process described, the IRT, is executed, in which, currently, the tariff priced in the RTP is monetarily updated by a basket of inflation indexes, from which a percentage of productivity sharing is deducted, known as Factor X, a mechanism that contributes to tariff moderateness, by imposing on the IRT the trend of an index lower than the inflation verified for the period.

the revenue needed for Sanepar to provide basic sanitation services in adequate quantity and quality. From the 2nd block onwards, a price per additional cubic meter is defined, which is increased for each new consumption block up to the 6th block. This tariff model provides opportunities for the implementation of water and sewage systems, supported by a single source of revenue (tariff), necessary to ensure the fixed and variable costs associated with the provision of services. It also contributes to subsidizing low-income families through the social tariff.

Sanepar's tariff composition allows the provision of basic sanitation services in 345 municipalities in the state of Paraná and 1 municipality in the state of Santa Catarina, which corresponds, approximately, to more than 4 million economies (or households/properties) served

According to Complementary Law No. 202/2016, in its Article 6: "It is incumbent upon Agepar, respecting the plans and policies instituted by the granting authority: VII - decide, ratify and establish, at an administrative level and in a final decision, requests for revision and adjustment of tariffs for regulated public services, in accordance with the law, the instruments of delegation and the rules and instructions issued by the Agency."

Regulation by incentives is the regulatory model currently implemented at Sanepar. This model is based upon the Regulatory Agency setting a ceiling price in the Periodic Tariff Review (RTP) process, which takes place every four years. This price should allow for the recovery of efficient costs and the remuneration of prudently invested capital, with part of the productivity earned over the tariff cycle being shared through the X Factor, which is an incentive mechanism for the search for

IF0103-12. Water pipe replacement fee

Total length of pipes replaced during the fiscal year (km)	408.82
Total length of water pipes in the distribution network (km)	61,510.97
Water pipe replacement fee	0.66

efficiency above the regulatory parameters, by reducing unit costs. The price defined in the RTP process is annually updated in order to restore its purchasing power, through the Annual Tariff Adjustment process in years in which the RTP is not carried out.

Also, from December to March, the coastal seasonal tariff is applied to the municipalities of Pontal do Paraná, Matinhos and Guaratuba, with consumption above 5 cubic meters being increased by 20%, except for customers benefiting from the social tariff.

Sanepar's tariff structure is divided into the following user categories: Residential (which includes the Social Tariff), Commercial, Public Utility, Public Power and Industrial, consisting of tariffs in increasing blocks, in which each user category is divided into 6 consumption blocks.

IF0103-15. Sanitary sewage overflow volume (SSO), percentage recovered

Description of efforts to maintain compliance with emerging federal, state and local regulations.

Operational control and monitoring of treatment plants efficiency are carried out with the support of laboratories, which carry out physical-chemical and microbiological analyses. The treatment of domestic sewage is divided into preliminary treatment (or pre-treatment) and treatment at the primary, secondary and tertiary levels.

In the preliminary treatment, grids, sieves or sandboxes are used to retain larger residues and prevent damage to the next treatment units, or even to facilitate the effluent's transport. In the primary level treatment, the suspended solids that accumulate at the bottom of the decanter are sedimented, forming the primary sludge which is then removed to continue the process. Then, in the secondary treatment, microorganisms will feed on organic matter, converting it into carbon dioxide and water. In the tertiary treatment, specific pollutants such as micro-nutrients (phosphorus and nitrogen) are removed.



IF0103-16. (1) Number of service interruptions, (2) affected population and (3) average duration

Number of service interruptions	16,367
Average duration of an interruption	More than 4 hours

Sludge is generated at each stage of treatment. The sludge treatment is carried out by digesters whose function is to stabilize the organic matter and favor the subsequent stage of dehydration or dewatering. After this step, the treatment's final product is called sewage sludge, which must be sent for final disposal.

Thus, when considering the characteristics of sanitary sewage in Paraná, especially that it does not have significant industrial sources that contribute to the load of wastewater treated by Sanepar, sewage sludge, in general, has concentrations of chemical substances within the limits established by the related legislation. Therefore, the Company encourages the environmentally balanced disposal of these sludges through their incorporation into arable soil, that is, through the recycling of their nutrients and organic matter in agricultural, forestry or recovery activities in mined areas.

Sanepar, in compliance with its goals, monitors the discharge of non-domestic sewage and the receipt of liquid waste by trucks (septic tanks and grease), aiming to reduce the contributions of effluents with industrial characteristics or with a high concentration of loads in the treatment process. In addition, it adopts measures to reduce the amount of rainwater in the system. Such actions aim to mitigate several problems for the treatment processes of ETEs and for the proper functioning of the collecting system. Consequently, contributing to reducing the system's treatment and maintenance cost and improving the quality of final effluents and sludge produced. At Sanepar, there is a management area to control regulations at different levels. The requirements are updated by a computerized system and monthly reports are issued to measure compliance. Furthermore, diagnostics are carried out cyclically, evaluating different cross-cutting items, point by point, in loco at the operating units. The information set is structured and undergoes joint analysis, both between specialists and between the management and decision-making levels of the Company, with a view to checking actions, correcting planning and structuring actions for the coming years.

The indicator that analyzes planned and unplanned interruptions in supply adopted by Sanepar considers a suspension of more than four hours. Other companies, on the other hand, adopt the limit stipulated by the National Sanitation Information System (SNIS), which only indicates interruptions of more than six hours. However, it is not yet possible to indicate the affected population and the total duration of service interruptions. The large integrated systems already have the operational registry in place, but the process, which was expected to end initially in 2020, was postponed, due to technical georeferencing issues, to 2022, when the entire network will be prepared to allow this indicator's complete management. In 2020, due to the severe drought in the Integrated Supply System of the Metropolitan Region of Curitiba (Saic), water rotation was implemented ([see page 24](#)).

As a measure to mitigate the risk in the medium and long term, several actions are in progress, including the implementation of a new catchment on the São José River, in Cascavel, expanding the treatment capacity and the construction of two new distribution reservoirs (Florais and Esmeralda), with a total capacity of 4,400 cubic meters.

The use of the São José River as a new source represents a 25% increase in water availability for the Cascavel Water Supply System, ensuring normal supply conditions even in the face of a severe drought, such as that which occurred in 2019. As a long-term solution, the future use of the Salto river, which is able to supply and meet the demands of population growth, is being studied.

In 2019, Sanepar resumed the construction of the Miringuava River Dam, which will reinforce the integrated supply system in the Metropolitan Region of Curitiba. Located in São José dos Pinhais, it will have a storage capacity of 38 billion liters of water and was sized to keep up with the water demand increase until 2030, benefiting around 650,000 people.

Miringuava will be the fifth dam in the RMC system and, when in operation, Sanepar will start treating 2,000 liters of water per second. Its reservation capacity corresponds to the volume of 15.2 thousand Olympic swimming pools. The height of the dam, 24 meters, is equivalent to that of an eight-story building. The massif, 309 meters long, is made of 256,000 cubic meters of earth.

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