

Companhia de Saneamento de Minas Gerais (COPASA MG)

Individual and consolidated
financial statements as of
December 31, 2023
and independent auditors' report
(Free-Translation)

Original report in Portuguese signed

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Company information / Breakdown of capital

Quantity of shares (Thousand)	Last fiscal year 12/31/2023
Paid-in capital	
Common	380,253
Preferred	0
Total	380,253
Treasury	
Common	1,072
Preferred	0
Total	1,072

Individual financial statements / Balance sheet – Assets**(In thousands of reais)**

Code of account	Account description	Last year 12/31/2023	Penultimate year 12/31/2022	Antepenultimate year 12/31/2021
1	Total assets	14,173,991	13,175,980	12,696,792
1.01	Current assets	2,490,208	2,407,557	2,520,951
1.01.01	Cash and cash equivalents	994,581	1,091,080	1,279,469
1.01.03	Accounts receivable	1,264,375	1,040,394	989,272
1.01.03.01	Clients	1,264,375	1,040,394	989,272
1.01.04	Inventories	106,706	112,118	83,322
1.01.06	Recoverable taxes	36,234	90,325	100,568
1.01.06.01	Current taxes recoverable	36,234	90,325	100,568
1.01.06.01.01	Recoverable taxes	36,234	90,325	100,568
1.01.08	Other current assets	88,312	73,640	68,320
1.01.08.03	Other	88,312	73,640	68,320
1.01.08.03.01	Advances to employees	15,581	15,506	13,615
1.01.08.03.02	Sundry	21,363	16,173	13,161
1.01.08.03.03	Technical cooperation agreement	51,368	30,170	38,271
1.01.08.03.04	Banks and arrangements	0	11,791	3,273
1.02	Non-current assets	11,683,783	10,768,423	10,175,841
1.02.01	Non-current receivables	4,080,742	3,558,252	2,910,514
1.02.01.03	Interest earning bank deposits measured at amortized cost	75,285	71,706	77,228
1.02.01.04	Accounts receivable	165,363	146,183	162,032
1.02.01.04.01	Clients	56,017	34,678	37,092
1.02.01.04.03	Collaterals as guarantees of loans, financing and debentures	61,883	61,033	65,853
1.02.01.04.05	Advances and other	47,463	50,472	59,087
1.02.01.07	Deferred taxes	236,824	312,483	409,039
1.02.01.07.01	Deferred income tax and social contribution	236,824	312,483	409,039
1.02.01.10	Other non-current assets	3,603,270	3,027,880	2,262,215
1.02.01.10.03	Financial assets - Concession contracts	999,639	872,921	733,328
1.02.01.10.04	Financial assets measured at fair value through other comprehensive income	620	620	26,153
1.02.01.10.05	Right-of-use from lease	86,852	94,275	72,699

Individual financial statements / Balance sheet – Assets**(In thousands of reais)**

Code of account	Account description	Last year 12/31/2023	Penultimate year 12/31/2022	Antepenultimate year 12/31/2021
1.02.01.10.06	Contract asset	2,511,680	2,057,435	1,424,870
1.02.01.10.07	Technical cooperation agreement	4,479	2,629	5,165
1.02.02	Investments	274,699	245,457	202,441
1.02.02.01	Equity interest	274,699	245,457	202,441
1.02.02.01.02	Interest in subsidiaries	274,439	245,197	202,181
1.02.02.01.04	Other investments	260	260	260
1.02.03	Property, plant and equipment	1,757,823	1,467,396	1,470,124
1.02.03.01	Fixed assets in operation	1,757,823	1,467,396	1,470,124
1.02.04	Intangible assets	5,570,519	5,497,318	5,592,762
1.02.04.01	Intangible assets	5,570,519	5,497,318	5,592,762
1.02.04.01.01	Concession contract	5,570,519	5,497,318	5,592,762

Individual financial statements / Balance sheet - Liabilities**(In thousands of reais)**

Code of account	Account description	Last year 12/31/2023	Penultimate year 12/31/2022	Antepenultimate year 12/31/2021
2	Total liabilities	14,173,991	13,175,980	12,696,792
2.01	Current liabilities	1,996,283	1,924,251	1,886,439
2.01.01	Social and labor obligations	140,157	135,235	119,302
2.01.01.02	Labor obligations	140,157	135,235	119,302
2.01.02	Suppliers	377,766	289,620	287,977
2.01.02.01	Domestic suppliers	377,766	289,620	287,977
2.01.03	Tax liabilities	111,914	98,125	75,100
2.01.03.01	Federal tax liabilities	108,537	95,374	72,130
2.01.03.01.02	Other federal liabilities	108,537	95,374	72,130
2.01.03.03	Municipal tax liabilities	3,377	2,751	2,970
2.01.04	Loans and financing	681,656	940,871	800,137
2.01.04.01	Loans and financing	113,975	150,328	190,315
2.01.04.01.01	In domestic currency	63,927	88,511	120,221
2.01.04.01.02	In foreign currency	50,048	61,817	70,094
2.01.04.02	Debentures	567,681	790,543	609,822
2.01.04.02.01	Non-convertible	567,681	790,543	609,822
2.01.05	Other liabilities	599,565	405,163	472,122
2.01.05.02	Other	599,565	405,163	472,122
2.01.05.02.01	Dividends and interest on own capital	430,991	231,653	265
2.01.05.02.04	Obligations with retirement benefits	60	9,627	16,614
2.01.05.02.06	Technical cooperation agreement	1,298	7,978	1,214
2.01.05.02.07	Public-Private Partnership	45,752	36,792	52,331
2.01.05.02.08	Sundry liabilities	74,007	84,001	375,390
2.01.05.02.09	Obligations – Lease	47,457	35,112	26,308
2.01.06	Provisions	85,225	55,237	131,801
2.01.06.01	Tax, social security, labor and civil provisions	85,225	55,237	131,801
2.01.06.01.05	Other tax obligations	0	0	6,623
2.01.06.01.07	Employee profit sharing	85,225	55,237	125,178

Individual financial statements / Balance sheet - Liabilities**(In thousands of reais)**

Code of account	Account description	Last year 12/31/2023	Penultimate year 12/31/2022	Antepenultimate year 12/31/2021
2.02	Non-current liabilities	4,603,883	3,997,215	4,050,395
2.02.01	Loans and financing	4,061,858	3,199,049	3,185,207
2.02.01.01	Loans and financing	1,315,102	826,609	878,079
2.02.01.01.01	In domestic currency	686,293	691,766	713,812
2.02.01.01.02	In foreign currency	628,809	134,843	164,267
2.02.01.02	Debentures	2,746,756	2,372,440	2,307,128
2.02.01.02.01	Non-convertible	2,746,756	2,372,440	2,307,128
2.02.02	Other liabilities	416,261	401,418	487,825
2.02.02.02	Other	416,261	401,418	487,825
2.02.02.02.03	Obligations with retirement benefits	109,577	44,296	112,764
2.02.02.02.05	Deposits for works	54,471	55,429	60,814
2.02.02.02.06	Public-Private Partnership	166,148	206,811	208,654
2.02.02.02.07	Sundry	41,355	24,085	54,285
2.02.02.02.08	Obligations – Lease	44,710	70,797	49,331
2.02.02.02.09	Technical cooperation agreement	0	0	1,977
2.02.04	Provisions	125,764	396,748	377,363
2.02.04.01	Tax, social security, labor and civil provisions	125,764	396,748	377,363
2.02.04.01.06	Provision for legal disputes	125,764	396,748	377,363
2.03	Shareholders' equity	7,573,825	7,254,514	6,759,958
2.03.01	Realized capital	3,402,385	3,402,385	3,402,385
2.03.02	Capital reserves	-8,576	-8,576	-8,576
2.03.02.05	Treasury shares	-8,576	-8,576	-8,576
2.03.04	Profit reserves	4,225,721	3,856,580	3,402,583
2.03.04.01	Legal reserve	526,575	457,608	415,440
2.03.04.05	Profit retention reserve	3,582,590	3,317,250	2,926,101
2.03.04.07	Tax incentive reserve	116,556	81,722	61,042
2.03.06	Equity valuation adjustments	-45,705	4,125	-36,434

Individual financial statements / Statement of income**(In thousands of reais)**

Code of account	Account description	Last year 01/01/2023–12/31/2023	Penultimate year 01/01/2022–12/31/2022	Antepenultimate year 01/01/2021–12/31/2021
3.01	Revenue from sales of goods and/or services	7,325,715	6,112,523	5,830,194
3.01.01	Water services	4,299,267	3,561,727	3,355,225
3.01.02	Sewage services	2,222,946	1,807,663	1,824,296
3.01.03	Construction revenue	798,644	741,034	648,408
3.01.04	Revenue from solid waste	4,858	2,099	2,265
3.02	Cost of goods and/or services sold	-4,265,821	-3,791,492	-3,677,378
3.02.01	Cost of goods and/or services sold	-3,467,177	-3,050,458	-3,028,970
3.02.02	Construction cost	-798,644	-741,034	-648,408
3.03	Gross income	3,059,894	2,321,031	2,152,816
3.04	Operating expenses/revenue	-1,271,534	-1,063,518	-1,303,785
3.04.01	Sales expenses	-479,812	-462,686	-449,629
3.04.01.01	Sales expenses	-296,154	-260,751	-228,213
3.04.01.02	Expected credit losses on trade accounts receivable	-183,658	-201,935	-221,416
3.04.02	General and administrative expenses	-646,944	-573,374	-622,214
3.04.04	Other operating revenue	67,060	135,017	177,380
3.04.05	Other operating expenses	-193,490	-151,312	-396,631
3.04.05.01	Other operating expenses	-193,490	-151,312	-396,631
3.04.06	Equity in net income of subsidiaries	-18,348	-11,163	-12,691
3.05	Income (loss) before financial income (loss) and taxes	1,788,360	1,257,513	849,031
3.06	Financial income (loss)	-2,088	-211,559	-194,582
3.06.01	Financial revenues	327,501	272,601	285,167
3.06.02	Financial expenses	-329,589	-484,160	-479,749
3.07	Income (loss) before income tax	1,786,272	1,045,954	654,449
3.08	Income tax and social contribution	-406,926	-202,592	-116,862
3.08.01	Current	-305,613	-126,952	-257,505
3.08.02	Deferred	-101,313	-75,640	140,643
3.09	Net income (loss) from continued operations	1,379,346	843,362	537,587
3.11	Income/loss for the period	1,379,346	843,362	537,587

Individual financial statements / Statement of comprehensive income**(In thousands of reais)**

Code of account	Account description	Last year 01/01/2023–12/31/2023	Penultimate year 01/01/2022–12/31/2022	Antepenultimate year 01/01/2021–12/31/2021
4.01	Net income for the period	1,379,346	843,362	537,587
4.02	Other comprehensive income	-49,801	40,603	48,439
4.02.01	Actuarial gain (loss) from retirement benefits	-49,801	43,476	81,735
4.02.04	Change in financial asset at fair value through other comprehensive income	0	-2,873	-33,296
4.03	Comprehensive income for the period	1,329,545	883,965	586,026

Individual financial statements / Statement of cash flows (Indirect method)**(In thousands of reais)**

Code of account	Account description	Last year 01/01/2023–12/31/2023	Penultimate year 01/01/2022–12/31/2022	Antepenultimate year 01/01/2021–12/31/2021
6.01	Net cash from operational activities	1,744,806	1,130,787	1,668,057
6.01.01	Cash generated in operations	2,488,360	2,085,592	1,884,697
6.01.01.01	Net income for the year	1,379,346	843,362	537,587
6.01.01.02	Expected credit losses on trade accounts receivable	183,658	201,935	221,416
6.01.01.04	Charges, inflation adjustments, and exchange-rate changes, net	62,672	33,317	94,035
6.01.01.05	Interest revenues and expenses, net	217,150	231,542	294,323
6.01.01.06	Deferred income tax and social contribution	101,313	75,640	-140,643
6.01.01.07	Equity in net income of subsidiaries	18,348	11,163	12,691
6.01.01.08	(Gain) loss in the write-off of intangible assets and property, plant and equipment	27,356	13,215	11,505
6.01.01.09	Depreciation and amortization	778,424	721,131	741,457
6.01.01.10	Recording (reversals) of provisions	-262,551	-39,751	151,130
6.01.01.11	Provision from retirement benefits	58,871	54,945	63,961
6.01.01.12	Financial assets	-73,341	-55,924	-101,836
6.01.01.13	Other	-3,412	-4,581	-1,182
6.01.01.16	Provision for inventory losses	526	-402	253
6.01.02	Changes in assets and liabilities	41,663	-393,689	309,172
6.01.02.01	Trade accounts receivable	-376,919	-200,809	-165,122
6.01.02.02	Inventories	4,707	-28,774	-20,940
6.01.02.03	Recoverable taxes	54,112	10,243	-82,187
6.01.02.07	Prepaid tariff pass-through	9,497	7,471	6,318
6.01.02.09	Other	-7,011	11,217	1,370
6.01.02.10	Suppliers	88,146	1,643	81,800
6.01.02.11	Taxes, rates, contributions and social and labor charges	330,077	203,039	288,147
6.01.02.12	Accrued vacation pay	4,922	15,933	-5,892
6.01.02.13	Employee profit sharing	29,988	-69,941	33,842
6.01.02.14	Technical cooperation agreement	-29,728	15,424	-1,452
6.01.02.15	Contingencies	-8,433	2,145	-8,178
6.01.02.16	Obligations with retirement benefits	-78,612	-64,527	-56,632

Individual financial statements / Statement of cash flows (Indirect method)**(In thousands of reais)**

Code of account	Account description	Last year 01/01/2023–12/31/2023	Penultimate year 01/01/2022–12/31/2022	Antepenultimate year 01/01/2021–12/31/2021
6.01.02.17	Other	-14,551	-37,184	45,229
6.01.02.18	Salaries payable - Collective agreement	0	-178,835	106,164
6.01.02.20	Voluntary Dismissal Incentive Program - PDVI	35,468	-80,734	86,705
6.01.03	Other	-785,217	-561,116	-525,812
6.01.03.01	Interest paid	-423,638	-341,871	-212,325
6.01.03.02	Interest paid for the Public-Private Partnership	-11,820	-15,655	-6,194
6.01.03.03	Payment of income tax/social contribution	-349,759	-203,590	-307,293
6.02	Net cash used in investment activities	-1,582,760	-1,253,252	-906,093
6.02.08	Payment to Public-Private Partnership	-36,634	-25,464	-54,028
6.02.09	Capital increase in Subsidiary (COPANOR)	-47,590	-54,179	-49,740
6.02.10	Acquisition of contract assets	-1,046,011	-949,336	-794,724
6.02.11	Acquisition of intangible assets	-408,273	-203,056	-147,956
6.02.12	Acquisition of property, plant and equipment	-64,394	-75,131	-28,897
6.02.13	Amount received for sale of property, plant and equipment	3,746	3,476	5,006
6.02.14	Collateral for financing	4,605	37,776	143,067
6.02.15	Banks and arrangements	11,791	-8,518	21,179
6.02.16	Receipt of financial assets	0	21,180	0
6.03	Net cash from financing activities	-258,545	-65,924	-268,872
6.03.01	Inflows of loans, financing and debentures	1,498,361	876,002	895,164
6.03.02	Amortization of loans, financing and debentures	-906,246	-762,550	-779,594
6.03.04	Interest on own capital paid	-591,911	-136,141	-282,747
6.03.10	Dividends paid	-185,535	0	-57,373
6.03.12	Funding cost	-21,673	-3,443	-11,659
6.03.13	Payment of lease liabilities	-51,541	-39,792	-32,663
6.05	Increase (decrease) in cash and cash equivalents	-96,499	-188,389	493,092
6.05.01	Opening balance of cash and cash equivalents	1,091,080	1,279,469	786,377
6.05.02	Closing balance of cash and cash equivalents	994,581	1,091,080	1,279,469

Individual financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2023–12/31/2023**(In thousands of reais)**

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	3,402,385	-8,576	3,856,580	0	4,125	7,254,514
5.02	Prior-year adjustments	0	0	0	0	0	0
5.03	Adjusted opening balances	3,402,385	-8,576	3,856,580	0	4,125	7,254,514
5.04	Capital transactions with partners	0	0	0	0	0	0
5.05	Total comprehensive income	0	0	0	1,379,346	-49,801	1,329,545
5.05.01	Net income for the period	0	0	0	1,379,346	0	1,379,346
5.05.02	Other comprehensive income	0	0	0	0	-49,801	-49,801
5.05.02.06	Actuarial loss from retirement benefits	0	0	0	0	-49,801	-49,801
5.06	Internal changes in shareholders' equity	0	0	369,141	-1,379,346	-29	-1,010,234
5.06.04	Legal reserve	0	0	68,967	-68,967	0	0
5.06.05	Tax incentive reserve	0	0	34,834	-34,813	0	21
5.06.06	Profit Retention	0	0	637,812	-637,812	0	0
5.06.07	Interest on own capital	0	0	0	-479,132	0	-479,132
5.06.08	Dividends declared	0	0	0	-158,651	0	-158,651
5.06.09	Extraordinary dividends	0	0	-372,472	0	0	-372,472
5.06.10	Amortization of inflation adjustment on restated assets	0	0	0	44	-44	0
5.06.11	Deferred income tax and social contribution on restated assets	0	0	0	-15	15	0
5.07	Closing balances	3,402,385	-8,576	4,225,721	0	-45,705	7,573,825

Individual financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2022–12/31/2022**(In thousands of reais)**

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	3,402,385	-8,576	0	3,402,583	-36,434	6,759,958
5.02	Prior-year adjustments	0	0	0	0	0	0
5.03	Adjusted opening balances	3,402,385	-8,576	0	3,402,583	-36,434	6,759,958
5.04	Capital transactions with partners	0	0	0	0	0	0
5.05	Total comprehensive income	0	0	0	843,362	40,603	883,965
5.05.01	Net income for the period	0	0	0	843,362	0	843,362
5.05.02	Other comprehensive income	0	0	0	0	40,603	40,603
5.05.02.06	Actuarial loss from retirement benefits	0	0	0	0	43,476	43,476
5.05.02.08	Financial assets measured at fair value through other comprehensive income	0	0	0	0	-2,873	-2,873
5.06	Internal changes in shareholders' equity	0	0	453,997	-843,362	-44	-389,409
5.06.04	Legal reserve	0	0	42,168	-42,168	0	0
5.06.05	Tax incentive reserve	0	0	20,680	-18,984	0	1,696
5.06.06	Profit Retention	0	0	391,149	-391,149	0	0
5.06.07	Interest on own capital	0	0	0	-391,105	0	-391,105
5.06.10	Amortization of inflation adjustment on restated assets	0	0	0	66	-66	0
5.06.11	Deferred income tax and social contribution on restated assets	0	0	0	-22	22	0
5.07	Closing balances	3,402,385	-8,576	453,997	3,402,583	4,125	7,254,514

Individual financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2021–12/31/2021**(In thousands of reais)**

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	3,402,385	-8,576	3,147,591	0	-84,788	6,456,612
5.02	Prior-year adjustments	0	0	0	0	0	0
5.03	Adjusted opening balances	3,402,385	-8,576	3,147,591	0	-84,788	6,456,612
5.04	Capital transactions with partners	0	0	0	0	0	0
5.05	Total comprehensive income	0	0	0	537,587	48,439	586,026
5.05.01	Net income for the period	0	0	0	537,587	0	537,587
5.05.02	Other comprehensive income	0	0	0	0	48,439	48,439
5.05.02.06	Actuarial loss from retirement benefits	0	0	0	0	123,841	123,841
5.05.02.07	Income tax and social contribution on Actuarial Loss from retirement benefits	0	0	0	0	-42,106	-42,106
5.05.02.08	Financial assets measured at fair value through other comprehensive income	0	0	0	0	-33,296	-33,296
5.06	Internal changes in shareholders' equity	0	0	254,992	-537,587	-85	-282,680
5.06.04	Legal reserve	0	0	26,880	-26,880	0	0
5.06.05	Tax incentive reserve	0	0	12,839	-12,839	0	0
5.06.06	Profit Retention	0	0	215,273	-215,273	0	0
5.06.07	Interest on own capital	0	0	0	-225,300	0	-225,300
5.06.08	Dividends declared	0	0	0	-57,380	0	-57,380
5.06.10	CM Amortization on corrected assets	0	0	0	129	-129	0
5.06.11	Deferred income tax and social contribution on restated assets	0	0	0	-44	44	0
5.07	Closing balances	3,402,385	-8,576	3,402,583	0	-36,434	6,759,958

Individual financial statements / Statement of added value**(In thousands of reais)**

Code of account	Account description	Last year 01/01/2023–12/31/2023	Penultimate year 01/01/2022–12/31/2022	Antepenultimate year 01/01/2021–12/31/2021
7.01	Revenues	7,874,793	6,593,674	6,314,631
7.01.01	Sale of goods, products and services	7,192,746	5,919,558	5,710,259
7.01.02	Other revenues	67,061	135,017	177,380
7.01.02.01	Other operating revenue	67,061	92,219	112,752
7.01.02.02	Recovery of written-off accounts	0	42,798	64,628
7.01.03	Revenues from construction of own assets	798,644	741,034	648,408
7.01.04	Formation/reversal of allowance for doubtful accounts	-183,658	-201,935	-221,416
7.02	Inputs acquired from third parties	-2,773,178	-2,496,857	-2,506,432
7.02.01	Cost of products, goods and services sold	-2,397,112	-2,192,982	-1,978,075
7.02.02	Materials, energy, outsourced services and other	-253,379	-222,265	-182,359
7.02.04	Other	-122,687	-81,610	-345,998
7.03	Gross added value	5,101,615	4,096,817	3,808,199
7.04	Retentions	-778,425	-721,131	-741,456
7.04.01	Depreciation, amortization and depletion	-778,425	-721,131	-741,456
7.05	Net added value produced	4,323,190	3,375,686	3,066,743
7.06	Added value received as transfer	320,079	269,047	281,961
7.06.01	Equity in net income of subsidiaries	-18,348	-11,163	-12,691
7.06.02	Financial revenues	338,427	280,210	294,652
7.07	Total added value payable	4,643,269	3,644,733	3,348,704
7.08	Distribution of added value	4,643,269	3,644,733	3,348,704
7.08.01	Personnel	1,572,206	1,340,001	1,475,076
7.08.01.01	Direct remuneration	1,021,423	872,887	1,011,588
7.08.01.02	Benefits	396,994	363,241	365,052
7.08.01.03	SEVERANCE PAY FUND (FGTS)	68,854	65,869	65,141
7.08.01.04	Other	84,935	38,004	33,295
7.08.01.04.01	Employee profit sharing	84,935	38,004	33,295
7.08.02	Taxes, duties and contributions	1,222,020	890,372	794,875
7.08.02.01	Federal	1,155,615	828,135	744,507

Individual financial statements / Statement of added value**(In thousands of reais)**

Code of account	Account description	Last year 01/01/2023–12/31/2023	Penultimate year 01/01/2022–12/31/2022	Antepenultimate year 01/01/2021–12/31/2021
7.08.02.02	State	62,882	59,228	47,533
7.08.02.03	Municipal	3,523	3,009	2,835
7.08.03	Third-party capital remuneration	469,697	570,998	541,166
7.08.03.01	Interest	446,039	561,523	522,842
7.08.03.02	Rentals	23,612	9,475	18,324
7.08.03.03	Other	46	0	0
7.08.04	Remuneration of own capital	1,379,346	843,362	537,587
7.08.04.01	Interest on own capital	637,783	391,105	225,300
7.08.04.02	Dividends	0	0	57,380
7.08.04.03	Retained earnings / Loss for the period	741,563	452,257	254,907

Consolidated financial statements / Balance sheet – Assets**(In thousands of reais)**

Code of account	Account description	Last year 12/31/2023	Penultimate year 12/31/2022	Antepenultimate year 12/31/2021
1	Total assets	14,189,863	13,189,607	12,721,650
1.01	Current assets	2,543,503	2,449,939	2,563,011
1.01.01	Cash and cash equivalents	1,031,425	1,122,299	1,309,721
1.01.03	Accounts receivable	1,281,019	1,051,607	1,000,456
1.01.03.01	Clients	1,281,019	1,051,607	1,000,456
1.01.04	Inventories	111,821	116,395	87,349
1.01.06	Recoverable taxes	37,215	90,989	100,882
1.01.06.01	Current taxes recoverable	37,215	90,989	100,882
1.01.06.01.01	Recoverable taxes	37,215	90,989	100,882
1.01.08	Other current assets	82,023	68,649	64,603
1.01.08.03	Other	82,023	68,649	64,603
1.01.08.03.01	Advances to employees	15,904	15,791	13,900
1.01.08.03.02	Sundry	14,619	10,831	9,094
1.01.08.03.03	Technical cooperation agreement	51,376	30,185	38,289
1.01.08.03.04	Banks and arrangements	124	11,842	3,320
1.02	Non-current assets	11,646,360	10,739,668	10,158,639
1.02.01	Non-current receivables	4,195,621	3,641,958	2,993,579
1.02.01.03	Interest earning bank deposits measured at amortized cost	75,285	71,706	77,228
1.02.01.04	Accounts receivable	165,697	146,518	162,043
1.02.01.04.01	Clients	56,284	34,963	37,092
1.02.01.04.03	Collaterals as guarantees of loans, financing and debentures	61,883	61,033	65,853
1.02.01.04.05	Advances and other	47,530	50,522	59,098
1.02.01.07	Deferred taxes	236,824	312,483	409,039
1.02.01.07.01	Deferred income tax and social contribution	236,824	312,483	409,039
1.02.01.10	Other non-current assets	3,717,815	3,111,251	2,345,269
1.02.01.10.03	Financial assets - Concession contracts	1,016,635	889,897	752,253
1.02.01.10.04	Financial assets measured at fair value through other comprehensive income	620	620	26,153
1.02.01.10.05	Right-of-use from lease	86,967	94,284	72,703

Consolidated financial statements / Balance sheet – Assets**(In thousands of reais)**

Code of account	Account description	Last year 12/31/2023	Penultimate year 12/31/2022	Antepenultimate year 12/31/2021
1.02.01.10.06	Contract asset	2,609,114	2,123,821	1,488,995
1.02.01.10.07	Technical cooperation agreement	4,479	2,629	5,165
1.02.02	Investments	260	260	260
1.02.02.01	Equity interest	260	260	260
1.02.02.01.05	Other investments	260	260	260
1.02.03	Property, plant and equipment	1,765,707	1,473,823	1,473,533
1.02.03.01	Fixed assets in operation	1,765,707	1,473,823	1,473,533
1.02.04	Intangible assets	5,684,772	5,623,627	5,691,267
1.02.04.01	Intangible assets	5,684,772	5,623,627	5,691,267
1.02.04.01.01	Concession contract	5,684,772	5,623,627	5,691,267

Consolidated financial statements / Balance sheet - Liabilities**(In thousands of reais)**

Code of account	Account description	Last year 12/31/2023	Penultimate year 12/31/2022	Antepenultimate year 12/31/2021
2	Total liabilities	14,189,863	13,189,607	12,721,650
2.01	Current liabilities	2,011,670	1,937,386	1,910,539
2.01.01	Social and labor obligations	141,681	136,614	120,472
2.01.01.02	Labor obligations	141,681	136,614	120,472
2.01.02	Suppliers	388,277	298,595	307,967
2.01.02.01	Domestic suppliers	388,277	298,595	307,967
2.01.03	Tax liabilities	113,118	98,976	77,078
2.01.03.01	Federal tax liabilities	109,684	96,225	74,107
2.01.03.01.02	Other federal liabilities	109,684	96,225	74,107
2.01.03.03	Municipal tax liabilities	3,434	2,751	2,971
2.01.04	Loans and financing	681,656	940,871	800,137
2.01.04.01	Loans and financing	113,975	150,328	190,315
2.01.04.01.01	In domestic currency	63,927	88,511	120,221
2.01.04.01.02	In foreign currency	50,048	61,817	70,094
2.01.04.02	Debentures	567,681	790,543	609,822
2.01.04.02.01	Non-convertible	567,681	790,543	609,822
2.01.05	Other liabilities	599,999	405,517	473,084
2.01.05.02	Other	599,999	405,517	473,084
2.01.05.02.01	Dividends and interest on own capital	430,991	231,653	265
2.01.05.02.04	Obligations with retirement benefits	60	9,627	16,614
2.01.05.02.06	Technical cooperation agreement	1,298	7,978	1,214
2.01.05.02.07	Public-Private Partnership	45,752	36,792	52,331
2.01.05.02.08	Sundry liabilities	74,367	84,348	376,349
2.01.05.02.09	Obligations – Lease	47,531	35,119	26,311
2.01.06	Provisions	86,939	56,813	131,801
2.01.06.01	Tax, social security, labor and civil provisions	86,939	56,813	131,801
2.01.06.01.05	Other tax obligations	1,714	1,576	6,623
2.01.06.01.07	Employee profit sharing	85,225	55,237	125,178

Consolidated financial statements / Balance sheet - Liabilities**(In thousands of reais)**

Code of account	Account description	Last year 12/31/2023	Penultimate year 12/31/2022	Antepenultimate year 12/31/2021
2.02	Non-current liabilities	4,604,368	3,997,707	4,051,153
2.02.01	Loans and financing	4,061,858	3,199,049	3,185,207
2.02.01.01	Loans and financing	1,315,102	826,609	878,079
2.02.01.01.01	In domestic currency	686,293	691,766	713,812
2.02.01.01.02	In foreign currency	628,809	134,843	164,267
2.02.01.02	Debentures	2,746,756	2,372,440	2,307,128
2.02.01.02.01	Non-convertible	2,746,756	2,372,440	2,307,128
2.02.02	Other liabilities	416,298	401,418	487,825
2.02.02.02	Other	416,298	401,418	487,825
2.02.02.02.03	Obligations with retirement benefits	109,577	44,296	112,764
2.02.02.02.05	Deposits for works	54,470	55,429	60,814
2.02.02.02.06	Public-Private Partnership	166,148	206,811	208,654
2.02.02.02.07	Sundry	41,356	24,085	54,285
2.02.02.02.08	Obligations – Lease	44,747	70,797	49,331
2.02.02.02.09	Technical cooperation agreement	0	0	1,977
2.02.04	Provisions	126,212	397,240	378,121
2.02.04.01	Tax, social security, labor and civil provisions	126,212	397,240	378,121
2.02.04.01.06	Provision for legal disputes	126,212	397,240	378,121
2.03	Consolidated shareholders' equity	7,573,825	7,254,514	6,759,958
2.03.01	Realized capital	3,402,385	3,402,385	3,402,385
2.03.02	Capital reserves	-8,576	-8,576	-8,576
2.03.02.05	Treasury shares	-8,576	-8,576	-8,576
2.03.04	Profit reserves	4,225,721	3,856,580	3,402,583
2.03.04.01	Legal reserve	526,575	457,608	415,440
2.03.04.05	Profit retention reserve	3,582,590	3,317,250	2,926,101
2.03.04.07	Tax incentive reserve	116,556	81,722	61,042
2.03.06	Equity valuation adjustments	-45,705	4,125	-36,434

Consolidated financial statements / Statement of income**(In thousands of reais)**

Code of account	Account description	Last year 01/01/2023–12/31/2023	Penultimate year 01/01/2022–12/31/2022	Antepenultimate year 01/01/2021–12/31/2021
3.01	Revenue from sales of goods and/or services	7,404,379	6,176,855	5,894,710
3.01.01	Water services	4,348,842	3,597,633	3,386,850
3.01.02	Sewage services	2,238,602	1,819,049	1,834,053
3.01.03	Construction revenue	812,077	758,074	671,542
3.01.04	Revenue from solid waste	4,858	2,099	2,265
3.02	Cost of goods and/or services sold	-4,342,430	-3,861,339	-3,745,491
3.02.01	Cost of goods and/or services sold	-3,530,353	-3,103,265	-3,073,949
3.02.02	Construction cost	-812,077	-758,074	-671,542
3.03	Gross income	3,061,949	2,315,516	2,149,219
3.04	Operating expenses/revenue	-1,272,755	-1,063,180	-1,302,463
3.04.01	Sales expenses	-483,728	-468,943	-456,123
3.04.01.01	Sales expenses	-298,232	-262,728	-229,970
3.04.01.02	Expected credit losses on trade accounts receivable	-185,496	-206,215	-226,153
3.04.02	General and administrative expenses	-651,367	-576,962	-625,802
3.04.04	Other operating revenue	67,703	136,868	179,185
3.04.05	Other operating expenses	-205,363	-154,143	-399,723
3.04.05.01	Other operating expenses	-205,363	-154,143	-399,723
3.05	Income (loss) before financial income (loss) and taxes	1,789,194	1,252,336	846,756
3.06	Financial income (loss)	-2,922	-206,382	-192,307
3.06.01	Financial revenues	333,150	277,875	287,553
3.06.02	Financial expenses	-336,072	-484,257	-479,860
3.07	Income (loss) before income tax	1,786,272	1,045,954	654,449
3.08	Income tax and social contribution	-406,926	-202,592	-116,862
3.08.01	Current	-305,613	-126,952	-257,505
3.08.02	Deferred	-101,313	-75,640	140,643
3.09	Net income (loss) from continued operations	1,379,346	843,362	537,587
3.11	Income/loss for the period	1,379,346	843,362	537,587
3.11.01	Attributed to the Parent company's partners	1,379,346	843,362	537,587

Consolidated financial statements / Statement of income**(In thousands of reais)**

Code of account	Account description	Last year 01/01/2023–12/31/2023	Penultimate year 01/01/2022–12/31/2022	Antepenultimate year 01/01/2021–12/31/2021
3.99	Earnings per share - (Reais R\$ / Shares)			
3.99.01	Basic earnings per share			
3.99.01.01	COMMON SHARES	3.64	2.22	1.42
3.99.02	Diluted earnings per share			
3.99.02.01	COMMON SHARES	3.64	2.22	1.42

Consolidated financial statements / Statement of comprehensive income**(In thousands of reais)**

Code of account	Account description	Last year 01/01/2023–12/31/2023	Penultimate year 01/01/2022–12/31/2022	Antepenultimate year 01/01/2021–12/31/2021
4.01	Consolidated net income for the period	1,379,346	843,362	537,587
4.02	Other comprehensive income	-49,801	40,603	48,439
4.02.01	Actuarial gain (loss) from retirement benefits	-49,801	43,476	81,735
4.02.04	Change in financial asset at fair value through other comprehensive income	0	-2,873	-33,296
4.03	Consolidated comprehensive income for the period	1,329,545	883,965	586,026
4.03.01	Attributed to the Parent company's partners	1,329,545	883,965	586,026

Consolidated financial statements / Statement of cash flows (Indirect method)**(In thousands of reais)**

Code of account	Account description	Last year 01/01/2023–12/31/2023	Penultimate year 01/01/2022–12/31/2022	Antepenultimate year 01/01/2021–12/31/2021
6.01	Net cash from operational activities	1,734,308	1,117,315	1,674,905
6.01.01	Cash generated in operations	2,482,466	2,088,028	1,884,217
6.01.01.01	Net income for the year	1,379,346	843,362	537,587
6.01.01.02	Expected credit losses on trade accounts receivable	185,496	206,215	226,153
6.01.01.04	Charges, inflation adjustments, and exchange-rate changes, net	62,672	33,317	94,035
6.01.01.05	Interest revenues and expenses, net	216,640	230,852	293,676
6.01.01.06	Deferred income tax and social contribution	101,313	75,640	-140,643
6.01.01.08	(Gain) loss in the write-off of intangible assets and property, plant and equipment	27,211	13,250	12,585
6.01.01.09	Depreciation and amortization	789,570	730,133	748,651
6.01.01.10	Recording (reversals) of provisions	-262,420	-38,400	151,361
6.01.01.11	Provision from retirement benefits	58,871	54,945	63,961
6.01.01.12	Financial assets	-73,914	-56,336	-102,187
6.01.01.13	Other	-3,412	-4,601	-1,182
6.01.01.16	Provision for inventory losses	1,093	-349	220
6.01.02	Changes in assets and liabilities	37,127	-409,594	316,501
6.01.02.01	Trade accounts receivable	-383,655	-204,710	-169,665
6.01.02.02	Inventories	3,797	-29,077	-22,645
6.01.02.03	Recoverable taxes	53,795	9,893	-82,373
6.01.02.07	Prepaid tariff pass-through	9,497	7,471	6,318
6.01.02.09	Other	-5,664	12,490	419
6.01.02.10	Suppliers	89,682	-9,373	94,679
6.01.02.11	Taxes, rates, contributions and social and labor charges	330,493	201,911	289,575
6.01.02.12	Accrued vacation pay	5,067	16,142	-5,882
6.01.02.13	Employee profit sharing	29,988	-69,941	33,842
6.01.02.14	Technical cooperation agreement	-29,721	15,427	-1,452
6.01.02.15	Contingencies	-8,470	2,065	-8,196
6.01.02.16	Obligations with retirement benefits	-78,612	-64,527	-56,632
6.01.02.17	Other	-14,538	-37,796	45,644

Consolidated financial statements / Statement of cash flows (Indirect method)**(In thousands of reais)**

Code of account	Account description	Last year 01/01/2023–12/31/2023	Penultimate year 01/01/2022–12/31/2022	Antepenultimate year 01/01/2021–12/31/2021
6.01.02.18	Salaries payable - Collective agreement	0	-178,835	106,164
6.01.02.20	Voluntary Dismissal Incentive Program - PDVI	35,468	-80,734	86,705
6.01.03	Other	-785,285	-561,119	-525,813
6.01.03.01	Interest paid	-423,643	-341,874	-212,326
6.01.03.02	Interest paid for the Public-Private Partnership	-11,820	-15,655	-6,194
6.01.03.03	Payment of income tax/social contribution	-349,822	-203,590	-307,293
6.02	Net cash used in investment activities	-1,566,556	-1,238,749	-901,896
6.02.08	Payment to Public-Private Partnership	-36,634	-25,464	-54,028
6.02.10	Acquisition of contract assets	-1,065,792	-976,920	-829,787
6.02.11	Acquisition of intangible assets	-417,899	-211,393	-156,151
6.02.12	Acquisition of property, plant and equipment	-66,450	-78,882	-31,183
6.02.13	Amount received for sale of property, plant and equipment	3,896	3,476	5,006
6.02.14	Collateral for financing	4,605	37,776	143,067
6.02.15	Banks and arrangements	11,718	-8,522	21,180
6.02.17	Receipt of financial assets	0	21,180	0
6.03	Net cash from financing activities	-258,626	-65,988	-268,907
6.03.01	Inflows of loans, financing and debentures	1,498,361	876,002	895,164
6.03.02	Amortization of loans, financing and debentures	-906,246	-762,550	-779,594
6.03.04	Interest on own capital paid	-591,911	-136,141	-282,747
6.03.10	Dividends paid	-185,535	0	-57,373
6.03.12	Funding cost	-21,673	-3,443	-11,659
6.03.13	Payment of lease liabilities	-51,622	-39,856	-32,698
6.05	Increase (decrease) in cash and cash equivalents	-90,874	-187,422	504,102
6.05.01	Opening balance of cash and cash equivalents	1,122,299	1,309,721	805,619
6.05.02	Closing balance of cash and cash equivalents	1,031,425	1,122,299	1,309,721

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2023–12/31/2023**(In thousands of reais)**

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Non-controlling interest	Consolidated shareholders' equity
5.01	Opening balances	3,402,385	-8,576	3,856,580	0	4,125	7,254,514	0	7,254,514
5.02	Prior-year adjustments	0	0	0	0	0	0	0	0
5.03	Adjusted opening balances	3,402,385	-8,576	3,856,580	0	4,125	7,254,514	0	7,254,514
5.04	Capital transactions with partners	0	0	0	0	0	0	0	0
5.05	Total comprehensive income	0	0	0	1,379,346	-49,801	1,329,545	0	1,329,545
5.05.01	Net income for the period	0	0	0	1,379,346	0	1,379,346	0	1,379,346
5.05.02	Other comprehensive income	0	0	0	0	-49,801	-49,801	0	-49,801
5.05.02.06	Actuarial loss from retirement benefits	0	0	0	0	-49,801	-49,801	0	-49,801
5.06	Internal changes in shareholders' equity	0	0	369,141	-1,379,346	-29	-1,010,234	0	-1,010,234
5.06.04	Legal reserve	0	0	68,967	-68,967	0	0	0	0
5.06.05	Tax incentive reserve	0	0	34,834	-34,813	0	21	0	21
5.06.06	Profit Retention	0	0	637,812	-637,812	0	0	0	0
5.06.07	Interest on own capital	0	0	0	-479,132	0	-479,132	0	-479,132
5.06.08	Dividends declared	0	0	0	-158,651	0	-158,651	0	-158,651
5.06.09	Extraordinary dividends	0	0	-372,472	0	0	-372,472	0	-372,472
5.06.10	Amortization of inflation adjustment on restated assets	0	0	0	44	-44	0	0	0
5.06.11	Deferred income tax and social contribution on restated assets	0	0	0	-15	15	0	0	0
5.07	Closing balances	3,402,385	-8,576	4,225,721	0	-45,705	7,573,825	0	7,573,825

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2022–12/31/2022**(In thousands of reais)**

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Non-controlling interest	Consolidated shareholders' equity
5.01	Opening balances	3,402,385	-8,576	0	3,402,583	-36,434	6,759,958	0	6,759,958
5.02	Prior-year adjustments	0	0	0	0	0	0	0	0
5.03	Adjusted opening balances	3,402,385	-8,576	0	3,402,583	-36,434	6,759,958	0	6,759,958
5.04	Capital transactions with partners	0	0	0	0	0	0	0	0
5.05	Total comprehensive income	0	0	0	843,362	40,603	883,965	0	883,965
5.05.01	Net income for the period	0	0	0	843,362	0	843,362	0	843,362
5.05.02	Other comprehensive income	0	0	0	0	40,603	40,603	0	40,603
5.05.02.06	Actuarial loss from retirement benefits	0	0	0	0	43,476	43,476	0	43,476
5.05.02.08	Financial assets measured at fair value through other comprehensive income	0	0	0	0	-2,873	-2,873	0	-2,873
5.06	Internal changes in shareholders' equity	0	0	453,997	-843,362	-44	-389,409	0	-389,409
5.06.04	Legal reserve	0	0	42,168	-42,168	0	0	0	0
5.06.05	Tax incentive reserve	0	0	20,680	-18,984	0	1,696	0	1,696
5.06.06	Profit Retention	0	0	391,149	-391,149	0	0	0	0
5.06.07	Interest on own capital	0	0	0	-391,105	0	-391,105	0	-391,105
5.06.10	Amortization of inflation adjustment on restated assets	0	0	0	66	-66	0	0	0
5.06.11	Deferred income tax and social contribution on restated assets	0	0	0	-22	22	0	0	0
5.07	Closing balances	3,402,385	-8,576	453,997	3,402,583	4,125	7,254,514	0	7,254,514

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2021–12/31/2021**(In thousands of reais)**

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Non-controlling interest	Consolidated shareholders' equity
5.01	Opening balances	3,402,385	-8,576	3,147,591	0	-84,788	6,456,612	0	6,456,612
5.02	Prior-year adjustments	0	0	0	0	0	0	0	0
5.03	Adjusted opening balances	3,402,385	-8,576	3,147,591	0	-84,788	6,456,612	0	6,456,612
5.04	Capital transactions with partners	0	0	0	0	0	0	0	0
5.05	Total comprehensive income	0	0	0	537,587	48,439	586,026	0	586,026
05/5/2001	Net income for the period	0	0	0	537,587	0	537,587	0	537,587
05/5/2002	Other comprehensive income	0	0	0	0	48,439	48,439	0	48,439
5.05.02.06	Actuarial loss from retirement benefits	0	0	0	0	123,841	123,841	0	123,841
5.05.02.07	Income tax and social contribution on Actuarial Loss from retirement benefits	0	0	0	0	-42,106	-42,106	0	-42,106
5.05.02.08	Financial assets measured at fair value through other comprehensive income	0	0	0	0	-33,296	-33,296	0	-33,296
5.06	Internal changes in shareholders' equity	0	0	254,992	-537,587	-85	-282,680	0	-282,680
06/5/2004	Legal reserve	0	0	26,880	-26,880	0	0	0	0
06/5/2005	Tax incentive reserve	0	0	12,839	-12,839	0	0	0	0
06/5/2006	Profit Retention	0	0	215,273	-215,273	0	0	0	0
06/5/2007	Interest on own capital	0	0	0	-225,300	0	-225,300	0	-225,300
06/5/2008	Dividends declared	0	0	0	-57,380	0	-57,380	0	-57,380
06/5/2010	CM Amortization on corrected assets	0	0	0	129	-129	0	0	0
06/5/2011	Deferred income tax and social contribution on restated assets	0	0	0	-44	44	0	0	0
5.07	Closing balances	3,402,385	-8,576	3,402,583	0	-36,434	6,759,958	0	6,759,958

Consolidated financial statements / Statement of added value**(In thousands of reais)**

Code of account	Account description	Last year 01/01/2023–12/31/2023	Penultimate year 01/01/2022–12/31/2022	Antepenultimate year 01/01/2021–12/31/2021
7.01	Revenues	7,958,911	6,660,397	6,380,433
7.01.01	Sale of goods, products and services	7,264,626	5,971,670	5,755,859
7.01.02	Other revenues	67,704	136,868	179,185
7.01.02.01	Other operating revenue	67,704	92,286	113,331
7.01.02.02	Recovery of written-off accounts	0	44,582	65,854
7.01.03	Revenues from construction of own assets	812,077	758,074	671,542
7.01.04	Formation/reversal of allowance for doubtful accounts	-185,496	-206,215	-226,153
7.02	Inputs acquired from third parties	-2,833,545	-2,544,515	-2,556,118
7.02.01	Cost of products, goods and services sold	-2,442,293	-2,235,222	-2,022,592
7.02.02	Materials, energy, outsourced services and other	-257,460	-226,147	-186,285
7.02.04	Other	-133,792	-83,146	-347,241
7.03	Gross added value	5,125,366	4,115,882	3,824,315
7.04	Retentions	-789,571	-730,133	-748,652
7.04.01	Depreciation, amortization and depletion	-789,571	-730,133	-748,652
7.05	Net added value produced	4,335,795	3,385,749	3,075,663
7.06	Added value received as transfer	344,324	285,721	297,149
7.06.02	Financial revenues	344,324	285,721	297,149
7.07	Total added value payable	4,680,119	3,671,470	3,372,812
7.08	Distribution of added value	4,680,119	3,671,470	3,372,812
7.08.01	Personnel	1,593,458	1,357,814	1,490,654
7.08.01.01	Direct remuneration	1,036,099	885,118	1,023,127
7.08.01.02	Benefits	402,548	367,989	368,258
7.08.01.03	SEVERANCE PAY FUND (FGTS)	69,876	66,703	65,974
7.08.01.04	Other	84,935	38,004	33,295
7.08.01.04.01	Employee profit sharing	84,935	38,004	33,295
7.08.02	Taxes, duties and contributions	1,230,987	899,194	803,284
7.08.02.01	Federal	1,163,309	835,836	752,048
7.08.02.02	State	64,150	60,344	48,393

Consolidated financial statements / Statement of added value**(In thousands of reais)**

Code of account	Account description	Last year 01/01/2023–12/31/2023	Penultimate year 01/01/2022–12/31/2022	Antepenultimate year 01/01/2021–12/31/2021
7.08.02.03	Municipal	3,528	3,014	2,843
7.08.03	Third-party capital remuneration	476,328	571,100	541,287
7.08.03.01	Interest	452,384	561,597	522,843
7.08.03.02	Rentals	23,787	9,503	18,444
7.08.03.03	Other	157	0	0
7.08.04	Remuneration of own capital	1,379,346	843,362	537,587
7.08.04.01	Interest on own capital	637,783	391,105	225,300
7.08.04.02	Dividends	0	0	57,380
7.08.04.03	Retained earnings / Loss for the period	741,563	452,257	254,907

Management report/Comment on performance

MESSAGE FROM THE BOARD

The year 2023 was full of achievements for Copasa.

Considering its economic-financial performance, the Company recorded a notable growth of 21.5% in its net revenue from water, sewage and solid waste compared to the previous year, reaching R\$ 6.53 billion in 2023. On the other hand, its costs and expenses grew at lower levels of 12.4%, resulting in an important recovery in operating margin. Net income totaled R\$ 1.4 billion (63.6% higher than in 2022), while Adjusted EBITDA reached R\$ 2.7 billion (35.0% higher than EBITDA for 2022).

Regarding commercial actions, due to efforts to increase the collection level and debt recovery, the level of default deserves to be highlighted, falling again and reaching 2.97% in December 2023, the lowest default level of the last seven (7) years.

In 2023, the coverage ratio of Copasa's water services continued above 99%, being higher than that required by the New Sanitation Sector Framework, thus showing that the Company has already reached universalization before the deadline set for 2033. As for sewage, in 2023 the Company reported global coverage ratio for collected and treated sewage of 75%, 2.9 p.p. higher than the ratio of 72% reported in 2022. This performance is due to the level of investments that continues to grow year after year, and the amount invested totaled R\$ 1.63 billion in 2023. For the period 2024–2028, investments of R\$ 9.8 billion are expected, aiming to maintain the quality and regularity of services, monitor population growth and achieve the universalization rates provided for in the regulation within the established deadline regarding sewage services.

Aiming to universalize water and sewage services in rural and low-density areas in its concession areas, Copasa launched the “Universaliza Minas” program, in which, of the 100 works already started, 46 were completed by January 2024, benefiting around 24,000 people.

Regarding its ESG Agenda, the Company has continued its actions to ensure management based on sustainable practices. From 2023 to date, the Company has established the Diversity and Inclusion and Sustainability Policies, as well as the Sustainability and Diversity & Inclusion Committees.

In recognition of its ESG strategy and its commitment to sustainability, the Company was included in the portfolio of the Corporate Sustainability Index (ISE) of Brasil, Bolsa Balcão (B3), which came into force on 01/02/2024.

Copasa continued its initiatives aimed at reducing water losses, innovating with the extension of the performance contract to reduce apparent losses to formal areas, previously restricted to areas of social vulnerability, and with the substantial application of smart water meters.

For the management of electric power, the Company started the acquisition of incentivized energy as of June 2023 - from renewable sources - on the free market for high and medium voltage units, which, in addition to the conventional electric power contracted on the free market since 2022, should reach 51% of the total energy consumed by Copasa in 2024 and generate an expected cost reduction of approximately R\$ 280 million in 60 months. Moreover, the Company has been structuring a project to implement solar photovoltaic plants for remote energy compensation, aiming to reduce costs and greenhouse gas emissions.

The Company continued its investments in the preservation and recovery of its micro river basins through the “Pró-Mananciais” Program, whose invested value reached R\$ 39.7 million in 2023, with approximately 35 thousand tree seedlings planted and 696.5 thousand meters of fences to protect the constructed permanent protection areas (APP).

Management report/Comment on performance

Regarding social action, Copasa develops several projects focused on the socio-environmental development of communities in its area of operation and on promoting cultural, artistic, sports and social projects throughout the state of Minas Gerais, in addition to having programs in which significant discounts are granted on the rates of philanthropic entities and hospitals and municipal governments that has been timely paying their water and sewage bills.

The Company's core value is the health and safety of its employees and, in this sense, it achieved, a 14% drop in lost time accidents and a 73% drop in serious accidents - those involving more than 15 days of absence - in 2023. Furthermore, stressing its commitment to gender equity and diversity and inclusion, the Company has advanced in its goal of increasing the rate of occupation of leadership positions by women, with said rate being around 36% by the end of 2023.

Aiming to improve its corporate governance systems, Copasa established the Corporate Governance Committee in 2023, reporting to the Board of Directors and is constantly reviewing its control mechanisms, seeking to maintain the integrity of its ethical values and achieve its compliance commitment.

With the purpose of aligning its evolution and transformation that has been occurring in recent years, the Company developed its rebranding and recently launched its new brand. This change aimed to position the Company as a modern and competitive business prepared for the challenges of the sanitation sector in Brazil. The updated visual identity and brand reflect Copasa's ongoing transformation and innovation, reinforcing its purpose of generating value for society, providing quality and excellent services to its clients.

Copasa Management reiterates its commitment and partnership with all its shareholders, clients, society, concession grantor and other stakeholders and would like to thank all its employees for the results achieved in 2023.

In this Report, we present the Company's performance throughout the year.

Management report/Comment on performance

Management Report/Performance Comment Management Report

1. The company

1.1. Company's profile

Copasa is a mixed-capital company (part state-owned, part publicly-traded), controlled by the Minas Gerais State Government; since February 2006 its shares have been traded on the “Novo Mercado”, the highest corporate governance segment of the Brazilian stock exchange (B3 – Brasil, Bolsa, Balcão) under ticker symbol CSMG3. Copasa’s business activity is to plan, execute, expand, remodel and operate public basic sanitation services, involving water supply, sewage, and solid waste.

Jointly with its subsidiary Copanor, the Company has concessions in 75% of the municipalities in the state of Minas Gerais, serving a population of roughly 11.8 million inhabitants with water supply services, of which 8.6 million inhabitants also receive sewage services.

In December 2023, Copasa (consolidated) had 638 concessions to render water services and 309 concessions to provide sewage treatment services, as shown in the following table:

Concessions ^{1,2}	12/2023			12/2022		
	Total	Parent Company	Copanor	Total	Parent Company	Copanor
Water						
Concessions	638	589	49	640	591	49
In operation	633	584	49	632	584	48
Sewage						
Concessions	309	253	56	309	253	56
In operation	273	231	42	269	228	41

(1) Only one (1) concession/operation per municipality is considered, regardless of whether there is more than one contract, in the case of Copasa and Copanor services in the same municipality, or whether the contract covers only districts and localities outside the municipal seat.

(2) Includes expired concessions with 31 municipalities and concessions with 2 municipalities, whose contracts were judicially declared null and void.

It is worth mentioning that the water concession contracts in São José da Barra and São José da Safira were terminated in 2023, which had already expired and together represented 0.04% of the Company’s revenue.

The ten main current concessions on December 31, 2023, which jointly accounted for approximately 49% of the Company’s net water and sewage revenue, as well as their respective maturities, are listed below:

Municipality with Concession in force	Maturity
Belo Horizonte	11/2032
Contagem	02/2073
Betim	12/2042
Montes Claros	07/2048
Divinópolis	06/2041
Ribeirão das Neves	05/2034
Patos de Minas	12/2038
Santa Luzia	02/2050
Pouso Alegre	08/2046
Varginha	06/2047

In December 2023, 83% of the Company’s water and sewage revenues came from concessions whose maturity date occurs after December 2031. Concessions relating to 31 municipalities were expired and the contracts of two

(2)

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municipalities, which together account for approximately 4.3% of water and sewage revenues, were legally considered null and void.

Taking into account the principle of continuity in the provision of essential public services, services continue to be provided and billed normally by the Company both in municipalities with expired concessions and in municipalities where contractual nullity was decreed.

1.2. Coverage Ratios

In 2023, the coverage ratio of Copasa's water services, within its coverage area, is above 99%, as also verified in previous years, being higher, therefore, than that required by the New Sanitation Sector Framework, showing that the Company has already reached universalization before the deadline set for 2033.

As for sewage, in 2023 the Company reported global coverage ratio for collected and treated sewage of 75%, 2.9 p.p. higher than the ratio of 72.1% reported in 2022. Copasa's robust 2024-2028 Investment Program of R\$ 9.8 billion, as detailed in item 5.2 below, aims to make the investments necessary to maintain quality of the already universalized water services, expand investments focused on expanding sewage collection and treatment networks, with the goal of universalizing sewage services, as established by the New Sanitation Sector Framework, that is, 90% of the population supplied with collection network and sewage treatment by 2033.

The Company's coverage ratios for water and sewage are much superior than those verified for the national average. According to data disclosed by the National Sanitation Information System (SNIS), in January 2024, the ratio of global service with water network, at a national level, was 84.9%, for the reference year 2022, and the percentage of sewage treatment reached 52.2%, showing the superiority of Copasa indicators.

It is worth mentioning that, in 2023, with the objective of universalizing water supply and sewage treatment services in rural and low-density areas in the municipalities where the Company operates, Copasa launched the "Universaliza Minas" program. In January 2024, the program has already started over 100 works, which will guarantee basic sanitation for more than 50 thousand people. Of these works, 46 have already been completed, resulting in benefits for around 24 thousand people. Another 61 districts of municipalities where the Company holds concessions have works in progress.

2. Macroeconomic and Regulatory Context

On the national scenario, the Brazilian economy showed positive developments in 2023, with decreasing inflation rates, interest rates and unemployment, exchange rates under control and support for family income and record agribusiness exports.

Regarding tax aspects, the National Congress approved the Tax Reform - Constitutional Amendment 132/2023, with the replacement of five taxes - PIS, Cofins, ICMS, ISS and IPI - with one Dual VAT, composed of the Contribution on Goods and Services - CBS, federal, and the Tax on Goods and Services - IBS, subnational (of states and municipalities), coming into effect in January 2026.

As for taxes on consumption, the sanitation sector only pays PIS/COFINS, whose nominal rate is 9.25%. Considering the non-cumulative nature of these taxes, the effective rate for Copasa is currently around 6.64%.

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The rate of new taxes will be defined by Complementary Law. However, in an estimate released by the Ministry of Finance, the standard rate will be 27.5% in 2033, with the beginning of the collection of partial rates scheduled for 2026 with a gradual increase until 2033.

The study “The impacts of Tax Reform on the Basic Sanitation Sector”, carried out by the National Association and Union of Private Concessionaires of Public Water and Sewage Services - ABCON SINDCON, estimates an 18% increase in the tariff paid by the end consumer if the new tax legislation does not provide for differentiated treatment for the sanitation sector.

As for the climate, the year 2023 was marked by intense heat waves in a large part of Brazil and the occurrence of the El Niño phenomenon, which acts to warm the waters of the Pacific Ocean.

According to the National Institute of Meteorology - Inmet, July 2023 was the hottest month in history in Brazil since 1961. Likewise, according to the Copernicus climate monitoring program, managed by the European Space Agency, the month of July was the hottest in global history. Data from the federal government’s National Center for Monitoring and Alerting of Natural Disasters (Cemaden) recorded that Belo Horizonte was the Brazilian capital with the highest increase in temperatures in 2023, 4.2°C above the historical average. The Brazilian Institute of Geography and Statistics - IBGE released updated data that raises an alert for climate change and shows worrying impacts of global warming in Minas Gerais: The number of Minas Gerais municipalities on the list of cities belonging to the Brazilian semi-arid region more than doubled, from 91 to 217 in the last survey that had been released in 2021.

Within the scope of the new Sanitation Sector Framework, with the new regulatory attribution of the National Water and Basic Sanitation Agency - ANA to edit Reference Standards - NR, containing guidelines for the regulation of public basic sanitation services in Brazil, as a way of standardizing sector standards, during the year 2023, the following NRs were submitted to public consultations:

- inventory and compensation of water and sewage assets;
- quality and efficiency standards and indicators and assessment of efficiency and effectiveness for water and sewage;
- guidelines for defining the regulatory model for water and sewage;
- organizational model of subnational regulatory agencies, transparency and accountability;
- procedures for mediation and arbitration;
- risk matrix for water and sewage contracts;
- guidelines for progressive water and sewage coverage targets and assessment system; and
- general conditions for the provision of urban solid waste services.

For one of these most relevant topics, namely, the rules for asset compensation, ANA Resolution 161/2023 was published on August 04, 2023, which brings NR 03/2023. This regulation addresses the methodology for compensating investments made but not yet amortized or depreciated in contracts for the provision of public water supply and sewage services in the event of contract termination.

On the same topic, also in 2023, the Regulatory Agency for Water Supply and Sanitary Sewage Services of the State of Minas Gerais - Arsae-MG - started the process of drafting and debating a new resolution on asset compensation at the end of the concessions and presented for discussion the methodology for calculating the compensation owed by the Concession Grantor to the provider of water and sewage services, due to investments not amortized by the concession tariff, upon expiration or early termination of the contract. The draft resolution is being debated in public consultation.

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In November 2022, Arsae-MG authorized an adjustment with an average tariff effect of 15.70%, applied on 01/01/2023, in accordance with Arsae-MG Resolution 173/2022. In November 2023, an adjustment of 4.21% was authorized, effective as of 01/01/2024, in accordance with Arsae-MG Resolution 185/2023.

Among the topics on the regulatory agenda published by Arsae-MG, it is worth highlighting Copasa's 3rd Periodic Tariff Review for application as of 01/01/2026.

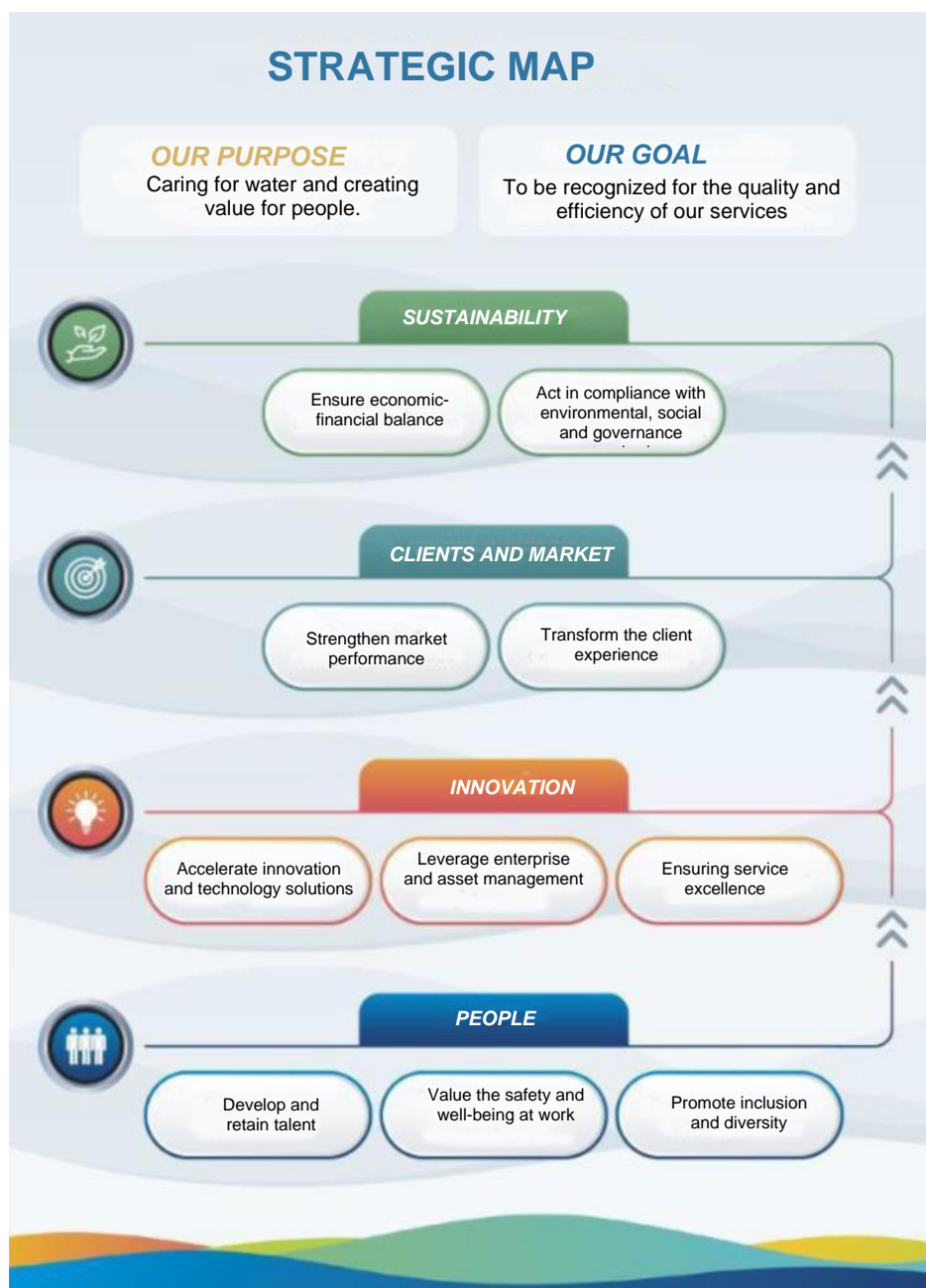
3. Strategic planning

In December 2021, the Company's Board of Directors approved Copasa's Strategic Planning for the 2022–2026 cycle, expressing it in its Strategic Declaration and on the Strategic Map shown below:

Management report/Comment on performance



Management report/Comment on performance



3.1. Management Excellence Strategic Program

The Management Excellence Strategic Program, implemented since 2021, expanded the application of the Management Excellence Model - MEG¹ - throughout the Company.

3.1.1. Actions adopted in 2023

Throughout the year, significant progress was made in the execution of this Program:

¹ The “MEG” (*Modelo de Excelência da Gestão*) is a reference model in organizational management, and is the main publication of the National Quality Foundation (FNQ), one of the foremost centers of excellence for improving the productivity and competitiveness of Brazilian organizations. MEG’s main feature is that the Program is an integrative and self-assessment model to obtain a diagnosis of management maturity.

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- 381 training sessions in MEG, with the inclusion of ESG requirements;
- execution and monitoring of Management Improvement Plans - PMGs;
- launch of the Inova Seminar, which was attended by 31 cases, being 8 cases recognized as Company Success Cases;
- completion of applications of 4 Business Units (East, North, West and South) in Level III ESG of the National Sanitation Quality Award - PNQS², all of which won the Diamond Quíron Trophy, the highest level of the PNQS award; and
- 19 registration Success Cases in the PNQS, 14 of which were selected to be presented at the Benchmarking Seminar of the PNQS, 3 of them received recognition as finalists and 1 was the winner.

The Program's actions contribute to the development and evolution of Copasa's management in a sustainable manner, leveraging the Company to fulfill its ambition: "to be recognized for the quality and efficiency of our services".

4. Client relations

The customer-centric approach is a non-negotiable value at Copasa and, thus, the Company works to seek, in addition to serving its consumers well, to maximize the benefits of the services it offers and promote a better experience and satisfaction for its clients.

This means that all of the Company's processes, all of its Business Units, and all of its employees need to be aligned and focused on offering an experience that surprises users in a positive way and generating excellence in their service.

Considering these purposes, the Company adopted actions throughout 2023 that sought to increase its relationship with its clients, among which we can highlight those mentioned in the following topics.

4.1. Actions linked to client relationships

Seeking to improve relationships with clients, the expansion of telephone and digital service was contracted, increasing the number of service positions. Therefore, Copasa managed to expand human service hours on WhatsApp and webchat (website), including on Saturdays and Sundays, providing greater agility in meeting demands, with a consequent reduction in client waiting times on these channels.

Copasa also has 688 in-person service points throughout the state of Minas Gerais, in addition to a website and application on the Apple Store and Play Store platforms. In 2023, aiming to improve customer experience regarding in-person service at these points, the requirement for prior scheduling was removed, making it easier to accommodate demands. The In-Person Branches Revitalization Program was also established, aiming to evaluate and improve the standardization of branches, making the environment more welcoming, safe and comfortable for clients.

Other improvements implemented in 2023 were the provision of self-service totems and the hiring of receptionists, who receive and screen demands and better forward clients to the correct service. These

² The National Sanitation Quality Award - PNQS - was established in 1997 by the Brazilian Association of Sanitary Engineering - ABES to recognize companies in the industry that stand out for their good management of sanitation services.

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receptionists and totems immediately respond to the most common requests, such as issuing copies of water bills and analyzing the value of the bill. The totems were initially installed in the busiest branches in the Metropolitan Region of Belo Horizonte, with plans to expand throughout the State.

Mobile Branches are available to all of the Company's Business Units and to Copanor, which are presented as a form of itinerant customer service. The increase in the number of Mobile Branches allows the Company to take services to different locations and districts, according to previously announced schedules. These Branches have a multidisciplinary team to request services, clarify doubts, provide several guidance and carry out campaigns, which seek to strengthen ties with communities.

Copasa monitors client satisfaction with its products and services through surveys carried out by a reference company in the market. Using relational and transactional approaches, monthly qualitative surveys were carried out with the active customer base. These surveys aim to identify needs and expectations, verify the perception of the Company's image, evaluate the level of knowledge of the products and services provided and measure client satisfaction in basic sanitation, becoming an important data supply tool for analysis and improvement of processes and procedures.

Based on the results verified monthly, which make up the Annual Client Satisfaction Indicator, quantitative research constitutes an important input for Strategic Planning. This indicator's annual target was approved by the Company's senior management and is monitored on an ongoing basis, considering each business unit and its regional particularities and evaluating the dimensions of water, sewage, services, client service, and water works. It is also possible to evaluate clients' perception in relation to the attributes of Copasa's image.

In 2023, the Annual Client Satisfaction Indicator reached 73.7%.

4.2. Commercial actions in 2023

Throughout 2023, the Company promoted commercial actions aimed at improving processes and getting closer to its clients, granting benefits so that they could settle their debts, and strengthening dialogue through guidance to consumers. Among them, we point out:

- **Debt Negotiation Campaign for Social Residential Category:** The Campaign took place in January 2023 and consisted of providing better conditions for clients in the Social Residential Category to negotiate their debts, providing negotiation of the debts for more than 12 thousand Copasa and Copanor clients.

This action focused on increasing revenue, reducing defaults and recovering debts from clients in the Social Residential category, also aiming to create a culture of making payments through the Brazilian Instant Payment System (PIX).

The Company made new Business Intelligence (BI) reports available to all operating units, to act strategically on the best targets for revenue recovery.

- **New Supply Cut-off Device**

A new cut-off device was implemented, providing easier execution and greater productivity for our own and third-party operational teams.

The period for inspecting a suspended property was reduced from 60 to 15 days, after the suspension was carried out, with the purpose of combating losses due to infringement.

- **Revised Rules on Installment Payments**

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In 2023, the installment payment approval process was improved, in accordance with the authority established in internal regulations. The new Installment Standard aims to recover credits, referring to negotiations carried out with municipal governments, hospitals and philanthropic entities, also bringing other benefits, such as:

- ✓ reduction of lawsuits, decrease in defaults, and reformulation of installment plans;
- ✓ improvement in relationships with defaulted clients;
- ✓ adaptation of the negotiation to the specific rules of Arsae-MG applicable to the special conditions for the social residential category;
- ✓ guarantee of easier negotiation for clients in general – alignment with Law 14181/2021 (Indebtedness Act); and
- ✓ improvement in the forms of negotiation for public entities – city governments, charitable entities, public and private hospitals.

- **Villages and Hamlets**

The “Vilas e Aglomerados” Project, which is included in the Performance Contract³, seeks to: (i) reduce apparent water losses in areas of social vulnerability, reducing irregularities in the water supply network and making arrangements to connect homes to the public water network; and (ii) carry out social actions in the benefited areas, sharing the culture of sanitation and promoting activities suited to the realities of the locations covered in the project.

With the Project, an average of 81.7 million m³/month (billed micromasurement) were recovered, 48% higher than the target established for 2023. 44 districts were visited, around 12,100 visits were made, 10,700 responses were collected and 9,200 services were performed, including new connections, water meter replacements and standardization of existing connections.

Other results achieved were:

- ✓ women in sanitation: 56 women residing in areas of social vulnerability who work in mobilization actions have already been hired, and 192 people have indirectly benefited from the hiring of these women; and
- ✓ more than 9 households signed up to regularize the water connection, and 28,600 people were indirectly benefited.

- **Streamlined registration of new clients**

In 2023, a company was engaged to enrich, sanitize and validate the commercial register, during service requests by clients, also aiming to provide greater speed and reduce the average service time, with the inclusion of complete and correct information from clients and validation of CPF (SSN) or CNPJ (EIN).

- **Revenue recovery through delivery of copies of water bills**

The Company automatically issues second copies of bills to clients with blocked, lost or rectified bills, which has generated improvements in the process of receiving and collecting these amounts.

³ Contract with variable remuneration based on the service provider’s performance. The performance indicator in this contract is the recovery of micro-measured volumes in the areas of operation.

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In addition to the recovery of overdue debts, there is a reduction in costs with the execution of debt alerts and suspension, protest actions, inclusion of the client names in blacklists and judicial collections.

- **Review of Collections procedures**

The Company's billing rule was revised, with some improvements implemented such as the expansion of SMS sending to clients, account messages, systematic denial and protest and intensification of legal collection. The objectives of this review were to reduce losses due to prescription, reduce default, recover debts, and avoid expenses with debt alert and suspension and cut-off actions.

- **Hiring a firm for reporting clients in default**

The hiring of a credit bureau firm contributed to the reduction of defaults, the cleaning of the commercial registration of clients without CPF (SSN) or CNPJ (EIN), the improvement of the Company's collection and the reduction of debt alert and suspension costs.

- **Modernization of the reading**

The implementation of georeferencing of readers' activities allowed teams to be monitored in real time by scheduling and activity management teams.

The photographic record was implemented for all occurrences that impact the charging for the average consumption, allowing the inspection to analyze the meter reader's actions in the field and, when irregularities are identified, training, recycling and corrective measures are requested from the contractors. The contractor's management was improved with the implementation of BI for real-time information on reading routines, codes, absences, productivity and reading quality.

- **Actions to encourage payment via the Brazilian Instant Payment System (PIX)**

The Company developed the "Pix Solidário" Program in the first quarter of 2023 in partnership with Servas and the Red Cross, in which the savings generated through the growth in invoice payments made through this method were donated to the distribution of food purchasing cards and construction materials to those affected by the rains.

Another action developed was the "Pix do Bem" Copasa Program, which aimed to strengthen the relationship with the concession grantor and benefit social and environmental entities, nominated by municipalities highlighted in the growth of this method of paying bills.

- **Infractions and Sanctions**

Improvements were made to the management procedures for infractions and sanctions, reflected in improvements to the commercial system, implementing control from the generation to the application of the sanction digitally.

To guarantee clients' right to appeal, a functionality was made available in the virtual branch so that the appeal can be registered. This process contributes to greater control and speed in responses, allowing to monitor all features presented through the Customer Relationship Management (CRM).

Seeking greater effectiveness in management, the Infraction Control Center (CCI), in Contagem, was designed and created, being responsible for analyzing the end to end process, analyzing the Irregularity Occurrence Terms, training and retraining its own teams and contractors, standardize the process in all operated locations, automate manual processes, manage and measure team productivity and maintain the deadlines defined for the application of penalties incurred for identified irregularities.

- **Commercial Intelligence Center**

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The Commercial Intelligence Center was implemented to manage the reading modernization process, meet commercial demands, control Ombudsman demands, control telemetry and service orders for the “Vem pra Rede” program and performance indicators.

This management is carried out by an integrated team, which contributes to having information in real time and carrying out action plans to mitigate risks and achieve established goals.

5. Investment Program

5.1. Investment Program - 2023

The amounts invested in 2023, within the scope of the Parent Company totaled R\$ 1.63 billion, including interest capitalizations, personnel expenses, materials and others. This amount, which is detailed in the table below, accounts for an increase of 24.7% compared to 2022.

Investments made (R\$ million)	2019	2020	2021	2022	2023
Water	260.1	147.1	537.1	579.4	680.0
Sewage	279.1	213.3	317.5	449.3	671.0
Business and operational development	47.1	99.0	52.3	100.8	78.5
Subtotal	586.3	459.4	906.9	1,129.5	1,429.5
Capitalizations	143.3	111.4	95.8	176.1	198.6
Total - Parent company	729.6	570.8	1,002.7	1,305.6	1,628.0
Coponor (including capitalizations)	39.6	24.2	44.5	39.6	31.5
Total - Copasa and Coponor	769.2	595.1	1,047.2	1,345.2	1,659.5

Water supply systems

- implementation, expansion, and improvements of water supply systems of the municipalities of Alfenas, Belo Horizonte, Brumadinho, Cambuquira, Capelinha, Caratinga, Conceição do Mato Dentro, Conselheiro Lafaiete, Contagem, Diamantina, Divinópolis, Esmeraldas, Fronteira, Frutal, João Pinheiro, Lavras, Mesquita, Montes Claros, Nova Lima, Nova Serrana, Paracatu, Patos de Minas, Perdígão, Riacho dos Machados, Ribeirão das Neves, Santa Bárbara, Santa Luzia, Santo Antônio do Monte, Timóteo, Vespasiano, among others;
- emergency works for the recovery of water mains in the Belo Horizonte Metropolitan Region - RMBH, mainly the Water Mains of the Paraopeba System – Serra Azul WTS;
- actions aiming at the efficiency of water-metering and the reduction of losses, with emphasis on the acquisition of macro- and micro-flow meters;
- acquisition of operational equipment for modernization and optimization of the water supply system in several operated municipalities; and
- execution of works for the implementation of Waste Treatment Units (WTUs) in Water Treatment Stations (WTS) in the municipalities of Araxá, Belo Horizonte, Betim, Caratinga, Carmo do Rio Claro, Diamantina, Guaxupé, Ibité, Lavras, Nova Lima, Patos de Minas, São Gotardo, Três Corações, Varginha, among others.

Sewage Treatment Systems

- implementation, expansion, and improvements in the sewage of the municipalities of Abaeté, Além Paraíba, Belo Horizonte, Betim, Bonfim, Buritis, Campanha, Carmo da Cachoeira, Confins, Conselheiro Lafaiete, Contagem, Cruzília, Diamantina, Divino, Divinópolis, Guaxupé, Igarapé, Inhapim, Itaobim, Jacinto, Januária, Juatuba, Madre

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de Deus de Minas, Mateus Leme, Montes Claros, Mutum, Nova Lima, Paracatu, Patos de Minas, Pedro Leopoldo, Perdões, Presidente Bernardes, Presidente Juscelino, Ribeirão das Neves, Rio Pomba, Sabará, Santa Luzia, Santana do Paraíso, Santos Dumont, São Francisco, São João Nepomuceno, São Joaquim de Bicas, Sarzedo, Teófilo Otoni, Timóteo, Ubá, Visconde do Rio Branco, among others;

- replacement of sewage assets in several municipalities where the Company operates; and
- acquisition of operational equipment for modernization and optimization of the sanitary sewage system in several operated municipalities.

Business and operational development

- modernization of IT infrastructure, including completion of the implementation of the SAP S/4HANA system;
- investments in programs for the modernization of operating units and energy efficiency; and
- investments in programs for research, monitoring, and protection of water resources.

5.2. Investment Program, 2024–2028

At a meeting held on December 15, 2023, the Company's Board of Directors approved the projected Multiyear Investment Program, referring to the Parent Company, for the period from 2024 to 2028, as detailed in the table below:

Projected value (R\$ million)	2024	2025	2026	2027	2028
Water, Sewage, and Corporate Development	1,670.0	1,628.0	1,628.0	1,628.0	1,628.0
Capitalizations	221.5	330.9	342.2	342.3	342.3
Total	1,891.5	1,958.9	1,970.2	1,970.3	1,970.3

The level of capital injections planned in the Investment Program aims at expanding the water supply and sewage treatment systems, extending networks, providing water security, combating losses, developing business, meeting regulatory and efficiency goals, concession commitments assumed, replacing depreciated assets, in line with the achievement of Company's corporate purpose and mission, ensuring our sustainability and longevity. Through such efforts, Copasa seeks to meet the demands of clients and the state government, seeking to expand the coverage of water supply and sewage services.

5.3. Fundraising

To support the Investment Program, the Company intends to use funds from its cash generation, as well as those coming from third-party loans.

At the end of the 2023 financial year, the Company had a balance of R\$ 1.8 billion in contracted resources that had not yet been released, of which R\$ 195.4 million with FGTS, € 45.5 million (equivalent to R\$ 243.3 million) contracted with the German bank KfW, € 53 million (equivalent to R\$ 283.6 million) with the European Investment Bank - EIB and € 200 million (equivalent to R\$ 1.07 billion) with the French Development Agency - AFD. The debt will be recorded on the books upon the effective entry of these funds into the Company.

It is also worth mentioning that in September 2023, a long-term credit operation was carried out, through the 18th Issue of debentures, in the amount of R\$ 900.0 million. The resources from this operation are

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intended for the execution of part of the Investment Program and the payment of the Voluntary Dismissal Incentive Program - PDVI - implemented by the Company in 2023.

6. Operating performance

6.1. Operational data

6.1.1. Water

Copasa and Copanor closed out 2023 with 5.64 million households served by the water supply network, a 0.98% increase compared to 2022 and a network extension of 65.95 thousand km, accounting for an increase of 1.87% in the period under analysis.

Below are the main operating data and the evolution in the comparative periods:

Copasa+Copanor Operational Data	2019	2020	2021	2022	2023	2023 X 2022
Water						
Connections (1,000 units)	4,401	4,529	4,591	4,636	4,681	0.91%
Households (1,000 units)	5,310	5,458	5,532	5,589	5,644	0.98%
Population Served (1,000 inhabitants)	11,608	11,804	11,833	11,849	11,789	-0.51%
Distributed Volume (1,000 m ³)	1,016,917	1,034,704	1,056,135	1,067,482	1,111,985	4.17%
Measured Volume (1,000 m ³)	604,241	611,117	628,709	642,673	676,127	5.21%
Network Extension (km)	55,837	56,858	63,316	64,736	65,946	1.87%

6.1.2. Sewage

Regarding sewage treatment services, Copasa and Copanor, at the end of 2023, jointly had 4.05 million sewage households, representing a 2.25% increase compared to the previous year, and a network extension of 33.67 thousand km, 0.66% more than that the amount recorded in 2022, as follows:

Copasa+Copanor Operational Data	2019	2020	2021	2022	2023	2023 X 2022
Sewage						
Connections (1,000 units)	2,921	2,992	3,064	3,122	3,194	2.31%
Households (1,000 units)	3,676	3,763	3,888	3,963	4,052	2.25%
Population Served (1,000 inhabitants)	8,211	8,332	8,447	8,539	8,603	0.75%
Measured Volume (1,000 m ³)	410,222	414,326	428,813	441,383	463,808	5.08%
Treated Volume (1,000 m ³)	303,350	314,169	339,981	310,984	363,959	17.03%
Network Extension (km)	28,166	29,189	32,376	33,440	33,666	0.66%

6.1.3. Other metrics related to commercial and operational performance

Copasa Specification	Units	2019	2020	2021	2022	2023	2023 X 2022
Hydrometering ratio	%	99.8	99.8	99.9	99.9	99.9	-
Loss ratio in distribution ⁽¹⁾	%	40.1	40.5	40.1	39.4	38.6	-0.8p.p.
Loss ratio in distribution ⁽²⁾	(L/connect. x day)	256.2	257.8	256.4	251.3	252.2	0.4%

(1) Difference between the volume distributed and the volume measured, divided by the volume distributed, over the past 12 months.

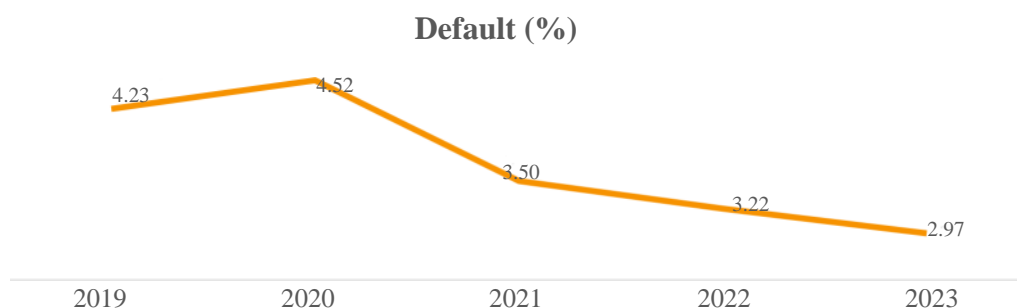
(2) Difference between the volume distributed and the volume measured, divided by the number of connections made and the number of days in the period.

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The water metering index, which shows the percentage of the Company connections whose consumption is metered, was in line in the comparative periods. The “distribution loss” percentage index shows the relationship between the volume of water measured and the volume of water distributed, observing the trend of continuous drop, a decrease of 0.8 p.p. in 2023.

The Company continues applying several measures aimed at reducing losses, as well as adapting to the current context of regulation and alignment with the relevant legislation. Accordingly, as detailed in item 6.2.7, several actions are being carried out, particularly the installation and replacement of micrometers and macrometers, and investments in equipment to identify invisible leaks and reduce pressure in the distribution networks.

As shown in the graph below, the default rate, which corresponds to the ratio between the balance of accounts receivable past due between 90 and 359 days and the total amount billed in the last 12 months, which was 3.50% in December 2021 and 3.22% in December 2022, reached an index lower than 3% in 2023 with the continuity and intensification of collection actions, as well as debt renegotiation campaigns. The various commercial actions adopted throughout 2023 that led to this lower default rate are further detailed in item 4.2.3. It is worth mentioning that the ratio of 2.97%, verified at the end of 2023, stands out as the lowest in the last 7 years.



6.2. Operational efficiency, innovation and sustainability programs and measures

6.2.1. Operational Efficiency Program - PEO

The Operational Efficiency Program - PEO, based on the 5S methodology⁴, aims to improve Copasa’s management and operation systems, meeting quality criteria and regulatory requirements of Arsae - MG. Through a self-assessment mechanism, the PEO enables the mapping of operational units, the implementation of corrective actions, compliance with legal requirements and the improvement of operation performance.

The PEO has a computerized platform developed specifically to meet its demands, in which self-assessments are completed, and must be evidenced by photos or documents inserted into the system, subsequently available for the audit process. The platform is capable of generating structured and well-organized indicators.

In 2023, the 3rd cycle of the PEO awarded the locations that stood out among the 588 municipalities and the 16.1 thousand units evaluated.

⁴ Methodology focused on organizing companies and achieving total quality and based on five (5) sensors: Seiri (use), Seiton (organization), Seiso (cleaning), Seiketsu (normalization) and Shitsuke (discipline).

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6.2.2. Operational Intelligence Center - NIO

Copasa has the Operational Intelligence Center (NIO), a multidisciplinary area that focuses on the integration of different strategic sectors for the smooth running of the operational areas that allows the consolidation, in a strategic and quick vision, information from the Operational Control Centers - CCOs of its various Business Units. This integration makes responses to demands more agile, increasing the proactivity and timeliness of the Company's operational actions.

NIO brings together, in a single environment integrated with the operational areas, the functions of communication, service management, operational surveillance, water losses and operational control, to monitor the main occurrences and level operational information.

NIO has developed, together with other areas of Copasa, several projects to improve the efficiency, monitoring and control of operational processes. Among these projects, the following stand out:

- **Sanitation Information by Topic - ISAA:** consists of a web page developed to facilitate the visualization of the main operational events in the State in real time;
- **Digital ETA:** it is a project that allows to launch analyzes of the treated water quality, as well as its monitoring in real time by technicians and production supervisors. The Digital ETA application enables agility in identifying and improving actions for problems associated with potential deviations;
- **Operational video monitoring:** allows monitoring of operational units, certifying the accuracy of alerts and alarms regarding problems reported in autonomously operating units. Supports the Operational Efficiency Program, enabling continuous monitoring of the conditions of the units, and monitoring the execution of services by employees who are working in the operational units; and
- **Monitoring of dams:** enables remote and real-time monitoring of Copasa's 8 (eight) main dams, both with technical data and images.

6.2.3. Automation and research, development and innovation

6.2.3.1. Automation Project

In 2021, Copasa established a project to expand the automation of its operational units. In 2023, the Company continued the implementation of the first stage of this project, covering 137 systems in the year with the measurement of key operational variables, such as reservoir levels, pump operating status, flow rates, pressure and water quality, sending the data to a central Scada⁵ (COPASIS -Sistema Integrado de Supervisão da Copasa) and the smart phones of the operators, responsible employees, technicians and managers of the systems involved. Since 2021, monitoring has been implemented in 860 units, distributed in 218 locations.

6.2.3.2. Research, Development and Innovation

Regarding Research, Development and Innovation - RD&I, the Company is conducting several technological development and innovation initiatives, with special emphasis being given in 2023 to research in

⁵ Scada, which is an acronym that stands for Supervisory Control and Data Acquisition. Scada is a system that uses software to monitor and control the variables and devices of a process.

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progress to adapt Industry 4.0 solutions for sanitation, promoting cost reduction in the production of smart sensors for the processes involved in water and sewage treatment.

6.2.4. Actions in logistics and supplies

In 2023, the Company implemented some actions that contributed to modernization, cost reduction and improved management of its logistics and supply processes.

Ensuring efficiency in the process, we can mention the hiring of the Computerized Fleet and Logistics Management System, which monitors the entire logistics process and controls the full Company's fleet. Operational costs, productivity and fleet performance are monitored, based on a complete history of information.

Within the scope of the Company's acquisitions and contracting, its Regulations and Contracting Standards are constantly updated, fostering greater assertiveness in processes and the alignment of those with opportunities provided by legislation and jurisprudence.

For acquisition planning, there was a significant expansion in the basket of unified purchasing products (hydraulic-sanitary material) and centralized purchasing (equipment). With this action, it was possible to reduce costs linked to the effective bidding process and deadlines with greater operational efficiency (purchase of materials in planned quantities, at the correct time and with product delivery within the stipulated deadline).

For the actual acquisition process, the Company developed Acquisition Management within the SAP platform, with fully electronic structuring and processing of demands, from material requisition to effective contracting, providing speed, efficiency and transparency throughout the phases of the bidding process.

Aiming to ensure operational security when contracting chemical products and equipment, which have a major impact on costs and supply within Brazil, Copasa prospected other suppliers in the international market in 2023. Thus, that year, the first bidding process was held for the acquisition of chemical products, with the participation of foreign companies, with a Chinese company being declared the winner, with a reduction in spending on this input being expected.

6.2.5. Actions in the Information Technology (IT) area

In 2023, the Company made significant investments in projects related to:

- completion of migration to the most current version of SAP management software;
- modernization of the IT farm;
- hiring a Security Operation Center (SOC) with 24x7 operation, which increased the level of monitoring and detection of threats in Copasa's network environment;
- improvement of the IT infrastructure, with duplication and redundancy of communication links in the Business Units and Regional Managements, seeking to bring greater availability to these locations; and
- implementation of several information systems, with emphasis on the new legal system and the loss management system.

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6.2.6. Electric power management

Copasa is implementing some initiatives related to the management of its electric power consumption, either with the aim of reducing costs or in line with its commitment to sustainability and the Sustainable Development Goals (SDGs) of the UN Global Compact. Among these initiatives, we may highlight:

- **Purchases of electric power in the free trading market:** purchase of incentivized electric power (generated from plants that use renewable sources, such as solar, wind, biomass and small hydroelectric plants - PCH) on the free market for high and medium voltage units, with supply starting since June 2023. With this initiative, in addition to the acquisition of conventional energy carried out in 2022, the amount of energy contracted on the free market, in December 2023, corresponds to approximately 47% of the total energy consumed by the Company. For 2024, this percentage is projected to reach 51%.

It is worth highlighting that the projected total of 51% of the company's energy consumption purchased on the free market represents an expected reduction in electric power costs of approximately R\$ 280 million over a period of 60 months.

The purchase of incentivized energy, in addition to contributing to the reduction of greenhouse gas emissions, represents a reduction in electric power costs.

- **Migration to the retail market:** for units not covered by energy purchased on the free market, the Company has been working on structuring a project to migrate the remaining medium voltage facilities to the retail energy market.
- **Solar power:** structuring a project for the implementation of photovoltaic solar plants for remote energy compensation of units served at low voltage, aiming to reduce electric power costs and reduce greenhouse gas emissions. While the solar plant project is being structured, the Company will migrate part of its low voltage installations to solar farms in January 2024.
- **Energy efficiency:** reduction of electric power consumption through the replacement of obsolete pieces of equipment with more efficient ones, and the use of new technologies that rationalize the use of energy in the facilities. The project is in progress with two (2) units implemented, 13 under implementation, and will enable energy savings in the facilities covered by it.

6.2.7. Actions aimed at reducing losses

The Company has been seeking to reduce its loss indicators, acting on both apparent and physical losses. Within this effort, the following actions can be highlighted for the year 2023:

- performance contract to reduce apparent losses in social vulnerability areas and its extension to formal areas;
- use of artificial intelligence and equipment, such as geophones, rods and cameras to search for non-visible leaks in networks and branches;
- significant investments in renewing water meters, covering around 20% of connections per year, including the substantial application of smart water meters;
- replacement of 300 thousand meters of networks in the Metropolitan Region of Belo Horizonte, with this action in the planning phase; and

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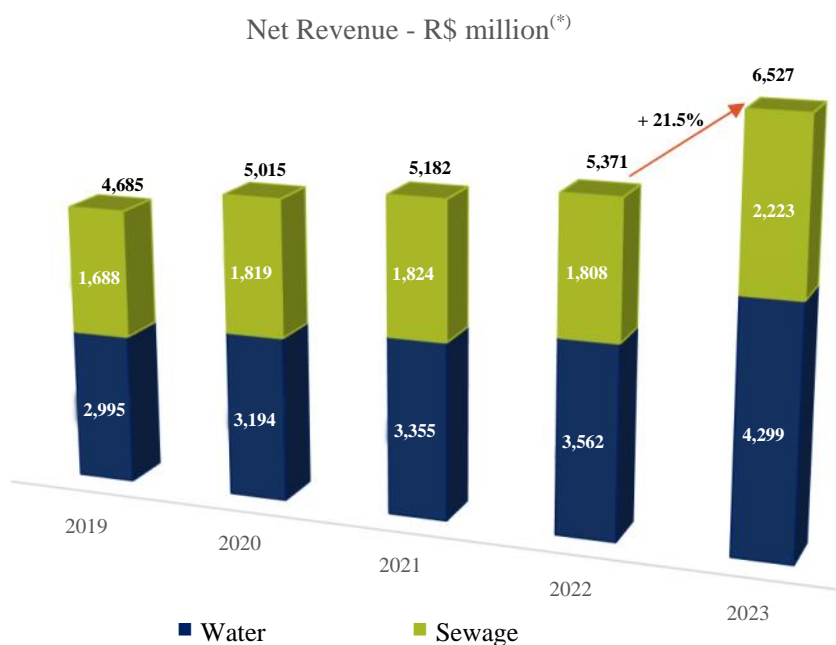
- sectorization, aiming to optimize loss reduction actions.

7. Economic and Financial management

The financial information contained in this Section, unless otherwise stated, is presented in millions of Reais (R\$ thousand). In view of the immateriality of the subsidiary Copanor, it refers exclusively to the Financial Statements of the Parent Company (Copasa), unless otherwise stated.

7.1. Net revenue

Net revenue from water, sewage and solid waste reached R\$ 6.53 billion in 2023, accounting for an increase of 21.5% compared to 2022, as presented in the following chart:



*The sum of Net Revenue includes solid waste, in the total amount of approximately R\$ 2 million in the years 2019 to 2022 and R\$ 4.9 million in 2023.

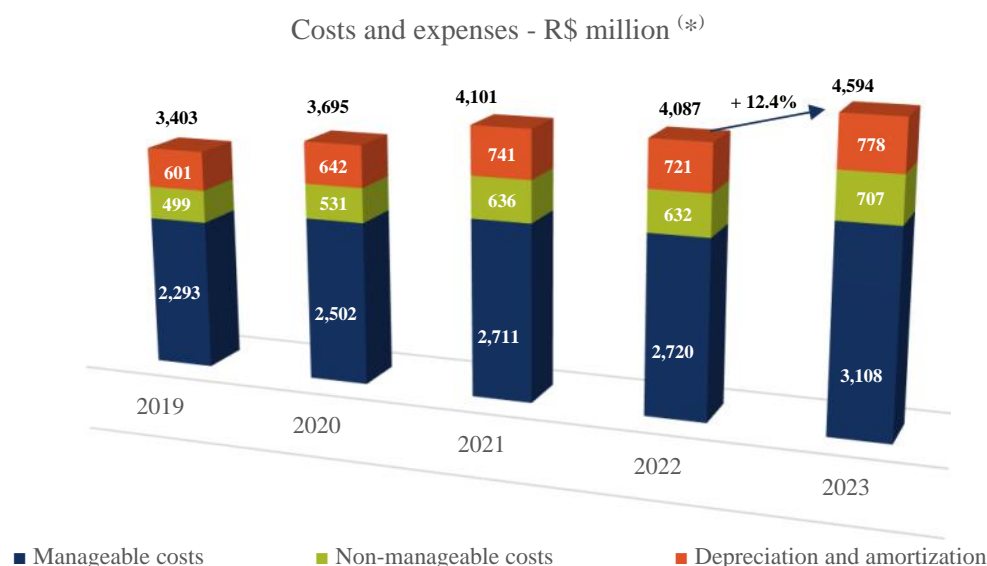
Below, the Company presents its comments on the main factors that influenced the net revenue from water and sewage, comparing 2023 to 2022:

- impacts of the tariff adjustment applied on January 1, 2023, with an average tariff effect of 15.7%, as authorized by Arsae-MG;
- increase of 1.1% in water units and 2.2% in sewage units; and
- increase of 3.5% in the measured volume of water and sewage, compared to 2022.

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7.2. Costs and Expenditures

As presented in the following chart, costs and expenses totaled R\$ 4.59 billion in 2023 (R\$ 4.09 billion in 2022).



(*) Costs and Expenses include Other Costs, totaling R\$ 9.8 million (2019), R\$ 21.2 million (2020), R\$ 12.5 million (2021) and R\$ 13.7 million (2022).

Below, the Company presents the comments on the items that comprise the costs of sales and services provided, cost of sales and administrative expenses (excluding construction costs) that showed the most significant variations:

Personnel: the increase verified in this account was 9.1%, which can be explained, above all, by the following factors:

- impacts in salaries, vacation pay, and 13th salary, among other benefits arising from the Collective Bargaining Agreement of November 2022 and November 2023, which were based on the accumulated INPC of 6.46% and 4.14%, respectively;
- effects of an increase in the base of variable compensation, position-based commission and profit sharing, due to the better result and EBITDA margin recorded in 2023 compared to the previous year;
- increase in expenses with the meal program, mostly due to the extraordinary payment of R\$ 8.0 million in November 2023, according to the Collective Bargaining Agreement;
- increase of R\$ 8.2 million in expenses with the health care program, due to greater use of medical services and readjustment of plans;
- decrease of R\$ 5.0 million in capitalizable expenses mainly related to employees working in the Company's expansion areas and which are allocated to intangible assets; and
- decrease of 6.3% in headcount, comparing December 2023 with December 2022, due to dismissals under the Voluntary Separation Program (PDVI) in the period, whereas the information regarding this Program is contained in item 9.2.3 of this Management Report.

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Outsourced services: the increase verified in this account was 14.6%. The items that recorded the most significant change in the reported period were as follows:

- increase of R\$ 31.3 million in conservation and maintenance services for assets and systems, comparing 2023 with the previous year;
- increase of R\$ 12.2 million in expenses with outsourced bill reading and delivery services in 2023;
- increase of R\$ 9.6 million in maintenance, disconnection and reconnection services;
- increase of R\$ 8.6 million in technical and professional services in 2023;
- increase of R\$ 8.5 million in generator rental costs;
- increase of R\$ 7.0 million in expenses with IT services; and
- increase of R\$ 5.5 million in advertising and publicity expenses.

Material: this item recorded a decrease of 8.4%, mainly due to the reduction in expenses related to parts, accessories and components for vehicles, as well as other items in a dispersed manner.

Impairment loss on accounts receivable: this item dropped 9.1% in 2023, due to the reduction in defaults, as well as the change in the way in which amounts recovered from written-off accounts are recorded, which started to be recorded as credit under this item from 1Q23 onwards. As a result, this account started being presented at its net value.

Tariff onlending to Municipalities: the 35.1% increase in this item was mainly due to the increase in the amounts related to tariff transfer, given the 15.70% adjustment defined by Arsae-MG and the increase in the number of municipal sanitation funds authorized to receive such a transfer.

According to GRT 01/2022 Technical Note of Arsae-MG, within the scope of the authorized tariff readjustment applied in January 2023, 75 new municipal sanitation funds with the right to transfers were included, totaling 294 qualified municipalities.

Sundry operating costs: The 24.3% increase in sundry operating costs, comparing 2023 with 2022, was due to the increase in spending on self-consumption of water and commuting, traveling and lodging, as well as other items in a dispersed manner.

Electric power:

The 10.7% increase recorded in electric power expenses, comparing the year 2023 with 2022, was mainly due to the net effect of the following factors:

- 4.3% increase in the Company's electric power consumption;
- adjustment of 8.8% in Cemig's energy tariffs on 06/2022 and 13.27%, effective as of June 2023;
- 3% reduction in the subsidy applicable to electric power tariffs from public water and sewage service concessionaires, from June 2022;
- exclusion of ICMS from the calculation basis for PIS/COFINS tax credits, from May 2023;
- recurrence of ICMS on the Tariff for Use of the Electric Power Transmission System - TUST and the Tariff for Use of the Electric Power Distribution System - TUSD, from February 2023; and

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- 19.9% reduction in expenses related to electric power in units that migrated to the Free Market as of the beginning of 1Q23.

It is worth highlighting that, as specified in item 6.2.6, such units represented increasing percentages of the Company's total energy consumption throughout 2023, reaching 47% of the total electric power consumed by the Company in December of this year.

7.3. Other Operating Revenues (Expenses), Equity Income and Financial Income (loss)

Other Items (R\$ million)	2019	2020	2021	2022	2023	2023 X 2022
Other operating revenue	107.9	171.3	177.4	135.0	67.1	-50.3%
Other operating expenses	(221.2)	(197.3)	(396.6)	(151.3)	(193.5)	27.9%
Equity in net income of subsidiaries	(12.8)	(12.6)	(12.7)	(11.2)	(18.3)	64.4%
Financial income (loss)	(133.9)	(176.0)	(194.6)	(211.6)	(2.1)	-99.0%
TOTAL	(259.9)	(214.5)	(426.5)	(239.0)	(146.9)	-38.6%

Other operating revenues: Comparing 2023 with 2022, the 50.3% drop was due to the following factors:

- As of 1Q23, the amounts under the Recovery of Written-Off Accounts line began to be credited directly under the Impairment Loss of Accounts Receivable item, which is now demonstrated at its net value; and
- lower amount of return of tariffs, as determined by Arsae-MG, occurring in 2023, compared to that verified in 2022, pursuant to Note 14.

Other operating expenses: comparing 2023 with 2022, the 27.9% increase was mainly due to:

- reversal of the provision recorded as a result of the agreement signed in the Labor Collective Action (Proceeding 102100-74.2008.5.03.0024), with approximately R\$ 59.0 million recorded in Other Operating Expenses; and
- increase in the amounts referring to lawsuits in 2023, especially due to the legal agreement formalized and settled in December 2023, aiming to close the demand for the compensation lawsuit filed in 2021, under the allegation of economic-financial imbalance in turnkey contracts signed with Copasa, whose impact on the result was R\$ 33.8 million.

Financial income (loss): The 99.0% drop is mainly due to the following:

- higher real gains from financial investments, given the average increased balance of cash available throughout 2023 compared to 2022 and the higher CDI index accumulated in 2023 compared to 2022;
- change in the account in which fines on nonpayment of clients are recorded (now recorded under Financial Revenues); and
- reversal of the provision recorded as a result of the aforementioned agreement signed in a Labor Collective Action, as a result of which the amount of R\$ 108.9 million was recorded, referring to interest and monetary restatement, in Financial Expenses.

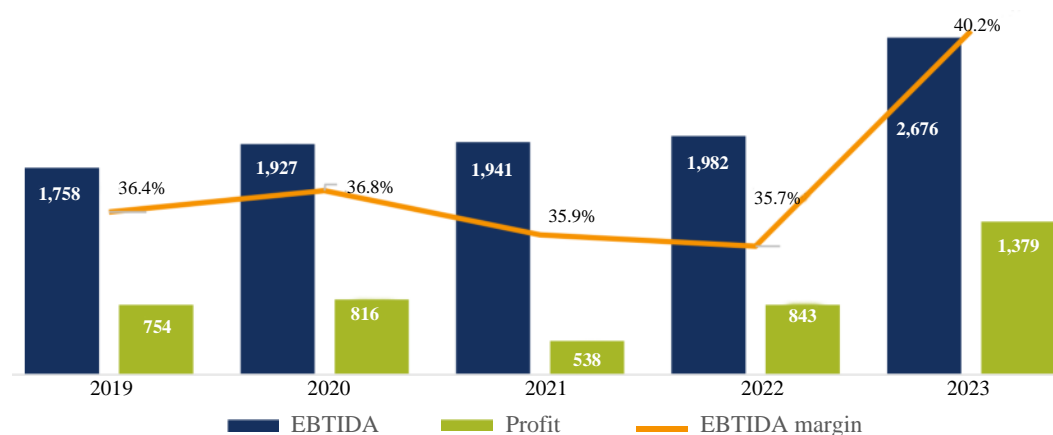
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7.4. EBITDA and Net Income (Consolidated)

EBITDA is a non-accounting measurement adopted by Copasa, calculated in accordance with CVM Resolution 156/2022, consisting of net income plus income taxes, financial income (loss), depreciation/amortization.

According to the chart below, in 2023 Adjusted EBITDA was R\$ 2.68 billion, with a margin of 40.2%. Net income reached R\$ 1.38 billion in 2023 (R\$ 843 million in 2022), impacted by the recovery of margins and reversals referring to Labor Lawsuit 102100-74.2008.5.03.0024, which were realized in other operating and financial expenses.

EBITDA, Margin and Net Income - R\$ million



(*) In 2023 and 2021, the values refer to Adjusted EBITDA and the Adjusted EBITDA Margin.

A table reconciling Net Income to EBITDA in the comparative periods is presented below:

Consolidated EBITDA (R\$ million)	2019	2020	2021	2022	2023	2023 X 2022
Net income for the year	754.4	816.5	537.6	843.4	1,379.3	63.6%
(+) Income taxes	267.9	288.8	116.9	202.6	406.9	100.9%
(+) Net financial income (loss)	133.9	176.0	194.6	211.6	2.1	-99.0%
(+) Depreciation and amortization	600.6	641.8	741.5	721.1	778.4	7.9%
(+) Income Taxes, Financial Income (Loss) and Depreciation/Amortization of Copanor	1.7	3.5	4.9	3.8	12.0	213.2%
EBITDA	1,758.5	1,926.6	1,595.4	1,982.5	2,578.8	30.1%
Adjustments - Non-Recurring Items						
(+) Voluntary Dismissal Incentive Program - PDVI	-	-	152.2	-	115.1	-
(+) Return - Arsae-MG	-	-	82.6	-	-	-
(+) Increase in Provision - Labor lawsuit	-	-	110.3	-	-	-
(-) Reversal of Provision for Labor Claims	-	-	-	-	(51.5)	-
(+) Compensation for contractual default	-	-	-	-	33.9	-
(=) Adjusted EBITDA	1,758.5	1,926.6	1,940.5	1,982.5	2,676.2	35.0%
EBITDA Margin (Adjusted)	36.4%	36.8%	35.9%	35.7%	40.2%	

The Company informs that detailed information about its performance in 2023 is contained in the Earnings Release, published on the same date as the Financial Statements for the year 2023.

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7.5. Remuneration to shareholders

For 2023, the Board of Directors defined the percentage of Regular Dividends corresponding to 50% of Net Income, adjusted by the decrease or increase in the amounts specified in items I, II and III of Article 202 of Federal Law 6.404/1976, in the form of Interest on Own Capital and/or dividends.

For the year 2023, the amount of R\$ 637.8 million was declared as Regular Dividends, of which R\$ 387.5 million were paid and R\$ 250.3 million will have their payment date defined at the Ordinary General Meeting, to be held in April 2024, as detailed in Note 20 of these financial statements.

Furthermore, Extraordinary Dividends of R\$ 372.5 million were declared by using part of the Profit Retention Reserve Account Balance existing in the balance sheet for the year ended December 31, 2022.

The distributions made were preceded by internal studies and projections that indicated that the distribution of these dividends does not affect the investment plan, liquidity and compliance with covenants for the coming years, considering the Company's current level of leverage.

7.6. Indebtedness, Covenants and Ratings

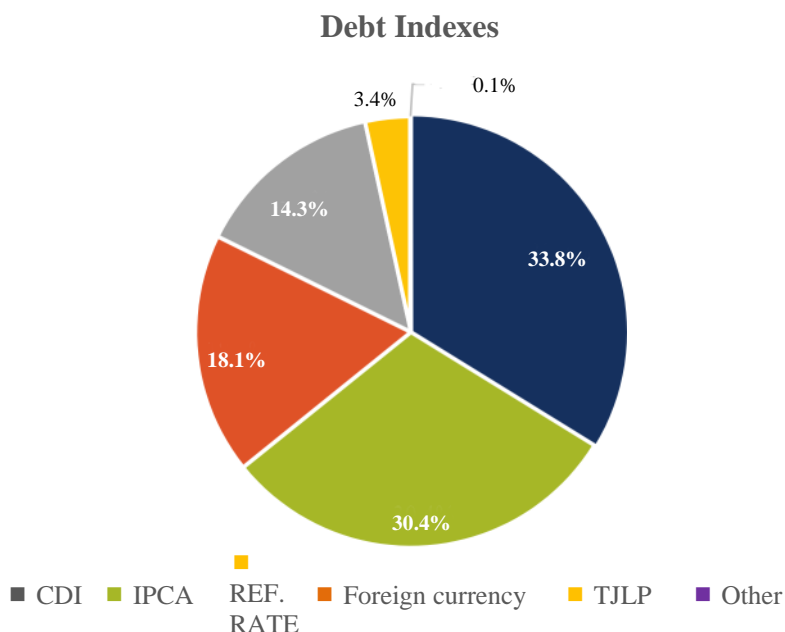
7.6.1. Indebtedness

Total loans, financing and debentures reached the amount of R\$ 4.7 billion in December 2023. Net debt increased from R\$ 3.1 billion in December 2022 to R\$ 3.8 billion in December 2023. The table below shows the Company's indebtedness in the last five years.

Indebtedness - Consolidated Data (R\$ million)	2019	2020	2021	2022	2023	2023 X 2022
(+) Loans and financing	1,281.4	1,274.0	1,068.4	976.9	1,429.1	46.3%
(+) Debentures	2,028.9	2,507.1	2,917.0	3,163.0	3,314.4	4.8%
(+) Other Onerous Obligations (Libertas)	30.0	4.7	-	-	-	-
(=) Total loans, financing and debentures	3,340.2	3,785.8	3,985.3	4,139.9	4,743.5	14.6%
(+) Lease liability	-	-	-	105.9	92.3	-12.9%
(-) Cash and cash equivalents	524.1	805.6	1,309.7	1,122.3	1,031.4	-8.1%
(=) Net debt	2,816.1	2,980.2	2,675.6	3,123.5	3,804.4	21.8%

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The chart below shows the breakdown of Copasa's debt, according to each of its ratios, in December 2023:



The most representative indexes in Copasa's debt are the CDI (33.8%) and the IPCA (30.4%), which reflects, above all, the characteristics of the Company's most recent debenture issues, which are linked to them.

As presented in the "Debt Indexes" chart, indebtedness in foreign currency accounted for 14.3% of total loans, financing and debentures in December 2023 and referred to debt with the German bank KfW, the European Investment Bank and the French Development Agency - AFD, whose balance on December 31, 2023 was € 126.5 million (corresponding to R\$ 681.4 million, considering the euro exchange rate on 12/31/2023). There was no contracted hedging mechanism for these operations.

7.6.2. Covenants

The Company has loans, financing and debentures that require compliance with financial covenants, and for those covenants related to compliance with certain financial ratios, the calculation frequency is different, as provided for in the contract.

It is worth highlighting that Article 4 of the Company's Bylaws contains financial covenants to be followed. Such statutory covenants are as follows:

- a) consolidated net debt must be equal to or less than 3 times EBITDA (earnings before interest, taxes, depreciation and amortization);
- b) Total Liabilities must be equal to or less than Shareholders' Equity; and
- c) EBITDA must be greater than 1.2 times the Debt Service.

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The Bylaws also provided for that these indicators may be exceeded for cyclical reasons, subject to justification and specific approval by the Board of Directors, up to the following limits:

I - consolidated net debt may reach a maximum of 4x the Company's EBITDA; and

II - total liabilities may reach a maximum of 1.2x Shareholders' Equity.

On December 31, 2023, the Company was within the limits established for all its contractual and statutory financial covenants, with the latter indicators presenting the following amounts in the five (5) years:

Statutory covenants	Limit	2019	2020	2021	2022	2023
Net Debt/EBITDA (number of times)	≤3.0×	1.6	1.6	1.7	1.6	1.5
Liabilities/Shareholders' Equity	≤ 1.0	0.7	0.8	0.9	0.8	0.9
EBITDA/Debt service	>1.2	2.1	3.9	1.5	1.7	1.9

7.6.3. Ratings

On June 21, 2023, the Fitch Rating Agency published a report affirming the Company's National Long-Term Ratings and its issues of unsecured debentures from AA+(bra) and the corporate rating outlook remained stable.

On October 06, 2023, the Rating Agency Moody's published a report affirming the Corporate Rating at [AAA.br](#) to Copasa. The corporate rating outlook remained stable.

The table below summarizes the ratings:

Share	National state	Prospect	Date
Fitch Ratings	AA+(bra)	Stable	06/21/2023
Moody's	AAA.br	Stable	10/06/2023

8. Shareholding Composition and Share Performance

The Company is controlled by the State of Minas Gerais, which owns approximately 50.03% of its shares and entity(ies) related to the controlling shareholder own 0.12% of the shares. There are approximately 49.56% of free float shares and the remainder, corresponding to approximately 0.28% are held in treasury. In December 2023, the shareholder base consisted of approximately 130 shareholders from 29 different countries.

We present below the breakdown of our shareholder base at the end of 2023:

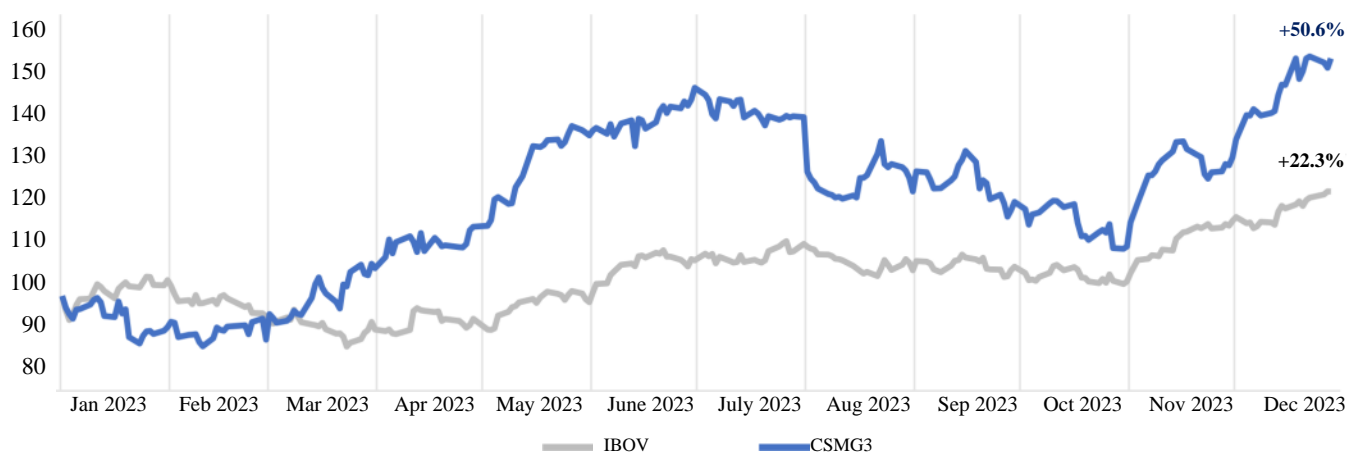
Shareholders	Shares	(%)	Number of shareholders
State of Minas Gerais	190,249,612	50.03%	1
Domestic Shareholders (Minority)	74,027,540	19.47%	129,001
Foreign Shareholders (Minority)	114,904,278	30.22%	338
Treasury shares	1,071,639	0.28%	1
Total	380,253,069	100.00%	129,341

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The unit price of Copasa's shares (B3:CSMG3), adjusted by the declared income, increased 50.6% in 2023, with the price reaching R\$ 20.48 at the close of the last trading session of that year. During the same period the Ibovespa increased 22.3%.

The average daily volume traded in 2023 was R\$ 36.6 million, accounting for an increase of 53.1% compared to that recorded in 2022. The average number of daily trades in 2023 was 6.9 thousand trades, accounting for an increase of 9.8% compared to the previous year.

Performance of Copasa shares (CSMG3) versus Ibovespa (IBOV) in 2023



At the end of 2023, the Company was part of nine B3 indices, namely: Brasil 100 Index (IBRX 100), Brasil Ample Index (IBRA), Dividend Index (IDIV), Trade Corporate Governance Index (IGCT), Stock Index with Differentiated Corporate Governance (IGCX), Corporate Governance Index - Novo Mercado (IGNM), Stock Index with Differentiated Tag-Along (ITAG), Small Cap Index (SMLL), and Public Utility Index (UTIL).

As detailed in item 9 below, Copasa became part of the B3 Corporate Sustainability Index (ISE) portfolio, which came into force on 01/02/2024.

9. Sustainability strategy

Copasa is strongly committed to ESG topics⁶ and, in this sense, it has expressed, in its Strategic Statement, the purpose of “taking care of water and generating value for people”, as well as considering, as one of its 10 strategic objectives, “acting in accordance with environmental, social and governance standards.”

The Company is a signatory to the United Nations (UN) Global Compact and its strategic planning is aligned with the 2030 Agenda and the Sustainable Development Goals (SDGs), with great emphasis on SDG 6 - Clean Water and Sanitation.

Due to this effort to align with sustainable practices and topics, the Company was selected to join the B3 Corporate Sustainability Index - ISE - portfolio, which came into effect on January 2, 2024. The Company's inclusion in the new ISE portfolio proves the robustness of Copasa's sustainable practices and stresses its ESG strategy, characterized by the integration of its commitments to its sustainable business model, based on the purpose of “taking care of water and generating value for people.”

⁶ From Environmental, Social and Governance (ESG) in English.

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Still within this spirit, the Company, in 2023, established its Diversity and Inclusion and Sustainability Policies, the latter consolidating the Social and Environmental Responsibility Policies. It also established the Sustainability Committee, responsible, above all, for ensuring Copasa's alignment with the best market practices related to sustainability management. In 2024, the Diversity and Inclusion Committee was established, with the purpose of contributing to the effective materialization of the diversity and inclusion topic at Copasa.

Moreover, the Company hosted, in partnership with the UN Global Compact, the 1st (first) regional event of the UN Global Compact on the progress of SDG 6 (Clean Water and Sanitation), which had as its motto the discussion on the Challenges and Opportunities for the Business Sector in SDG 06 in the state of Minas Gerais.

The main practices and projects related to the Company's ESG Agenda are presented below.

9.1. Environment

Since sustainability is present in Copasa's Strategic Declaration, its actions must be in accordance with environmental, social and governance standards, by establishing the legal basis as a priority action.

Copasa is responsible for obtaining authorization acts for environmental interventions and water resources, as well as environmental licensing for its projects, aiming minimize the environmental impacts of its operations, comply with mitigating and compensatory measures and environmental conditions, in addition to follow monitoring and control, determined by the responsible environmental bodies.

The Company's main programs and projects that aim to guarantee the quality and quantity of water in sources used for public supply are:

Pró-Mananciais Program: started in July 2017, it is comprised by actions to protect and recover the macro-drainage basins and aquifer recharge areas – whose sources are captured by the public water supply systems – through actions and the establishment partnerships aimed at improving the quality and quantity of water, favoring the environmental, economic and social sustainability of these sites. Each year, the Program has been consolidating its actions, establishing partnerships with different institutions, which resulted in the integration of 291 municipalities and the formation of 250 Local Environmental Collectives (known as “COLMEIA”) by 2023, involving around 4 thousand members and a total of R\$ 39.7 million in resources committed in 2023 and R\$ 116.0 million since the beginning of the Program. The Program has worked with several partnerships, among which we highlight municipal governments, Emater, Federal Institutes, Universities, the research institute WRI Brasil, among others.

The main numbers and results of the “Pró-Mananciais” Program are as follows:

Pró-Mananciais Program	2023	2017–2023
Amount invested	R\$ 39.7 million	R\$ 116.0 million
Planted seedlings	35,100	680,700
Meters of fences for APP (permanent conservation area) protection	696,500	2.7 million
Rainwater infiltration barrage	11,200	34,100
Adequacy of roads (meters)	963,600	2.5 million
Terracing (meters)	461,000	1.2 million
Building firebreaks	96,300	265,500

Maintenance of natural environments in protected areas: Copasa maintains almost 25 thousand hectares of protected areas, with the main objective of protecting sources for public water supply, making the conservation of these areas compatible with its operational activities.

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Such areas constitute, in whole or in part, Special Protection Areas – APE and/or State Conservation Units and have a great diversity of fauna and flora species of the Atlantic Forest and Cerrado, highlighting the occurrence of endemic and endangered species. To conserve biodiversity and protect the natural heritage found in these areas, in addition to permanent surveillance, we carry out monitoring and protection activities in areas with surface and underground water sources; execution and maintenance of firebreaks; fighting forest fires; contracting the preparation of management plans (as provided for in the SNUC - National System of Conservation Units) and environmental education activities.

Chuíá Socio-Ambiental: environmental education program promoted with school community and comprised of sustainability activities in line with awareness of the sanitation and importance of preserving and recovering water springs for supply purposes. The main objective of the program is to disseminate knowledge and strengthen ties between Copasa and the community. In 2023, 421 activities were carried out, involving around 18 thousand participants.

The program also develops experiential environmental education pedagogical projects, which strengthen Copasa's socio-environmental and social responsibility commitment. Its interaction style is geared towards carrying out interactive dialogues with thematic axes of sanitation and water source protection. It interacts with institutional programs, especially with "Pró-Mananciais", environmental licensing conditions and system visit program. It is also a highlight on the ESG agenda, with children and teenagers.

AmbientAÇÃO program: aims to develop, together with the Company's employees (effective employees, interns, apprentices and service providers), actions to reduce electric power consumption, reduce consumption and rational use of water and reduce waste generation, as well as encourage selective waste collection generated by the employees themselves in the service units and regional managements throughout the state.

Results achieved in 2023:

- 11 agreements with Associations/Cooperatives of recyclable waste collectors in some municipalities in Minas Gerais;
- Adequate Waste Disposal Campaign, which focused on implementing 1,000 sets of selective collectors in all organizational units that joined the Program; and
- Partnership agreement with Associação Lacre do Bem, which mobilizes the campaign internally to collect aluminum seals, followed by the donation of wheelchairs, resulting in the donation of 100 units since the beginning of the partnership.

To face the impacts of extreme scarcity events or excessive rainfall, Copasa acts on several fronts, including the actions described in the "Pró Mananciais" Program, which enable the environmental improvement of watersheds and, consequently, the quantity and quality of water available. Other highlighted initiatives:

- **Qualitative and quantitative monitoring of surface and underground water springs and rainfall network:** initiative that allows monitoring flows and identifying water springs with higher risk of failure, subsidizing water supply systems' operating plans.

To identify the impact of climatic and hydrological variables on our catchments, we perform quantitative monitoring through flow measurements in surface springs, installation and operation of conventional fluviometric monitoring stations and pluviometric stations. The sectorial network of quantitative monitoring is also being expanded with the installation of new

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conventional and automatic fluviometric stations with telemetry, resulting in a broad network to measure precipitation in the river basins where the Company has water collections.

- **Monitoring of water accumulation reservoirs:** Copasa has eight (8) big water accumulation reservoirs exclusively for water supply, whose levels are monitored daily, allowing operational planning and assessments of scenarios, aiming to assess possible impacts on water supply.
- **Participation in Federal, State and Collegiate Basin Committees to discuss Water Resources Policies:** according to the National Water Resources Policy, Federal Law 9433/1997, water is a limited public good and its management is decentralized. Moreover, its multiple use must be promoted, with priority given to human consumption in scarcity situations. Thus, Copasa participates directly in six (6) federal basin committees and 36 state basin committees, participating in discussions related to the topic together with other users of water resources, with civil society and state representative, to ensure the use of water in a sustainable manner.
- **Dam safety:** they are included in the National Dams Policy – Federal Law 12334/2010 – eight (8) units of Copasa, due to their characteristics, risk category and associated potential damage. All have Dam Safety Plans, pursuant to current legislation, are monitored and undergo regular annual safety inspections.
- **Management of greenhouse gas emissions – GHG:** in 2014, the Climate Committee was established by the Executive Board, with the purpose of outlining strategies and goals for the control of GHG emissions, being responsible for the annual GHG inventory of Copasa and for reporting information related to the topic to the most diverse interested public and private institutions.

The Climate Committee reports the mitigation and adaptation actions developed in our processes, corporate risks linked to climate change, annual GHG emissions, among other sustainability information on the worldwide Carbon Disclosure Project – CDP platform annually, in addition to participating in the preparation of the Copasa Sustainability Report.

Copasa prepares its GHG inventory annually since 2011. As of 2022, the Company updated its emissions calculation methodology for the GHG Protocol (IPCC 2019) to align with the most current and globally recognized calculation practices, including in line with other companies in the sanitation sector.

Scope 1 emissions come from the operation of the sanitary sewage collection and treatment systems, the operation of the landfill in Varginha/MG and fuel consumption in the fleet of vehicles and stationary vehicles.

Scope 2 emissions arise from the consumption of electric power used in administrative processes, water treatment systems, sewage treatment systems and the operation of the sanitary landfill in Varginha/MG.

Indirect Scope 3 emissions, from national and international air travel by Copasa's employees, were calculated using the methodology described in Volume 2 Energy – Chapter 3 Mobile Combustion of the “2006 IPCC Guidelines for National GHG Inventories.

The Copasa GHG inventory includes Scopes 1, 2 and 3, and the net emissions contained in the 2022 Base Year GHG Inventory are as detailed below, since the emissions related to the Base Year 2023 were being surveyed at the time preparation of this Report:

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Scope 1: 432,816,075 tonCO₂eq⁷.

Scope 2: 39,923,944 tonCO₂eq.

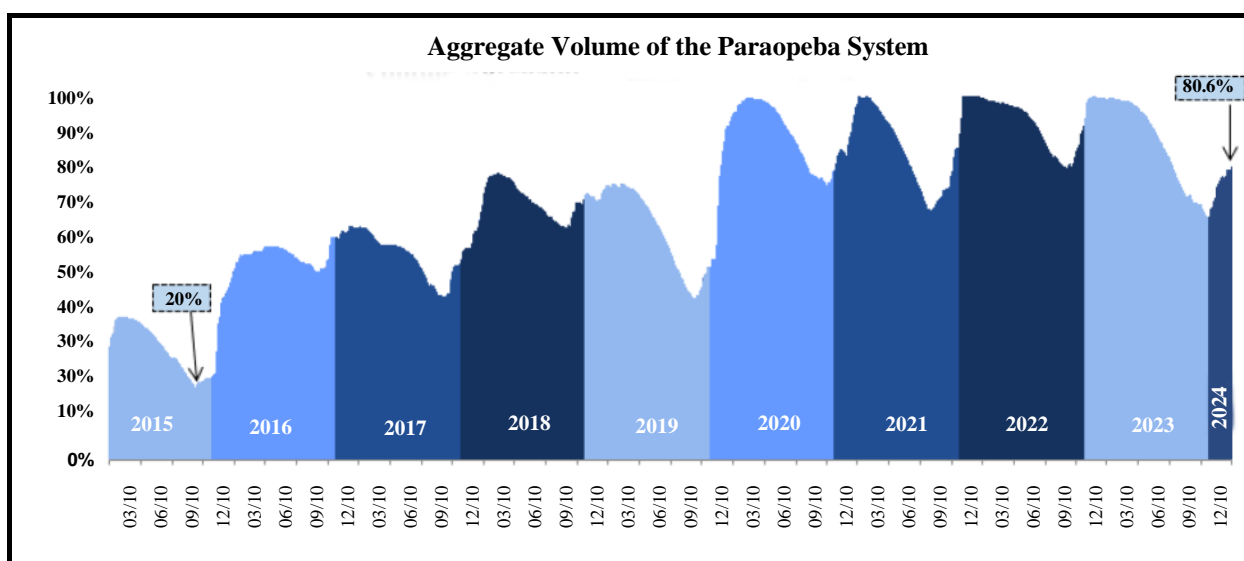
Scope 3: 34,242,047 tonCO₂eq.

9.1.1. Water Situation

9.1.1.1. Belo Horizonte Metropolitan Region (RMBH)

- Rio Manso, Vargem das Flores and Serra Azul (Paraopeba System)**

This System is operated in an integrated manner, ensuring greater operational flexibility for water distribution, aiming to balance demand and maintain safe operation levels. Below we show the evolution of the levels of these reservoirs of the Paraopeba System, which together, account for 51% of the distributed volume of the Belo Horizonte Metropolitan Region (RMBH). On March 10, 2024, the volumes of said reservoirs were at 80.6% of their capacity, as shown below:



Volume of each reservoir	03/10/2024
Rio Manso	81.4%
Vargem das Flores	71.0%
Serra Azul	83.0%

To increase water security in the RMBH, a new water collection system was built in 2015, with a flow rate of 5 m³/s in the Paraopeba River, for treatment at the Rio Manso Water Treatment Station. Due to the breakage on 01.25.2019 of the Mina Córrego do Feijão dam in Brumadinho, operated by Vale S.A., the environmental, sanitary and inspection bodies determined the suspension of water catchment in the Paraopeba River for the purposes of human consumption and public supply.

In July 2019, a Statement of Commitment was signed between the Minas Gerais State Prosecutor’s Office and Vale, with Copasa as one of the intervening parties for the building of a new extraction point on the Paraopeba River, upstream of the rupture point and of the congruence of the Ferro Carvão stream and the Paraopeba river.

⁷ Equivalence in tons of carbon dioxide. It is an internationally accepted measure that expresses the amount of greenhouse gases in terms equivalent to the amount of carbon dioxide (CO₂).

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On November 18, 2022, Vale S.A. presented a schedule for the completion of works on the new collection of the Paraopeba River to the Public Prosecutor's Office of Minas Gerais.

Pumping tests for ETA Rio Manso started in March 2023, with variable flow rates from 1,000 l/s to 5,000 l/s. During the tests, continuous monitoring of the operating parameters of the elevator pumps is carried out, which indicated the need for adjustments in the systems for their seamless operation, now in execution.

- **Rio das Velhas**

Extraction from Rio das Velhas – responsible for roughly 43% of the distributed volume at RMBH – is done on a run-of-the-river basis, being highly influenced by the occurrence of rainfall, considering its location in the upper part of the drainage basin. The following table contains information about this extraction:

Rio das Velhas System	
Percentage of distributed volume in the Belo Horizonte Metropolitan Region (RMBH)	43%
Granting of funding	8.7 m ³ /s
Average flow of Rio das Velhas in the last 15 days prior to March 10, 2024.	34.36 m ³ /s
Average flow used in 2023	7.5 m ³ /s

9.1.1.2. Countryside of the State of Minas Gerais

The Company's activities in the State's interior regions are spread over several municipalities and different drainage basins. In general, most of the locations where the Company provides its services have a source of local water production. Thus, any water restriction in supply impacts the Company's total revenues only locally and marginally.

In February 2024, only the location of Bom Jesus de Cardosos (municipality of Urucânia) was in a situation of water rationing, which has approximately 800 water connections, accounting for 0.01% of the Company's total connections.

With the aim of minimizing the impacts of the water situation, when required, the Company uses means that contribute toward the regularization of supply in the affected locations, through the use of water trucks, well drilling, and investments in alternative sources, according to the options available in each region and the degree of criticality of water scarcity in each case. Additionally, awareness campaigns on rational water consumption are intensified.

9.2. Social Dimension

9.2.1. Company's Social Activities

The Company's Social activities are guided by its Sustainability Policy, which has the following guidelines related to this topic:

- fight moral and sexual harassment, corruption, illegal acts or any type of bribery and any discrimination practice;
- develop and retain talent;
- identify and evaluate trends and corporate risks related to socio-environmental impacts and relationships with the community;

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- promote freedom of union association and the right to collective bargaining;
- promote accessibility and ensure the rights of people with disabilities;
- promote the appreciation of diversity, equity and inclusion;
- develop partnerships with public and private agents aimed at promoting sustainable development;
- attend councils, committees or similar to debate local, regional, national or global sustainable development; and
- provide adequate stakeholder engagement, especially in managing business impacts and contingency situations.

9.2.2. Acting for the Benefit of Communities

In the social dimension, the ongoing performance of Copasa is based on obtaining the Social License to Operate, according to the guidelines provided for in the Sustainability Policy that make up the Company's ESG Agenda, prepared based on its Materiality Matrix and goals of the Sustainable Development Goals - SDGs.

In this sense, in line with SDG 6, which addresses the availability of drinking water and sanitary sewage, the Company provides low-income families with the benefit of the Social Residential Tariff.

The Social Residential Tariff offers beneficiaries a reduction of up to 50% in the amount of the water and sewage bill, which is calculated according to the monthly consumption of each family, limited to 20 m³ (20 liters). In 2023, the average monthly number of households benefiting from the Social Residential Tariff was 644.6 thousand households for water supply services and 389.8 thousand households for sewage services, considering Copasa and Copanor, jointly.

The "Engage to Transform" Program, the main initiative in the Company's social activities, establishes guidelines, procedures, operating methodologies, monitoring and evaluation of impacts from relationship with society to guide and optimize institutional efforts to engage parties involved, ensure adherence to and appreciation of services provided by the Company, enabling excellent customer experience and improving Copasa's reputation. The Program was a finalist in the Innovation in Environmental Sanitation Management Category – IGS of the National Sanitation Quality Award – PNQS 2022. This represents the assertiveness of the Program, especially when analyzing the results achieved in 2023, in which, through it, approximately 20 thousand new subscriptions to Copasa services were achieved by local communities.

The Copasa Volunteer Program carries out projects based on the Sustainable Development Goals - SDGs. In 2023, the Program carried out 20 initiatives with more than 800 hours of volunteering, with actions in 22 cities, benefiting over 15 thousand people and 33 institutions.

Moreover, Copasa actively participates annually in the campaign to sponsor the Christmas Action letters from the Autonomous Social Service – Servas, which, in 2023, benefited more than 400 people, including children, young people and the elderly.

The "Confia em 6%" Program encourages the Company's employees to exercise their citizenship, allocating up to 6% of the Income Tax due to the Municipal Councils for the Rights of Children and Adolescents in the locations where the Company operates. In 2023, the participation of 1,046 employees allowed the allocation of R\$ 657 thousand to 124 registered institutions.

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Copasa's customers can make donations through the invoice to philanthropic entities through two programs: one called the Sponsorship Program, aimed at the areas of education, public security and social assistance and the second called Solidariedágua, aimed at public or philanthropic hospitals. In 2023, R\$ 3.1 million was raised, benefiting 200 participating institutions under the Sponsorship Program and R\$ 3.8 million with Solidariedágua for 26 hospitals.

For the 2nd consecutive year, Copasa participated in "Natal Solidário em Rede", a partnership with 14 other prominent companies from Minas Gerais, benefiting over 3 thousand children and teenagers aged 2 to 17 from the Children and Youth Center of Cidade dos Meninos. Copasa presented the topic "Conscious Use of Water" with lectures, interactive videos and the Mini ETA, which shows students the full water treatment process.

Copasa has a Grant Concession Program, aimed at strengthening social assistance entities, through discounts of 25% on fees for registered entities and 50% for philanthropic hospitals. In 2023, R\$ 20.8 million were made available among the approximately 631 entities benefited, with discounts on water and sewage tariffs up to the limit of subsidized demand.

Moreover, to support the municipalities where it operates, the Company provides a tariff discount to encourage municipal governments to remain in good standing regarding payment for sanitation services. By paying their water and sewage bills on time, the Municipal Government obtains a discount of 50% in the amount of tariffs, and the discounts granted totaled R\$ 58.9 million in 2023, allowing the reduction of operating costs and helping them to save resources to invest in projects of social interest.

Still regarding private social investment, Copasa promotes the arts, culture, entertainment, sports and cultural heritage, through sponsorship, via the Culture Incentive Law, Sports Incentive Law, Childhood and Adolescence Fund and the National Elderly Fund, enabling several projects for the economic and social development of the state of Minas Gerais, among which we can mention:

- **7th Tiradentes Creative Week:** annual event aiming to foster the creativity of artisans from the city of Tiradentes and the Vertentes region in Minas Gerais and of designers coming from different parts of the country, facilitating the exchange of knowledge between the contemporary and the traditional, valuing popular knowledge and promoting entrepreneurship, commerce and tourism;
- **17th Cine BH:** event that offers a space for training, reflection, exhibition and dissemination of audiovisual projects, in dialogue and exchange with other countries. Over 70 national and international films will be shown, with previews and thematic exhibitions, of all genres and formats, with emphasis on Latin American production. In dialogue and connection with the cities that make up Greater Belo Horizonte, the event annually hosts the exhibition "A Cidade em Movimento, Brasil Cine-Mundi - 14th International Coproduction Meeting";
- **27th Tiradentes Film Festival:** largest launch event for contemporary Brazilian cinema presenting the diversity of national production to the public, with new representations, approaches, characters and cinematographic changes, in addition to promoting intense training activities;
- **34th Crafts Fair:** event focusing on the exhibition of NAIF art - oil painting, watercolor, pencil drawing, embroidery, textiles, sculptures, with invited artists and the participation of the visiting audience, including children;
- **Composers' Collection:** virtual collection of classical scores, located in São João Del-Rei, in website format, with works by great composers from Minas Gerais from the 18th, 19th and 20th centuries;

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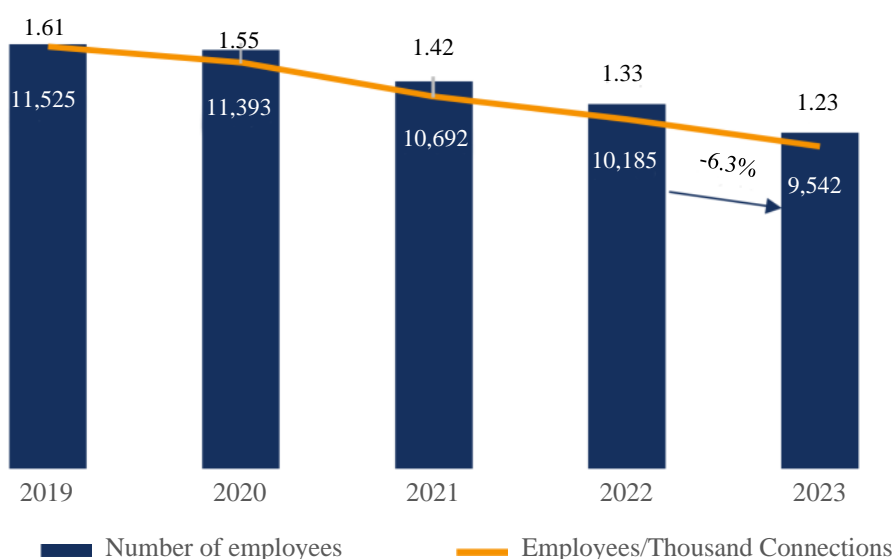
- **Cuidar Mais:** the project aims to transform pediatric care at Hospital da Baleia, making it more humanized and aiming to provide 10,000 specialized services and comprehensive assistance to 500 children and adolescents;
- **Sant'Ana Museum - 2020/2023 Multiannual Maintenance Plan:** guardian of a collection of 300 religious images that express artistic and religious feelings, a meeting of art, history and faith;
- **Enchanted Christmas in the Mountains:** the event aims to carry out a multicultural program, with Christmas attractions in the performing arts, instrumental and regional music and visual arts for the public of Monte Verde and districts;
- **New Edition of the Book Minas Gerais Three Centuries of History:** The objective is to offer those who read and visit Minas Gerais an overview of its huge historical and cultural heritage and, certainly, the transmission of Minas Gerais way of being; and
- **Restoration, Museography and Visitation of Palácio da Liberdade:** The project aims to restore, preserve and maintain the cultural heritage of Minas Gerais, in addition to carrying out art exhibitions, workshops and musical performances.

It is also worth mentioning that, as highlighted in item 4.2 above, the Company developed the Pix Solidário and Pix do Bem Copasa programs in 2023, aiming to increase collection through this payment method and reducing collection expenses, with the savings generated by such programs intended for social purposes.

9.2.3. Human Capital

The Company ended 2023 with 9,542 employees, accounting for a decrease of 6.3% compared to the previous year, as can be seen in the chart below. This reduction was mainly due to the PDVI, implemented in the 1st semester of 2023, which was joined by 736 employees, of which 699 were terminated in 2023, and 4 adhesions were cancelled. It is worth highlighting that the estimated compensation amounts, fully accounted for in 2Q23, totaled R\$ 115.1 million, of which R\$ 79.6 million were written off in 2023:

Number of Employees and Employees/Thousand Connections



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As a result of this reduction in the number of Company employees in 2023 compared to 2022, there was also a decrease in the number of employees per thousand connections, maintaining the downward trend recorded in the last five years.

In 2023, Copasa conducted an organizational climate survey among its employees, obtaining a Favorability Index of 72.4%. The results obtained indicated an improvement of 2.6% compared to the previous year. However, the Company is aware that there are still relevant points to be improved. These points were the basis for proposing actions to improve the organizational climate, seeking to foster and strengthen a culture of sharing good practices among Copasa's several Business Units and promoting the health and well-being of its employees.

The Company's main personnel management tool is the Career, Position and Salary Plan - PCCS. It is aimed at attracting, developing and retaining the professional talent necessary to conduct Copasa's business, preserving culture, alignment with business objectives, competitiveness and longevity in the market where it operates. Thus, the PCCS allows our employees to clearly understand and internalize their possibilities for evolution within their career.

The Company has increasingly adopted the process of internal employee selection to fill vacant positions, providing the opportunity for participating employees to seek career growth, evaluate their knowledge and identify development opportunities. In 2023, 120 vacancies were filled through internal processes, involving approximately 3.5 thousand applicants.

In 2023, actions aimed at providing corporate education, such as external and in company technical and postgraduate courses, content on the Company's Distance Learning platform (EAD), known as "Manancial do Saber", Engineer Improvement Program, Leader Development Program - COPALíder, among others, resulted in 82 thousand participations in training and a total of 582 thousand hours of training, with an average of 58 hours per employee.

The sanitation sector has technical and operational singularities, as well as contextual variabilities that demand specific skills and abilities, which are not easily found in scientific productions and/or courses offered by the market. Copasa, interested in developing and retaining talent and improving the management of knowledge and strategic skills, developed the Technical Mentoring Program, which aims to contribute to mitigating the risk of loss of intellectual capital and ensuring excellence in service provision. This Program has employees with a high level of knowledge as mentors, and people with potential, interest and availability for learning as mentees. To carry out this transfer, critical processes and activities identified by superintendencies and in line with main corporate risks were prioritized.

The health and safety of the workforce are core values for the Company, which go back to our strategic commitment: "we operate with safety and respect for life". Considering this scenario, our Health and Safety Management System, led by the Zero Accident Program, has implemented structuring actions, whose results have been positive.

Among these actions, it is worth highlighting the beginning of the Health Culture Evolution Project, in partnership with a world-renowned consulting firm on the topic. Initially, a diagnosis was carried out, which supported the implementation of several initiatives aimed at training, implementing new tools and reviewing processes to make our operations even safer and more sustainable. Health and Safety Governance was structured, materialized from several Critical Analysis Committees, in which leaders at each hierarchical level monitor the indicators and deliberate actions to be carried out in their respective areas of activity.

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With these actions, there was a 14.28% drop in lost-time accidents in 2023 compared to the previous year. In the year, the respective frequency rate ended at 4.54 accidents per million hours worked, no deaths were recorded and serious accidents (loss of more than 15 days) were reduced by 73.3% compared to 2022.

Regarding Health Promotion, the initiatives of the “Saúde em Dia” Program started, a partnership signed between Copasa and Copass Saúde (Self-Management Health Care Plan). In addition to the integration of communication and awareness campaigns, practices aimed at the comfort, health and well-being of employees were implemented, such as: workplace gymnastics, itinerant interventions (lectures, conversation circles, health blitz, among others), ergonomic analyses, psychological support (telepsychology service available 24 hours a day), Maternity and Breastfeeding Support rooms (AMA Project), PASA meetings (Alcohol and Drug Assistance Program).

Regarding the topic of fostering diversity and inclusion, it is worth mentioning that, in 2023, the Company established its Diversity and Inclusion Policy and continued to adopt practices to encourage inclusion and diversity, with the insertion of diversity topics and practices to encourage inclusion in its actions aimed at developing leadership and adopting quotas for seniors professionals and people with disabilities in its Internship Program.

Copasa has the purpose of providing opportunities for gender equity in its professional staff as a way to attract and better use its talents. Within this spirit, the Company promoted the 3rd (third) edition of the Female Mentoring Program in 2023, which seeks to encourage the development of female employees interested in enhancing their skills, through monitoring by more experienced professionals (also women) as mentors. Copasa also joined the Elas Lideram 2030 Movement, an initiative of the Global Compact, whose scope is to increase the representation of women in formal leadership positions. It is worth emphasizing that the Company has the goal of reaching 37% of leadership positions held by women by 2025, and this percentage was 36.18% at the end of 2023.

9.3. Corporate Governance

Copasa, in addition to following the governing legislation applicable to corporations and the capital market, must meet the differentiated requirements of transparency and corporate governance imposed by the regulation of its listing segment on B3 and is subject, as a state-owned company, to the controls of the Minas Gerais State Audit Court and the provisions of Law 13.303/2016 – Law of State-Owned Companies, as well as the rules and regulations regarding the sanitation sector, among others. Thus, by operating in a widely regulated environment and based on its constant willingness to always be in line with the best market practices, Copasa adopts solid corporate governance standards and internal controls, which will be briefly discussed below.

9.3.1. The Company’s Management

The Company is managed by the Board of Directors and the Executive Board.

The Board of Directors is made up of seven (7) members, of which four (4) are considered independent board members. It is worth mentioning that the Company has the participation of one (1) employee representative and one (1) minority shareholder representative, who is characterized as independent.

The Executive Board is responsible for managing the Company’s business and is made up of five (5) members, one (1) Chief Executive Officer and one (1) Chief Financial and Investor Relations Officer, elected by the Board of Directors.

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The positions of Chairman of the Board of Directors and Chief Executive Officer are not held by the same person.

The Tax Council operates on a permanent basis and is currently composed of three (3) effective members and four (4) alternate members. The Tax Council has one (1) full member and the respective alternate member with a permanent relationship with the State Public Administration, appointed by the controlling shareholder, and one (1) effective member and the respective alternate as the representative of minority shareholders. This Body is responsible for overseeing the acts of the directors and verify the performance of their legal and statutory duties.

The Statutory Audit Committee - COAUDI is an advisory body, directly linked to the Board of Directors, elected by it and is currently composed of three (3) members, most of whom must be independent, under the terms of the Company's Bylaws, with at least one (1) of the members of the board of directors being independent.

The Company has three (3) non-statutory committees, linked to the Board of Directors, to advise it, as follows:

- **Personnel Committee:** responsible, among other duties, for advising the Board of Directors on decisions regarding guidelines related to people management;
- **Investment Committee:** responsible, above all, for supporting the Board of Directors in decisions regarding the analysis and monitoring of investments included in the Company's planning; and
- **Corporate governance committee:** aims to support the Board of Directors and other statutory bodies in adopting the best corporate governance practices and striving for constant evolution.

The Company also has a Compliance Superintendence and Internal Audit.

Training and Evaluation

Administrators, members of the tax council and members of the audit committee participate, upon taking office and annually, in specific training on corporate and capital market legislation, information disclosure, internal controls, Code of Ethics and Integrity, Federal Law 12.846/2013, bids and contracts.

Copasa conducts the performance evaluation process of the administrators and other statutory members annually, under the coordination of the Compliance Superintendence, when the collective performance of the Board of Directors, Tax Council and Executive Board, as well as the individual performance of the members that make up these Bodies are submitted to measurement. The results are presented to the Board members and serve as a subsidy for the search for opportunities to improve the Company's governance.

9.3.2. Integrity and Compliance

The Company is constantly reviewing its control mechanisms, aiming to maintain the integrity of its ethical values and the achievement of its compliance commitment. Among these control mechanisms, governance instruments and practices stand out, as well as policies, standards and procedures, among which the following can be highlighted:

- **Code of Conduct and Integrity:** consists of an instrument for disseminating Copasa's ethical principles and core values, and must be followed by all its employees and by those who have a relationship with it;

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- **Integrity Plan:** consists of the implementation of policies, guidelines and procedures in the fight against corruption and investigation into complaints and irregularities, aimed at implementing internal integrity mechanisms and procedures in compliance with Federal Law 12.846/2013 (Brazil's Anti-Corruption Act) and good corporate governance practices;
- **Reporting channel:** implemented in 2016 with the objective of inhibiting illegal practices and contrary to the interests of Copasa, such as corruption, fraud, irregularity, conflicts of interest, among others, as well as favoring the communication, investigation and handling of these practices. This Channel is available on the Company's institutional website (www.copasa.com.br), in the "Reporting" tab, accessible to any citizen. The channel is currently operated by an external company, thus ensuring greater confidentiality and security for the whistleblower in good faith.
- **Ethics Committee:** linked directly to the Chief Executive Officer, it is responsible, among other duties, for disseminating ethical culture, promoting periodic training, aimed at clarifying Copasa's employees about the precepts of the Code of Conduct and Integrity and for receiving, controlling and handling ethical reports, including being responsible for their investigation;
- **Joint Management:** computerized system for managing expenses and sharing decisions, in which expenditure related to funding and investments, at all levels of the organization (Area Managers, Executive Officers, and Directors), are approved by Committees (Administration Committee, Operational Committee and Steering Committee), composed of at least three members, having been established in 2015.
- **Policies:** the Company has several policies, which regulate different aspects of its corporate environment and strengthen its governance and culture of integrity, among which the following can be mentioned: (i) Anti-Corruption Compliance Policy; (ii) Conflict of Interests Policy; (iii) Internal Control Policy; (iv) Policy for Appointment and Eligibility of Statutory Members; (v) Corporate Governance Policy; and (vi) Related Party Transactions Policy.

The Company, with the support of the governance bodies, has focused its actions on the development of its Integrity Plan. The most relevant actions carried out are listed below:

- **Compliance Website:** Copasa has a Compliance website (www.copasa.com.br/compliance) that allows the users to know the pillars that make up its Integrity Plan, access the Integrity instruments and familiarize themselves with the compliance actions developed;
- **Compliance for Leadership:** administrators and other statutory members, as well as superintendents, managers and supervisors are trained annually in integrity topics, aiming to disseminate a culture of integrity;
- **Integrity Workshop:** Aiming to update employees about the Company's integrity instruments, the Integrity Workshop is made available annually on the Company's Distance Learning (EAD) platform. This event addresses Copasa's Integrity Plan;
- **Internal campaigns:** Copasa carries out a compliance campaign with current topics, aiming to disseminate integrity instruments through mobiles, prisms, posters, leaflets, wallpapers, e-mails, videos, intranet, among others;
- **"Integrity Drops":** integrity brochures are made available in the intranet monthly, with the purpose of promoting reflections regarding ethics in attitudes, aiming to promote an honest corporate environment;
- **Integrity Caravan:** annual event aimed at the administrative public, seeking to initiate negotiations for the celebration of the International Anti-Corruption Day, through dynamics and lectures;

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- **International Day Against Corruption:** in reference to the International Anti-Corruption Day, on December 9th, the Company carries out lectures on the topic with the participation of managers, compliance leaders and employees;
- **Compliance in Contract management:** training is carried out periodically to alert contract managers and inspectors about the importance of applying integrity instruments and regulations in the execution of contracts;
- **Compliance Training Matrix:** the Company implemented a Compliance Training Matrix with the purpose of promoting training activities for all its employees and business partners. This matrix was strategically developed, considering priorities defined in the Corporate Risk Matrix. Moreover, such training consider the units in which these employees are allocated and their due exposure to compliance risks; and
- **ISO 37.301 Certification:** aligned with international compliance best practices, Copasa engaged a specialized consulting firm to adapt its processes aiming to obtain ISO 37.301 certification in 2023.

9.3.3. Risk Management

- **Risk governance:** the Company has a governance structure with defined roles, according to the Three Lines concept of the Institute of Internal Auditors - IIA. Through this vision, operational management is in the 1st line and, in the 2nd line, risk management, internal controls and compliance. All these processes report risks to the Executive Board and the Board of Directors, which is technically advised by the Statutory Audit Committee. On the third line is the Internal Audit, which reports directly to the Board of Directors.
- **Corporate Risk Management Policy:** aiming to establish principles, guidelines and responsibilities related to the corporate risk management process and guiding activities for identifying, evaluating, addressing, monitoring and communicating risks, Copasa implemented the Corporate Risk Management Policy. Internal regulations for risk management refer mainly to ISO 31000:2018 and COSO II ERM: 2017.
- **Compliance and Risk Committee:** The risk management process, coordinated by the Compliance Superintendency, is also submitted to the Compliance and Risk Committee. This committee has an Internal Regulation, being made up of representatives from all departments and meets monthly to participate in the process and application of the risk management methodology.
- **Corporate Risk Matrix:** presents the risks to which Copasa is subject, the respective risk factors, in addition to the owners with responsibility and authority to manage such risks. This Matrix classifies risks according to their nature, which may be strategic, operational, financial or compliance, reviewing it at least annually.
- **Corporate Risk Map:** summarizes the risks according to criticality, with the most critical related to likelihood and impact: (i) Concessions; (ii) Project Management; (iii) Occupational Health and Safety; (iv) Sewage Treatment; (v) Cyber Attacks; and (vi) Privacy and Data Protection. The respective owners report the status of these risks directly to the Board of Directors.
- **Monitoring of indicators:** the risks identified in the Matrix are monitored through the Risk Indicators and these are submitted for approval by the Board of Directors, which also approves the Company's risk appetite.

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- **Risk Response Plans:** In 2023, the Executive Board reviewed the response plans that were prepared to mitigate the main risks to which the Company is exposed. Among other definitions, the review included aspects related to the context of the new legal sanitation sector framework, defined in Federal Law 14026/2020.
- **Contractual Risk Matrix:** The Risk Matrix relating to contracts consists of a preliminary step designed to identify contractual risks, classify them according to impacts and probabilities of occurrence and predict mitigation measures, aiming to provide legal certainty for the contracting and contracted parties.

9.3.4. Internal controls

Copasa's Internal Control System aims to provide reasonable security for the achievement of objectives related to operations, disclosure and compliance, in line with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) methodology.

Copasa adopts the Three Lines model, in accordance with the Position Statement of the Institute of Internal Auditors - IIA Global, which relates organizational duties to the Company's internal control levels.

Thus, control activities are not exclusive to a given organizational unit and must be carried out at all levels.

9.3.5. GPDPA

Considering that the process of adapting to the General Data Protection Law (LGPD) translates into actions of a continuous nature. In 2023, activities related to this Law started to be managed by the Compliance Superintendence, with the respective participation of the Data Protection Officer (DPO).

With this initiative, we currently have a team dedicated to the topic, allowing to expand our actions, such as the implementation of internal regulations, training for employees and the development of booklets and guidelines relating to everyday situations.

Further information about the structure and operation of Copasa's Corporate Governance can be obtained in the "Corporate Governance" section of the Company's institutional website (www.copasa.com.br) or the [Investor Relations website \(www.ri.copasa.com.br\)](http://www.ri.copasa.com.br).

10. Copanor

The wholly-owned subsidiary Copanor was created in 2007 to provide water supply and sewage treatment services in the North and Northeast Regions of Minas Gerais. This region of the State has one of the lowest Human Development Indexes (HDI) in Minas Gerais. The Copanor's scope of action covers places with a population between 200 and 5,000 inhabitants.

In 2023, Copanor served 223 thousand inhabitants with water supply services and, among these, 106 thousand also with sewage services.

The tariffs charged by Copanor are much lower than the ones of its Parent Company - Copasa, as its cost structure does not consider the return on investments.

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As of July 2017, Arsae-MG created a tariff subsidy on Copasa's tariff to support Copanor's investments and maintenance, consisting of a mechanism for transferring funds subsidized by users of Copasa to Copanor, whose objective is to make investments and maintenance of infrastructure assets viable.

Within the scope of the 2nd tariff review of Copasa, Arsae-MG decided to continue this transfer. The value of this grant in 2023 was R\$ 47.6 million, the same value predicted for 2024.

In November 2022, within the scope of Copanor's 4th Periodic Tariff Review, Arsae-MG authorized Copanor's tariff repositioning, with an Average Tariff Effect of 26.99%, according to Arsae-MG Resolution 174/2022. In the 5th Periodic Tariff Review, the result of which was released in November 2023, the ETM was negative at 7.68%, according to Arsae-MG Resolution 186/2023.

In 2023, R\$ 31.5 million were invested in Copanor, including capitalizations. For the year 2024, investments of R\$ 47.6 million are planned for the subsidiary, which will be used in operational demands to allow the adequate provision of services.

11. Relations with independent auditors

Copasa and its subsidiary Copanor inform that KPMG Auditores Independentes - KPMG carried out external audit services for the Financial Statements of the Parent Company and its subsidiary for the year ending December 31, 2023. It was engaged on April 9, 2019, having started providing services following a special review of the Quarterly Information for the first quarter of that year.

During the year 2023, external auditors, in addition to services related to the audit of financial statements, provided reporting services covering Previously Agreed Procedures - PPA - required by Arsae-MG, issuing a limited assurance report related to the calculation of economic-financial ratios, considering Decree 11.598/2023 - proof of economic-financial capacity to Arsae-MG, as well as the issuance of a report containing the Limited Assurance Conclusion to comply with the clauses provided for in the financing agreement contracted with the German bank KfW. The amounts paid for services provided by KPMG totaled R\$ 1.69 million in 2023.

Considering the rotation provided for in Article 31 of CVM Resolution 23/2021, as well as the rules established by Law 13303/2016, and considering the period of five consecutive years of service provision by KPMG, the Company carried out a bidding process in 2023 to engage a new provider of external audit services for the year 2024, in which Grant Thornton Auditores Independentes - GT was declared the winner.

The Audit Committee's duty is to give its opinion on hiring and terminating the independent auditor, as well as supervising the activities and quality of the services provided, assessing its independence in relation to the Company and reporting to the Board of Directors.

Copasa respects the principles that preserve the independence of the external auditors with respect to not auditing its own work, not exercising managerial functions, and not practicing law for its client, in order to avoid the existence of a conflict of interest or a loss of independence or objectivity of the independent auditors. These principles are expressed in its Policy for Hiring Independent Audit and Non-Audit Services.

Notes to the financial statements

01. Operations

Companhia de Saneamento de Minas Gerais (“COPASA MG”, “Copasa”, “Parent Company”, or “Company”) is a publicly-held mixed capital company, controlled by the State of Minas Gerais, headquartered in the city of Belo Horizonte at Rua Mar de Espanha, 525, Bairro Santo Antonio (EMG). The Company is engaged in planning, designing, performing, expanding, remodeling, managing, and providing public utility water supply and sewage treatment services, and is authorized to operate in Brazil and abroad.

Copasa owns 100% of the subsidiary COPASA Serviços de Saneamento Integrado do Norte e Nordeste de Minas Gerais S/A (“COPANOR”, “Subsidiary”) - established by State Law 16698, of April 17, 2007, engaged in: planning, designing, performing, expanding, remodeling, exploring, and providing water supply and sewage treatment services; the collection, recycling, treatment and final disposal of urban, domestic and industrial waste; the draining and management of rainwater in urban areas in cities of the North of Minas Gerais and the water basins of the Jequitinhonha, Mucuri, São Mateus, Buranhém, Itanhém and Jucuruçu rivers.

02. Preparation basis and presentation of individual and consolidated financial statements

The individual and consolidated financial statements of the parent company herein presented under the titles “Individual” or “Parent Company” and “Consolidated”, respectively, were prepared and presented in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also in accordance with accounting practices adopted in Brazil, comprising those included in the Brazilian Corporate Law and Pronouncements, guidelines and Interpretations issued by the Accounting Pronouncement Committee (CPC), and approved by the Brazilian Securities and Exchange Commission (CVM).

The Board of Directors authorized the issue of Financial Statements as of December 31, 2023 and of the Individual and Consolidated Financial Statements as of March 20, 2024.

All relevant information specific to the financial statements, and only such information, is being evidenced, and corresponds to the information used by company Management.

03. Description of significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are as follows: Those policies were consistently applied in the years presented, unless otherwise stated.

3.1. Presentation of segment information

The operating segment information is shown consistently with the internal report supplied to the main operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, is the Executive Committee, which is also responsible for making the Company’s strategic decisions together with the Company’s Board of Directors. The Group has three different segments, represented by the water supply segment and the sewage treatment segment under public concessions, which are provided by the Parent Company and its subsidiary, and the solid waste collection segment in the municipality of Varginha. Segment information is presented in Note 21.

3.2. Basis of consolidation

The Company controls an entity when it is exposed to, or has a right over the variable returns arising from its involvement with the entity and has the ability to affect those returns exerting its power over the entity. The financial statements of the subsidiaries are included in the consolidated

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financial statements as from the date that the Company starts to be controlled by the Company until such control ceases.

Control over an investee can be assumed when the Company retains 20% or more of the investee's voting power. In other cases, the existence of control will be determined if there is significant influence over the investee.

The individual financial statements of the parent company, financial information of subsidiary are recognized under the equity method.

3.2.1. Transactions eliminated in the consolidation

Intragroup balances and transactions, and any unrealized revenues or expenses derived from intragroup transactions, are eliminated. Unrealized gains originating from transactions with investees recorded using the equity method are eliminated against the investment in the proportion of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only up to the point where there is no evidence of loss due to impairment.

3.3. Foreign currency translation

(a) Functional currency and presentation currency

These financial statements are being presented in reais (R\$), functional currency of the Company. All balances have been rounded to the nearest value, except otherwise indicated.

(b) Transactions and balances

Transactions with foreign currencies are converted into functional currency by using foreign exchange rates prevailing on the transaction or valuation dates, when the items are remeasured. Exchange gains and losses resulting from the settlement of those transactions and from the translation at year-end exchange rates referring to monetary assets and liabilities in foreign currencies, are recognized in the statement of income.

3.4. Financial instruments

3.4.1. Financial assets

3.4.1.1. Initial recognition

Trade accounts receivable and concession contract financial assets are initially recognized on the date that they were originated. All other financial assets and liabilities are initially recognized when the Company becomes a party to the instrument's contractual provisions.

A financial asset or a financial liability is initially measured at fair value, plus, for an item not measured at fair value through profit or loss (FVTPL), transaction costs which are directly attributable to its acquisition or issue. Trade accounts receivable without a significant financing component are initially measured at the price of the transaction.

3.4.1.2. Subsequent classification and measurement

In the initial recognition, a financial asset is classified as measured: at amortized cost; at fair value through other comprehensive income (FVTOCI) - Debt instrument; at FVTOCI - equity instrument; or at FVTPL.

Financial assets are not reclassified after initial recognition, unless the Company changes the business model for the management of financial assets, in which case all affected financial

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assets are reclassified on the first day of the reporting period subsequent to the change in the business model.

A financial asset is measured at amortized cost if it meets both conditions below and is not designated as measured at FVTPL: (i) it is maintained in the business model, whose the purpose is to maintain financial assets for the purpose of receiving contractual cash flows; (ii) the contractual terms of financial assets give rise, on specific dates, to cash flows that solely refer to payments of principal and interest on the principal value outstanding.

In the initial recognition of an investment in an equity instrument not held for trading, the Company may irrevocably choose to present subsequent changes in the fair value of the investment in other comprehensive income (“OCI”). This choice is made on an investment basis.

All financial assets not classified as measured at amortized cost as described above or at FVTOCI, are classified as FVTPL. At initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or as FVTOCI, as FVTPL if it eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(a) Evaluation of business model

The Company carries out an evaluation of the purpose of the business in which a financial asset is held in the portfolio, since this better reflects the way in which the business is managed and the information is provided to management. The information taken into account includes the interest earning bank deposit guidelines and objectives determined for the portfolio and the practical operation of these guidelines in order to guarantee liquidity, safety and profitability, respecting the Company's cash flow needs, in order to ensure the sustainability of the business by efficient and adequate capital management.

(b) Subsequent measurement and gains and losses

- Financial assets at FVTPL

These assets are subsequently measured at fair value. Net income (loss), plus interest or dividend revenue, is recognized in income (loss).

- Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is impaired. Interest revenue, foreign exchange gains and impairment losses are recognized in the income (loss). Any gain or loss on derecognition is recognized in income (loss).

- Equity instruments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as gain in income (loss) unless the dividend clearly represents a recovery of part of the investment cost. Other net income (loss) is recognized in OCI and are never reclassified to the income (loss).

(c) Derecognition

Financial assets are written off when contract rights to assets' cash flows expire, or when the Company transfers the contract right of receiving a financial asset to contract cash flows, in a transaction in which substantially all risks and rewards of owning the financial asset are transferred or in which the Company neither substantially transfers nor maintains all risks and rights to receive cash flows.

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3.4.2. Evaluation of recoverable value of financial assets (impairment)

The Company recognizes an allowance for expected credit losses on:

- Financial assets measured at amortized cost.

The Company measures the provision for loss in an amount equal to credit loss expected for the whole life time, except for the items described below, which are measured as credit loss expected for 12 months:

- debt securities with low credit risk on balance sheet date; and
- Other debt securities and bank balances for which the credit risk (i.e., default risk throughout the expected life of financial instrument) has not significantly increased since the beginning of initial recognition.

To improve methodology used to calculate expected loss on trade accounts receivable, as CPC 48, the Company carries out new studies to align its estimates regarding expected loss.

Based on these studies, expected loss recognized by the Company considers analysis of receipts' historic balances over a period from 12 to 36 months, segregated according to credit risk characteristics and divided into default groups according to maturity ranges to more accurately determine the rate at which debtors move into a category of higher default risk over time. This made it possible to incorporate information on invoices' actual payment periods and to determine, based on accounts receivable from clients, expected loss for each default category.

The Company continues to analyze its receivables' behavior so that provisioned amounts reflect loss expectations in accounts receivable from clients. Thus, regularly reviews the estimate criteria by segregating database per geographic location and clients category to determine loss rates for each group based on new information available and on analysis of its clients' debts, as well as integrating reasonable and bearable projections of future economic conditions.

The Company considers that a debt security has a low credit risk when its credit risk rating is equivalent to the generally accepted definition of "investment grade." The Company considers this to be rated BBB - or higher, as standard scale disclosed by the credit rating agencies *Moody's*, *Fitch* and S&P.

Lifetime expected credit losses are estimated credit losses that result from all possible default events over the expected life of a financial instrument.

Expected credit losses for 12 months are credit losses that result from potential delinquency events within 12 months after the balance sheet date (or in a shorter period if the estimated life of the instrument is lower than 12 months).

The maximum period considered in the estimate of expected credit loss is the maximum contractual period during which the Company is exposed to credit risk.

Financial assets with recovery issues

On each balance sheet date, the Company evaluates whether the financial assets accounted for at amortized cost and are experiencing recovery problems. A financial asset has "recovery problems" when one or more events with a negative impact on the estimated future cash flows of the financial asset occur.

Notes to the financial statements

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulties of the debtor;
- breach of contractual clauses, such as delinquency or late payment of more than 90 days;
- restructuring of an amount owed to the Group under conditions that usually would not be accepted;
- the probability that the borrower will enter bankruptcy or will go through other type of financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties.

Presentation of provision for expected credit losses in balance sheet

Provision for losses for financial assets measured at amortized cost are deducted from the gross book value of assets.

Write-off

The gross book value of a financial asset is written off when the Company has no reasonable expectation of recovering the financial asset in full or in part. With respect to individual clients, the Company based on the history of recovery of similar assets, adopts the policy of writing-off the gross book value when the financial asset is overdue for 360 days. The Company does not expect any significant recovery of amount written off. However, financial assets written off may still be subject to credit collection, in compliance with procedures of the Company for the recovery of the amounts due.

Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits, other high-liquidity short-term investments, maturing originally after three months and with immaterial risks regarding the change in value and used by the Company to manage its short-term commitments.

Restricted interest earning bank deposit

Refers to ANA's (Agência Nacional de Águas e Saneamento Básico) funds, as an incentive, related to the Hydrographic Basins Depollution Program (PRODES). The funds are granted and deposited in a specific linked account and the payment for the treated sewage will be made upon compliance with the established goals. In view of the partial fulfillment of the targets, these funds are also maintained in non-current liabilities, under Sundry liabilities. The Company does not recognize an impairment loss since if there is an obligation to return the funds, there is a corresponding liability recorded, as described in Note 8.

Financial assets - Concession agreements

The Company does not recognize impairment loss on them, given that the concession agreements provide that, upon termination, the assets built or acquired by Copasa will revert to the municipality through indemnity of the residual values of the investments linked to reversible assets not yet depreciated. As of the balance sheet date, no events with adverse impact on the estimated future cash flows of the financial asset have been identified.

The concessionaire recognizes a credit receivable when it has the unconditional right to receive cash at the end of the concession, as indemnity for investments made in the construction or improvement of the infrastructure used in the concession of these public services that will not be recovered via tariff through the rendering of services related to the concession.

Notes to the financial statements

The Company is a party to public utility concession agreements that are entered into pursuant to Interpretation ICPC 01, represent a right to charge, from the utility service users, by means of tariffs set by Minas Gerais State Regulatory Water and Wastewater Agency (ARSAE-MG), for the provision of water supply and/or sewage treatment services over a period of time established in the concession agreements. Consequently, the Company recognizes financial asset referring to the portion that exceeds the term of the contracts, based on the economic useful life of the assets comprising the infrastructure for the provision of public services, until the end of the concession. The financial asset was measured by the present value of the indemnities, discounted at a discount rate defined by the Company.

These financial assets are initially recorded at fair value (present value of the right, calculated based on the net value of investments that will be indemnified by the Concession Grantor) and subsequently at amortized cost.

These accounts receivable are classified in the long term, considering the expectation of receiving these amounts, based on the closing date of the concessions.

3.4.3. Financial liabilities

Financial liabilities are only recognized when the Company assumes a contractual obligation under a financial instrument. When recognized, they are initially recognized at their fair values plus the transaction costs directly attributable to their acquisition or issuance and are classified as measured at amortized cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense, foreign exchange gains and losses are recognized in income (loss). Any gain or loss on derecognition is also recognized in income (loss).

(a) Suppliers

Obligations payable due for assets or services acquired in the normal course of businesses, and are classified as current liability if payment is due within 12 months. Otherwise, amounts are presented as non-current liabilities.

Obligations are initially recognized at fair value and, subsequently, measured at amortized cost using the effective interest rate method.

(b) Loans, financing and debentures

Loans are initially recognized at fair value, net of costs incurred in the transaction and are subsequently stated at amortized cost. Any difference between the amounts raised (net of transaction costs) and the value payable is recognized in the income statement during the period while the loans are outstanding, under the effective interest rate method.

The rates paid for obtaining the loan are recognized as transaction costs, since either a portion or the entire loan will probably be drafted.

Loans are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

In the event of breach of contractual agreement (covenants) of a long-term loan (for example, non-financial indicators) at the end of or before the end of the reporting date, the Company assesses the need for reclassification as current, considering the achievement of the unconditional right to defer its settlement for at least 12 months after that date. This assessment also considers the need for a reliable representation as to the essence required for the Financial Statements, as well as the purpose of providing reliable information on the Company's financial position.

Notes to the financial statements

Cost of loans directly attributed to the acquisition, construction or production of a qualifiable asset, which is an asset that necessarily demands a substantial period of time to become ready for intended use or sale is capitalized as part of this asset's cost when it is probable that will result in future economic benefits to the entity and such costs can be reliably measured. Other loan costs are recognized as expenses in the period in which they are incurred.

Derecognition

The Company derecognizes a financial liability when its contractual obligations are discharged or canceled or expire. The Company also derecognizes a financial liability when terms are modified, and the cash flows of the modified liability are substantially different if a new financial liability based on the terms changed is recognized at fair value.

In the derecognition of a financial liability, the difference between the extinct book value and the consideration paid (including assets transferred that do not pass through the cash or assumed liabilities) is recognized in the income (loss).

3.5. Inventories

Stocks of materials are intended for consumption and maintenance of water and sewage treatment systems. They are stated at cost, which is determined at the average cost evaluation method. Provisions for losses on slow-moving or obsolete inventories are set up when materials, except strategic ones, reach 365 days without movement. Recognized amounts do not exceed their replacement or realization costs.

3.6. Intangible assets

(a) Assets directly linked to the Concessions

The concessionaire recognizes as an intangible asset, the investments made in the construction or improvement of the infrastructure used in the provision of public utility services, which will be received via tariff over the concession period and the amount of which will be amortized over the concession period, in line with ICPC 01 Interpretation issued by the Accounting Pronouncement Committee, and as a result of the concession agreements signed.

The amortization of the intangible asset reflects the period in which the future economic benefits of the asset are expected to be consumed by the Company, which may be the final term of the concession, or the useful life of the asset. The company uses the straight-line method, which results in constant expenses throughout the period.

The fair value of construction, renovation and improvement in infrastructure is recognized as revenue, when the infrastructure is built, provided that this work is expected to generate future economic benefits, according to Note 3.14.

(b) Usage rights

Rights of use refer primarily to costs incurred on the renewal or revision of concessions and arise on the assumption of commitments to financially participate in river valley treatment works, such as stream channeling and open sewage channels, to be performed by municipal governments. These are amortized over the remaining concession agreement period.

(c) Software licenses

Acquired software licenses are recorded based on costs incurred to acquire the software and so that they will be ready to be used. These costs are amortized under the straight-line method over their estimated useful life.

Notes to the financial statements

3.7. Property, plant and equipment

The assets recorded in property, plant and equipment include those that are not linked to public service concessions and are mainly characterized by general use assets and the Company's administrative facilities, as well as shared water production and sewage treatment systems, since these are considered as the Company's assets, as they are not directly linked to a specific concession.

Property, plant and equipment are stated at historical cost, less depreciation and impairment losses, if applicable.

Depreciation is carried out over the estimated useful life of each asset, under the straight-line method, which results in a constant expense over the useful life of the asset. The Company assesses the need for changes annually, using the depreciation rates listed below:

	<u>Years</u>
Buildings	25–40
Machinery	10–15
Vehicles	03–05
Furniture, fixtures and equipment	03–08

3.8. Impairment loss of non-financial assets

Assets subject to amortization are reviewed to verify and/or reverse their impairment whenever events or changes in circumstances indicate that the book value may not be recoverable. An impairment loss is recognized when the book value of the asset exceeds its recoverable value which reflects the higher value between the fair value of the asset less sales costs or its value in use.

Value in use is based on estimated future cash flows discounted to present value using a discount rate that reflects current market evaluations of times value of money and the specific risks of the assets or cash-generating unit - CGU to which the asset belongs. The use of the discounted cash flow financial model requires Management to adopt certain assumptions based on information generated by its internal reports, which involve judgments about the future income of the business.

For impairment tests, assets are grouped into a CGU, that is, the smallest identifiable group of assets that can generate cash inflows by continuous use, which are highly independent from cash inflows referring to other assets or CGU.

The value-in-use calculation is based on the discounted cash flow model. Cash flows result from budget for the next five (5) years and do not include restructuring activities to which the Company has not yet committed or significant future investments that will enhance the asset base of the cash generating unit under test. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash-inflows and the growth rate used.

3.9. Provisions

Provisions for labor, civil, tax and environmental lawsuits are recognized when: (i) the Company has a (legal or non-formalized) obligation because of past events; (ii) it is likely that an outflow of funds will be required to settle the obligation; and (iii) the amount may be reasonable estimated.

When there is a series of similar obligations, the probability of the Company to settle them is determined by taking into account the obligation class as a whole. A provision is recognized even

Notes to the financial statements

if the likelihood of settlement related to any individual item included in the same class of obligations is small.

Provisions are measured at present value of expenditure necessary to settle the obligation, using a rate before tax effects that reflects current market evaluations of time value of money and obligations' specific risks. The increase in the obligation over time is recognized as other operating expenses. As these are legal discussions, any resulting outflow of economic benefits depends on judicial procedures.

Provisions are recognized and adjusted up to the balance sheet dates by the estimated amount of probable losses, in compliance with the Company's policies, the nature of each proceeding and supported by the opinion of its legal department that takes into account changes in circumstances, such as limitation period applicable, conclusions of tax inspections or additional exposures identified based on new matters or court decisions. Judgments regarding future events may differ significantly from current estimates and exceed the amounts provisioned. Provisions are reviewed and adjusted to consider changes in circumstances involving them. All reclassified amounts are submitted for approval by the Executive Board on a monthly basis, thus establishing more careful policies for the constitution of these provisions.

Provisions for legal proceedings are presented in the financial statements, net of judicial deposits based on the legal enforceable right.

3.10. Distribution of dividends and interest on own capital

The amount for distribution of dividends that is within the portion equivalent to minimum mandatory dividend is recorded in liabilities under "Dividends and interest on own capital payable" caption, as it is considered as a legal obligation provided for in the Bylaws.

Portion of dividends that is higher than minimum mandatory dividends after the accounting period to which financial statements refer, but before the authorization date for issue, it is recorded as "dividends" in shareholders' equity. Any amount above the mandatory minimum is only recognized on the date of its approval or payment, whichever occurs first.

Interest on own capital payable to shareholders is treated in the same way as dividends and charged to retained earnings. As required by tax legislation, interest payable to shareholders is calculated in accordance with Law 9249/95 and recorded in income (loss) under financial expenses, further details are provided in Note 20. For the purpose of disclosure, the Financial Statements, this interest on own capital is reversed from financial expenses and presented as a charge to retained earnings.

3.11. Taxation

(a) Income tax and social contribution

Income tax is comprised by current and deferred income tax and social contribution. Income taxes are recognized in the statement of income, except and to the extent they are related to business combination items or items directly recognized in shareholders' equity or comprehensive income.

Given the broad aspect of business relationships, as well as the long-term nature and complexity of existing contractual instruments, differences between the real results and the assumptions adopted, or future changes in these assumptions, could require future adjustments in the tax revenue and expenses already recorded. The Company records provisions, with basis on most probable estimates, for possible consequences of inspections by tax authorities. The amount of those provisions is based on various factors, such as experience of prior tax audits and deferring deprecations of tax regulations by the taxed entity and by the responsible tax authority. Those interpretation differences may arise in a great variety of matters, depending on the conditions in force. Management periodically evaluates the positions taken in the calculations of income taxes.

Notes to the financial statements

Current income tax and social contribution

The current income tax and social contribution charge is calculated based on enacted or substantially enacted tax law on balance sheet date. Taxable income differs from the income presented in the statement of operations, since it excludes revenues or expenses taxable or deductible in other years, in addition to permanently excluding non-taxable or non-deductible items. Management periodically evaluates the positions taken in the calculations of income tax with respect to situations in which applicable tax regulation is subject to interpretations; and forms provisions, when applicable, based on estimated amounts that shall be paid to tax authorities.

Income tax and social contribution are shown net, per taxpaying unit, in liabilities when there are amounts to be paid or under assets when the prepaid amounts exceed the total owed on the reporting date.

Deferred income tax and social contribution

Deferred income tax and social contribution are generated by temporary losses between the tax and accounting bases of assets and liabilities contained on balance sheet date. Deferred income tax and social contribution assets are recognized to the extent that it is probable that taxable income will be available so that deductible temporary differences can be realized and tax losses can be offset.

Deferred income tax and social contribution assets and liabilities are measured considering the tax rates and laws in effect on the balance sheet date and which are expected to be applied as at the realization date of the asset or settlement of the liability.

Deferred income tax and social contribution assets are recognized to the extent that it is probable that taxable income will be available so that deductible temporary differences can be realized and tax losses can be offset.

Deferred income tax assets and liabilities are presented at net value in balance sheet when there is the legal right and the intention of offsetting them upon calculation of current taxes, in general related to the same legal entity and the same tax authority. The realization of deferred tax credits is subject to future events that will make the provisions that originated them deductible under the terms of the tax legislation in force.

The Company regularly reviews deferred tax assets for impairment and recognizes provision for impairment if it is likely that these assets will not be realized, based on historical taxable income, the projection of future taxable income and the estimated time for reversal of the existing temporary recoverable differences. These calculations require the use of estimates and assumptions. The use of different estimates and assumptions could result in a provision for impairment of deferred tax assets.

(b) Taxes on sales and services

Sales and service revenues are subject to the following taxes and contributions, and the following basic rates:

Taxes	Rate %
PIS/PASEP - Social Integration Program	1.65
COFINS - Contribution for Social Security Financing	7.60
ISSQN – Service tax ⁽¹⁾	Sundry

⁽¹⁾ Not levied on water supply and sewage collection services.

These taxes are presented as deductions from revenue in the statement of income, provided that PIS/COFINS taxes are determined under the non-cumulative regime.

Notes to the financial statements

3.12. Employee benefits

(a) Retirement obligations

The Company sponsors three Supplementary Pension plans: Plan RP1- Defined Benefit (BD), Copasa Settled Plan (BD) and the New Copasa Plan - Defined Contribution (CD). Plans are usually financed by payments to trust funds determined by periodic actuarial calculations.

The liability recognized in the balance sheet in relation to referenced plans is the present value of obligation on balance sheet date, less the fair value of plan assets, with the adjustments of unrecognized past service costs. The obligation is annually calculated by independent actuaries using the projected unit credit method. The value of the plan's assets is measured based on fair value.

Actuarial gains and losses arising from adjustments based on experience and changes in actuarial assumptions are recorded directly in shareholders' equity, as other comprehensive income, when incurred in a manner that the plan's net asset or liability is recognized in the balance sheet to reflect the full amount of the plan's deficit or surplus. Past costs of services are immediately recognized in the income figures.

The current value of these obligations depends on a series of factors that are determined with basis on actuarial calculations that use certain assumptions. One of the assumptions used in the determination of pension plan net cost (revenue) is the discount interest rate. Any changes in these assumptions may affect the book value of pension plan obligations.

The Company determines the appropriate discount rate at the end of each year. That is the discount rate that should be used to determine the present value of estimated cash outflows that should be necessary to settle pension plan obligations. When determining the appropriate discount rate, the Company considers interest rates on government bonds.

Other major assumptions for pension plan obligations are partly based on current market conditions. Additional information is disclosed in Note 19.

(b) Short-term employee benefits

Obligations for short-term employee benefits are recognized as personnel expenses as the related service is rendered. The liability is recognized at the amount expected to be paid, if the Company has a legal or constructive obligation to pay this amount as a result of prior service rendered by the employee, and the obligation can be reliably estimated.

The Company records provisions to recognize the expense of the employees' profit sharing. The Regulations for the company's Employee Profit Sharing Program, approved by the Board of Directors, define the procedures for its implementation.

The profit sharing amount to be paid will be approved on an annual basis by the Board of Directors and corresponds to 25% of the minimum mandatory dividends paid to shareholders, corresponding, therefore, to 6.25% of the net income for the year, after deducting the legal reserve and the tax incentive reserve, on which institutional performance standards will be applied.

Annually, the portion of income not distributed to employees will be transferred to the following year, being added for purposes of calculating the amount to be distributed.

3.13. Capital

Capital is the paid-in or unpaid amount corresponding to the co-participation of a holder, partner or shareholders for starting or maintaining the company.

Notes to the financial statements

When a Company buys its issued capital shares (treasury shares), the amount paid, including any additional directly attributable costs (net of income tax), is deducted from the capital attributable to the Company's shareholders until the shares are cancelled or reissued. When those shares are subsequently reissued, any amount received, net of any additional directly attributable transaction costs, and net of respective effects of income tax and social contribution, is included in the shareholders' equity attributable to the Company's shareholders.

3.14. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable mainly for the rendering of services in the Company's normal course of operations. The revenue is stated net of taxes, returns, rebates or discounts.

(a) Rendering of services

Revenues are recognized at a specific point in time, as water supply and sewage treatment services are provided and water is consumed or when services are provided, as long as the performance obligation is met. Revenue not yet invoiced represents revenue earned, the service of which was rendered, but has not yet been invoiced by the end of each period. These revenues are recorded as unbilled trade accounts receivable, based on monthly estimates taking into account the type of client, the type of transaction and the specifications of each sale, so that the revenues are offset against the costs in their accrual period.

The need to estimate the revenue to be invoiced is since billing is carried out on a cyclical basis, which often does not coincide with the monthly closings. Thus, the Company, considering the amount involved, makes estimates, which include information such as average consumption obtained in the last reading of the water meters to be attributed to each consumer for the period between the reading date and the end of the accounting period, observing the type of client, the type of transaction and the specifications of each sale, so that the revenues are offset against the costs in the proper reporting period.

(b) Construction contracts

Construction contract is the one specifically negotiated for the construction of an asset or a combination of assets that are directly interrelated or interdependent depending on their design, technology and function or their purpose or end use.

The Company acts as the primary responsible for the construction and installation of the infrastructure related to the concession, either with its own efforts or through the contracting of third parties, being significantly exposed to its risks and rewards. Construction revenue includes that from contracts under the cost plus margin (cost plus) method, where revenue is recognized over time based on the cost method adopted.

The Company estimates that the margin is zero, in accordance with Resolution 072/2015 of the Regulatory Agency which defined the non-recognition of the construction margin in the indemnity of assets provided for in the concession and program contracts, by the municipalities.

(c) Contract asset

The contract asset is defined by the standard as the right to consideration in exchange for goods or services transferred to the client when this right is conditioned to something beyond the lapsing of time, such as its future performance.

When the Company completes the performance by transferring goods or services to the client before payment of the consideration or before payment is due, the Company states this right as contract asset.

Notes to the financial statements

The concession agreements and water supply and sewage treatment program contracts provide that a portion of the investments made by the concessionaire is remunerated by users of the public service and the other part is indemnified by the Concession Grantor at the end of the concession.

The Contract Asset is initially recorded at fair value and includes loan costs capitalized during the period in which the asset is under construction. After the assets come into operation, performance obligation related to construction is met, and the assets are then divided into financial assets and intangible assets.

3.15. Financial revenue

Interest revenue and expenses are recognized in income (loss) at the effective interest rate method. Dividend revenue is recognized in income (loss) on the date when the Company's right to receive the payment is established. The Company classifies interests received and dividends and interest on own capital received as cash flows from investment activities.

3.16. Leases

The Company considers that an agreement is or contains a lease when it transfers the right to control the use of an identified asset for a period of time in exchange for consideration. The Group follows the definition of lease under CPC 06 (R2)/IFRS 16 to assess whether an agreement transfer the right to control the use of an identified asset.

The Company opted not to recognize the assets of right-of-use and the lease liabilities for low-value lease assets and short-term leases have a period of 12 months or less, including the information technology equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental loan rate. Usually, the Company uses their incremental loan rate as discount rate.

3.17. New standards and changes and interpretations of standards not yet in effect

The following new standards were issued by the IASB but are not in force for the year. They were not adopted by the Company in the preparation of these financial statements; however, they should not have a significant impact on its policies. The early adoption of standards, although encouraged by the IASB, is not allowed in Brazil by the Accounting Pronouncement Committee (CPC).

- Classification of Liabilities as Current or Non-Current (Amendments to CPC 26/IAS 1);
- Disclosure of Accounting Policies (Amendments to CPC 26/IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to CPC 23/IAS 8); and
- General requirements for disclosing financial information related to sustainability and climate (IFRS S1 and IFRS S2).

04. Estimates and critical accounting judgments

Accounting estimates and judgments are constantly assessed and are based on prior experience and other factors, including expected future events considered as reasonable in view of circumstances.

Based on assumptions, the Company and its subsidiary make estimates for the future. By definition, resulting accounting estimates are seldom equal to the respective actual incomes. The estimates and assumptions which present a significant risk, likelihood of causing an important adjustment to the book value of assets and liabilities for the coming year are included in the following notes:

Notes to the financial statements

Judgments

Information about judgment referring to the adoption of accounting policies which impact significantly the amounts recognized in the financial statements are included in the following notes:

- (a) Consolidation - Note 3.2: determining whether the Company actually has control over an investee and determining whether the Company does not have significant influence over the investee;
- (b) Reclassification - Note 3.4.3(b): determining whether or not the Company should reclassify a liability from non-current to current;
- (c) Lease term - Note 3.16: if the Company is reasonably certain of exercising extension options.

Uncertainties on assumptions and estimates

Information on uncertainties as to assumptions and estimates as of December 31, 2023 that pose a high risk of resulting in a material adjustment in book balances of assets and liabilities in the next fiscal year are included in the following notes:

- (a) Recognition of construction revenue - Note 3.14(b): Margin estimate considering Resolution 072/2015 of the Regulatory Agency which defined the non-recognition of the construction margin in the indemnity of assets provided for in the concession contracts and program, by the municipalities.
- (b) Recognition of unbilled revenue - Note 3.14 (a): Estimate based on consumption average.
- (c) Provision for losses on realization of credit - Note 3.4.2: Measurement of expected credit losses for accounts receivable and contract assets.
- (d) Benefits of supplementary pension plans - Note 3.12(a): Measurement of obligations of defined benefits: main actuarial assumptions; definition of rate.
- (e) Taxes - Note 3.11: Availability of future taxable income against which deductible temporary differences and tax losses may be used.
- (f) Impairment loss of non-financial assets - Note 3.8: Definition of main assumptions in relation to recoverable values.
- (g) Provisions for civil, labor, tax and environmental lawsuits - Note 3.9: Definition of main assumptions regarding the likelihood and magnitude of the outflows of funds.
- (h) Financial instruments measured at fair value - Note 3.4.1: Determination of fair value of equity instruments.
- (i) Financial assets and intangible assets linked to the concession - Note 3.4.2: Definition of discount rate for adjustment to present value.

05.Public service concession agreements

The water supply and sewage treatment utility services are provided under Concession Agreements and/or Program Agreements that are executed with each municipality and usually have a duration of 30 years. These Contracts and agreements are fairly similar in terms of rights and obligations of the concessionaire and the concession grantor. The Company's coverage area is the State of Minas Gerais.

Notes to the financial statements

The Company and its subsidiary COPANOR were parties to 638 Concession Agreements or Program Agreements for the provision of water supply utility services and 309 Concession Contracts or Program Agreements for the provision of sewage treatment utility services as of December 31, 2023 (640 and 309 as of December 31, 2022, respectively).

As at December 31, 2023, 30 concessions were expired and two with contracts judicially declared null and void, representing, together, 4.3% of total revenue, even though the Company continues to provide the related services and normally bill them, complying with the principle of continuity in the provision of essential public services.

The services' consideration is received in the form of tariffs. Federal Law 11445/2007 establishes that revisions of and/or adjustments to tariffs must be regulated, supervised, and authorized by a regulatory agency, which in Minas Gerais, is the ARSAE-MG. The tariff calculation must ensure the concessionaire's economic and financial balance and the preservation of the social aspects of the services provided.

The purpose of the Tariff Adjustment is to offset the effects of inflation on the service provider's costs in a given period. The Periodic Tariff Review consists of reassessing the conditions involved in the provision of the services and market conditions by having in place tariff mechanisms to ensure service efficiency and attainment of service expansion and quality goals.

On October 6, 2022, ARSAE-MG approved the change in the base date of Copasa's annual tariff adjustments from August 1 to January 1, with the offsetting of financial losses arising from this change, as provided for in State Law 18309/2009.

ARSAE-MG, through Resolution ARSAE-MG 185/2023, of November 28, 2023, authorized the Company to apply new tariffs to public water supply and sewage services provided, as of January 1, 2024. The average tariff effect applied to current tariffs is 4.21%.

As of December 31, 2023, the Company presented the amount of R\$ 999,639 in the parent company (R\$ 872,921 as of December 31, 2022) and R\$ 1,016,635 in the Consolidated (R\$ 889,897 as of December 31, 2022) as accounts receivable from the concession grantor (municipalities), related to the amount expected to be received at the end of the concessions for non-active assets depreciated over the concession period.

Financial assets - Public service concession agreements

	Parent Company		Consolidated	
	2023	2022	2023	2022
Opening balance	872,921	733,328	889,897	752,253
Transfer of intangible assets and property, plant and equipment	53,377	83,661	52,824	81,301
Capitalization	74,406	56,624	74,979	57,035
Write-offs	(1,061)	(700)	(1,061)	(700)
Other	(4)	8	(4)	8
Closing balance	999,639	872,921	1,016,635	889,897

The new Legal Framework

Federal Law 14026, of July 15, 2020 - the New Sanitation Sector Legal Framework - established the requirement for bidding of program and concession contracts by the Concession Grantors as the effectiveness of each instrument occurs; established targets for universal sanitation by December 31, 2033; granted the National Water and Basic Sanitation Agency (ANA) the authority to establish reference standards, and established the regionalized provision of sanitation services.

Work to update contracts to include legal targets was carried out by Copasa within the deadline defined by law. Proof of the Company's economic and financial capacity was recognized on December 31, 2022, as required by Federal Decree 10.710/2021 and subsequent regulations.

Notes to the financial statements

On July 12, 2023, the federal executive branch issued Decrees 11.598/23 and 11.599/23, revoking Decrees 11.466/23 and 11.467/23 where (i) aspects regarding methodology and deadlines for proving the economic and financial capacity of the service providers, and (ii) the possibility, provided for in previous decrees, of a public company or state mixed-capital company providing sanitation services, without a prior bidding process, to the municipalities that comprise a metropolitan region, urban agglomeration or micro-region.

The Company stresses that the legislative changes mentioned at the time do not interfere with the current legal status of its concession and program contracts and the corresponding provision of water supply and sanitary sewage services, and that continues monitoring all initiatives that may change the rules in force on the sector.

06. Cash and cash equivalents

(a) Cash and cash equivalents

	Parent Company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Cash and banks	32,258	19,679	33,396	19,949
Short-term bank deposit certificates and debentures subject to repurchase and resale agreements	962,323	1,071,401	998,029	1,102,350
Closing balance	994,581	1,091,080	1,031,425	1,122,299

The funds available in Cash and Cash Equivalents are invested in Bank Deposit Certificates - CDBs and Debentures subject to repurchase agreements, which consist of fixed-income securities, whose yield is substantially based on the variance of the Interbank Deposit Certificate (CDI) rate. These interest earning bank deposits were remunerated at the average rate of 102.67% of CDI in the year ended December 31, 2023 (104.65% of CDI in the year ended December, 31, 2022).

As of December 31, 2023, Interbank Deposit Certificate (CDI) was 11.65% p.a. (13.65% p.a. as of December 31, 2022). The risk assessment of this financial instrument is detailed in Note 22.1(d)(ii).

The Company classified its interest earning bank deposits as cash and cash equivalents, as they are considered financial assets that can be immediately redeemed maturing within 90 days and subject to an insignificant risk of change in value.

(b) Changes in short-term bank deposit certificates

	Parent Company		Consolidated	
	2023	2022	2023	2022
January 01	1,071,401	1,249,680	1,102,350	1,279,665
New investments	7,633,225	4,657,431	7,690,293	4,711,334
Earnings	125,646	86,368	129,793	90,626
Redemptions	(7,867,949)	(4,922,078)	(7,924,407)	(4,979,275)
December 31	962,323	1,071,401	998,029	1,102,350

Notes to the financial statements

07. Trade accounts receivable

Amounts of trade accounts receivable are broken down by maturity:

	Parent Company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Overdue (days):				
≤30	254,127	204,338	258,103	206,949
31-60	96,832	88,975	98,438	90,340
61-90	53,518	48,403	54,339	49,196
91-180	97,171	87,408	98,198	88,723
181-360	148,866	131,990	148,888	132,032
>360	13,661	11,562	13,676	11,572
Overdue - total	664,175	572,676	671,642	578,812
Falling due	399,177	312,557	404,813	316,015
Billed	1,063,352	885,233	1,076,455	894,827
To be billed	494,148	408,253	499,497	411,899
Trade accounts receivable	1,557,500	1,293,486	1,575,952	1,306,726
(-) Provision for expected credit losses on trade accounts receivable	(237,108)	(218,414)	(238,649)	(220,156)
Trade accounts receivable, net	1,320,392	1,075,072	1,337,303	1,086,570
Trade accounts receivable - Current	1,264,375	1,040,394	1,281,019	1,051,607
Trade accounts receivable - Non-current	56,017	34,678	56,284	34,963

Trade accounts receivable cover the state of Minas Gerais, as detailed below:

Amounts	Parent Company / Consolidated	
	12/31/2023	12/31/2022
Billed	15,954	19,870
To be billed	12,709	11,192
Accounts receivable from the State of Minas Gerais ⁽¹⁾	28,663	31,062

⁽¹⁾ Amounts also presented in Note 24 (a) on Related Parties.

The changes in the provision for expected credit losses on trade accounts receivable of the Company were as follows:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Opening balance	218,414	239,177	220,156	241,146
Addition to provision for expected credit losses on trade accounts receivable	183,658	201,935	185,496	206,215
Trade accounts receivable written-off in the period as non-collectible	(164,964)	(222,698)	(167,003)	(227,205)
Closing balance	237,108	218,414	238,649	220,156

The provision for impairment of accounts receivable was recorded in income (loss) for the year as sales expenses. The amounts charged to the allowance account are written off when there is no longer an expectation of recovery.

The Company adopts the provision matrix as a methodology for recording the provision for expected credit losses, annually reviewed, considering a retrospective and prospective evaluation, aiming to verify the need for additional provisions, as described in Note 3.4.2.

Notes to the financial statements

The Company does not recognize a provision for losses on debts related to the State of Minas Gerais, the controlling shareholder, in view of the recent history of renegotiations, payments received, the signing of an agreement to settle debt, as well as the terms of compensation with dividends and interest on own capital, in addition to the observed history of default. The Company's management evaluates this matter depending on the facts and circumstances at each reporting date.

For credits with the Belo Horizonte Municipal Government, the transfer of the 4% of the net value collected for the Municipal Sanitation Fund, is conditioned to the settlement of the bills by the municipal government, the revenue of which is also allocated to this fund.

08. Collaterals as guarantees of loans, financing and debentures and restricted interest earning bank deposit

	Parent Company / Consolidated	
	12/31/2023	12/31/2022
Collaterals as guarantees of loans, financing and debentures - non-current ⁽ⁱ⁾	61,883	61,033
Restricted interest earning bank deposit - non-current ⁽ⁱⁱ⁾	75,285	71,706

(i) Consists of money deposited in investment funds owned by the creditors, that the Company makes under its financing, loan and debentures contracts. A statutory lien is also awarded on its revenue by transferring to creditors part of its revenue, as per the table in Note 22.1(e). Both guarantees occur within the term or grace period of the contracted debts. As of December 31, 2023 and 2022, the balances are classified as non-current assets.

(ii) Refers to ANA's (Agência Nacional de Águas e Saneamento Básico) funds related to the Hydrographic Basins Depollution Program - PRODES. The amount of each agreement is deposited in a specific current account linked to each agreement, called water basin depollution account, and the amounts are translated and invested in the "water basin depollution investment fixed-income long-term fund" solely and exclusively intended to the purpose of each agreement. Copasa will withdraw the payments for the wastewater treatment services in 12 quarterly, consecutive installments, starting when the wastewater treatment plant is fully operational and at the beginning of the wastewater treatment plant certification, and withdrawals are contingent to the attainment of the targets agreed when the agreement was executed. Because these targets were only partially attained, the Company also maintains these funds in non-current liabilities in deposit account for works (see Note 14).

Funds have already been released for the contracts of the following municipalities:

- Carmo do Paranaíba - three (3) installments until 2020, totaling R\$ 934, one (1) installment in 2022 of R\$ 347, and two (2) installments in 2023, totaling R\$ 792, with the remaining balance of R\$ 2,418;
- Patos de Minas - one (1) installment of R\$ 1,182 in 2021 and one (1) installment in the amount of R\$ 1,239 in 2022, with the remaining balance of R\$ 13,417; and
- Ibirité - one (1) installment in 2022 of R\$ 821 and three (3) installments in 2023, totaling R\$ 2,620, with the remaining balance of R\$ 7,250.

Notes to the financial statements

09. Investments

The following table shows the changes in investments in the subsidiary:

	Opening balances	Profit sharing in the subsidiary	Capital increase	Closing balances
Year ended December 31, 2023				
COPANOR	245,197	(18,348)	47,590	274,439
Other	260	-	-	260
Total	245,457	(18,348)	47,590	274,699
Year ended December 31, 2022				
COPANOR	202,181	(11,163)	54,179	245,197
Other	260	-	-	260
Total	202,441	(11,163)	54,179	245,457

The Parent Company paid up the amount of R\$ 47,590 in 2023, of which R\$ 23,795 was paid in the 1st quarter and R\$ 23,795 in the 3rd quarter (R\$ 54,179 in 2022, of which R\$ 27,090 in the 1st quarter and R\$ 27,089 was paid in the 3rd quarter) for COPANOR, whose funds will enable investments in the implementation, expansion and maintenance works in water supply and sewage treatment systems.

Summarized financial information

COPANOR	Interest (%)	Current assets	Non- current assets	Current liabilities	Non- current liabilities	Shareholde rs' equity	Loss for the year
12/31/2023	100%	60,039	237,016	22,131	485	274,439	(18,348)
12/31/2022	100%	47,723	216,393	18,476	443	245,197	(11,163)

10. Contract asset

Changes during the year ended December 31, 2023, may be shown as follows:

	Systems of				Total
	Water	Sewage treatment	Common use	Inventories for works	
Parent Company:					
Balances at December 31, 2022	701,177	778,910	410,116	167,232	2,057,435
Additions	260,264	446,187	331,029	-	1,037,480
Reversal of provision for construction material	-	-	-	8,710	8,710
Write-offs	(11,306)	(15,045)	(123)	-	(26,474)
Reclassifications	15,551	13,980	(29,531)	-	-
Compound interest	44,884	37,362	35,645	-	117,891
Transfers to intangible assets	(106,569)	(147,919)	(99,186)	-	(353,674)
Transfers to property, plant and equipment	(319,696)	(4,253)	(5,739)	-	(329,688)
Balances at December 31, 2023	584,305	1,109,222	642,211	175,942	2,511,680

Notes to the financial statements

	Systems of				Total
	Water	Sewage treatment	Common use	Inventories for works	
Consolidated:					
Balances at December 31, 2022	716,824	802,395	422,146	182,456	2,123,821
Additions	260,575	458,149	338,370	167	1,057,261
Reversal of provision for construction material	-	-	-	8,215	8,215
Write-offs	(11,306)	(15,048)	(123)	-	(26,477)
Reclassifications	15,551	13,980	(29,531)	-	-
Compound interest	44,884	37,362	35,645	-	117,891
Transfers to intangible assets	(107,425)	(132,709)	(100,808)	-	(340,942)
Transfers to property, plant and equipment	(319,696)	(4,253)	(6,706)	-	(330,655)
Balances at December 31, 2023	599,407	1,159,876	658,993	190,838	2,609,114

For the year 2022, changes were as follows:

	Systems of				Total
	Water	Sewage treatment	Common use	Inventories for works	
Parent Company:					
Balances at December 31, 2021	505,033	518,097	282,748	118,992	1,424,870
Additions	319,996	381,534	199,946	47,860	949,336
Reversal of provision for construction material	-	-	-	380	380
Write-offs	(4,820)	(8,910)	(5)	-	(13,735)
Compound interest	28,582	26,610	22,435	-	77,627
Transfers to intangible assets	(147,614)	(138,421)	(46,537)	-	(332,572)
Transfers to property, plant and equipment	-	-	(48,471)	-	(48,471)
Balances at December 31, 2022	701,177	778,910	410,116	167,232	2,057,435
Consolidated:					
Balances at December 31, 2021	521,446	549,058	288,427	130,064	1,488,995
Additions	324,801	392,818	207,300	52,001	976,920
Reversal of provision for construction material	-	-	-	391	391
Write-offs	(4,820)	(8,910)	(40)	-	(13,770)
Compound interest	28,582	26,610	22,435	-	77,627
Transfers to intangible assets	(153,185)	(157,181)	(47,415)	-	(357,781)
Transfers to property, plant and equipment	-	-	(48,561)	-	(48,561)
Balances at December 31, 2022	716,824	802,395	422,146	182,456	2,123,821

During the year ended December 31, 2023, within the scope of the Contract Asset item, an amount of R\$ 81,926 was merged into water and sewage system works (R\$ 13,313 in the year ended December 31, 2022) corresponding to expenses incurred with related Projects, with no effect on the total of said item.

In the year ended December 31, 2023, the additions, in the amount of R\$ 1,037,480 in the parent company (R\$ 949,336 in 2022) and R\$ 1,057,261 in the consolidated (R\$ 976,920 in 2022) refer mainly to works to implement the water supply systems in the cities of Lavras, Montes Claros and Ribeirão das Neves, as well as the implementation of sewage systems in the cities of Belo Horizonte, Campanha, Confins, Igarapé, Juatuba, Sabará, Santana do Paraíso, São João Nepomuceno, Sarzedo and Ubá.

Notes to the financial statements

11.Intangible assets

The breakdown of balances is as follows:

	12/31/2023			12/31/2022		
	Cost	Accumulated amortization	Intangible assets, net	Cost	Accumulated amortization	Intangible assets, net
Parent Company:						
In operation						
Water systems	4,369,930	(2,798,056)	1,571,874	4,142,742	(2,661,099)	1,481,643
Sewage treatment	6,598,731	(3,274,461)	3,324,270	6,347,712	(2,977,932)	3,369,780
Common use systems	1,239,137	(994,450)	244,687	1,126,596	(917,516)	209,080
Usage rights	679,503	(351,552)	327,951	649,105	(317,097)	332,008
Other intangible assets	135,833	(34,096)	101,737	136,580	(31,773)	104,807
Total intangible assets	13,023,134	(7,452,615)	5,570,519	12,402,735	(6,905,417)	5,497,318
Consolidated:						
In operation						
Water systems	4,429,891	(2,807,109)	1,622,782	4,196,048	(2,667,334)	1,528,714
Sewage treatment	6,663,134	(3,285,777)	3,377,357	6,423,565	(2,986,089)	3,437,476
Common use systems	1,258,952	(1,005,095)	253,857	1,144,469	(924,699)	219,770
Usage rights	679,664	(351,704)	327,960	649,266	(317,232)	332,034
Other intangible assets	137,066	(34,250)	102,816	137,497	(31,864)	105,633
Total intangible assets	13,168,707	(7,483,935)	5,684,772	12,550,845	(6,927,218)	5,623,627

Changes during the year ended December 31, 2023, may be shown as follows:

	Systems of					
	Water	Sewage treatment	Common use ⁽¹⁾	Rights-of-use	Other	Total
Parent Company:						
Balances at December 31, 2022	1,481,643	3,369,780	209,080	332,008	104,807	5,497,318
Additions	122,458	168,192	87,413	29,990	220	408,273
Write-offs	(1,625)	(76)	(187)	-	(6)	(1,894)
Amortization	(158,160)	(316,014)	(78,629)	(34,347)	(6,619)	(593,769)
Transfers of (to) financial asset	(19,770)	(33,853)	(3,015)	(118)	2,523	(54,233)
Transfer between intangible asset and property, plant and equipment	(2,974)	(25,945)	335	-	(10,272)	(38,856)
Transfers of contract assets	106,569	147,919	99,186	-	-	353,674
Reclassifications	43,731	14,265	(69,498)	418	11,084	-
Other	2	2	2	-	-	6
Balances at December 31, 2023	1,571,874	3,324,270	244,687	327,951	101,737	5,570,519

Notes to the financial statements

	Systems of					Total
	Water	Sewage treatment	Common use ⁽¹⁾	Rights-of-use	Other	
Consolidated:						
Balances at December 31, 2022	1,528,714	3,437,476	219,770	332,034	105,633	5,623,627
Additions	127,839	170,618	88,924	29,990	528	417,899
Write-offs	(1,627)	(76)	(187)	-	(6)	(1,896)
Amortization	(160,977)	(319,174)	(82,081)	(34,364)	(6,683)	(603,279)
Transfers of (to) financial asset	(20,346)	(32,866)	(2,887)	(118)	2,537	(53,680)
Transfer between intangible asset and property, plant and equipment	(2,974)	(25,945)	343	-	(10,272)	(38,848)
Transfers of contract assets	107,425	132,709	100,808	-	-	340,942
Reclassifications	44,727	14,611	(70,835)	418	11,079	-
Other	1	4	2	-	-	7
Balances at December 31, 2023	1,622,782	3,377,357	253,857	327,960	102,816	5,684,772

⁽¹⁾ Considering that the shared systems have specific useful life rates, these assets started to be tracked in a specific group called 'shared systems'.

Changes in the year 2022 were as follows:

	Systems of					Total
	Water	Sewage treatment	Common use ⁽¹⁾	Rights-of-use	Other	
Parent Company:						
Balances at December 31, 2021	1,529,115	3,490,649	175,271	322,437	75,290	5,592,762
Additions	35,088	60,798	68,666	37,571	933	203,056
Write-offs	(2,588)	-	(45)	-	-	(2,633)
Amortization	(151,191)	(290,808)	(65,092)	(29,337)	(5,747)	(542,175)
Transfers of (to) financial asset	(39,803)	(28,201)	(13,925)	65	(1,921)	(83,785)
Transfer between intangible asset and property, plant and equipment	(1,363)	(473)	353	11	(932)	(2,404)
Transfers of contract assets	112,383	137,817	43,921	1,261	37,190	332,572
Other	2	(2)	(69)	-	(6)	(75)
Balances at December 31, 2022	1,481,643	3,369,780	209,080	332,008	104,807	5,497,318
Consolidated:						
Balances at December 31, 2021	1,568,591	3,539,354	185,018	322,481	75,823	5,691,267
Additions	38,360	62,739	71,335	37,583	1,376	211,393
Write-offs	(2,588)	-	(45)	-	-	(2,633)
Amortization	(153,422)	(293,606)	(68,071)	(29,367)	(5,793)	(550,259)
Transfers of (to) financial asset	(38,820)	(27,112)	(13,530)	65	(2,028)	(81,425)
Transfer between intangible asset and property, plant and equipment	(1,363)	(473)	337	11	(932)	(2,420)
Transfers of contract assets	117,954	156,577	44,796	1,261	37,193	357,781
Other	2	(3)	(70)	-	(6)	(77)
Balances at December 31, 2022	1,528,714	3,437,476	219,770	332,034	105,633	5,623,627

⁽¹⁾ Considering that the shared systems have specific useful life rates, these assets started to be tracked in a specific group called 'shared systems'.

Notes to the financial statements

Amortization was allocated to income (loss) as follows:

	Parent Company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Cost of services rendered	586,732	537,440	596,225	545,492
Sales expenses	292	525	293	525
Administrative expenses	6,745	4,210	6,761	4,242
	593,769	542,175	603,279	550,259

Average amortization rate calculated for Parent Company and Consolidated:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Water systems	4.77%	4.97%	4.77%	5.17%
Sewage treatment	4.87%	5.08%	4.86%	5.21%
Common use systems	19.77%	19.39%	19.64%	21.62%
Usage rights	6.30%	5.79%	6.30%	5.82%
Other intangible assets	2.49%	4.98%	2.54%	5.09%

Impairment testing of long-lived assets

The Company prepared a technical impairment test study with the purpose of ensuring that the assets are not accounted for an amount higher than the recoverable value through use. This study was based on data for the year 2023, with a projection of all production variables, billing, savings met, costs, expenses and investments for the next 30 years. The result demonstrated that there is no need to record a provision for impairment of long-lived assets.

The Company believes that it has a single cash-generating unit (CGU) as its segments are interrelated and interdependent for revenue generation. The recoverable value of CGU was based on the value in use, determined through the discounted future cash flows to be generated by its continued use.

The projected EBITDA is based on expectations of future income, considering the assumptions of business growth, projected according to the Company's strategies. Main assumptions were:

- Revenue evolution according to current tariff and projected billed volume due to the growth in volume consumed resulting from the actions and investments planned for the next five years, to achieve universalization targets, as recommended by the New Sanitation Framework. With the assumptions adopted, an average growth of 7% per annum until 2028 was obtained, mainly reflecting the effect of investments made and projected until 2025 in the Regulatory Asset Base (BAR) to be remunerated in the next Tariff Revision cycle, with effect on the tariff as of 2026. In other years up to 2030, the projected growth was only due to natural growth to meet the organic population growth of the municipalities operated. From 2030 onwards, revenues were kept constant.
- Costs and expenses: costs with material and electric power estimated with change proportional to the growth rates of economies served to expand coverage for the period up to 2030, but considering efficiency gains resulting from actions such as investments in renewable energy sources.
- Prices were maintained constant.

Reasonably possible changes, of + 10% or -10% at the balance sheet date in each of the relevant assumptions, would not have affected the calculation and consequently would not result in impairment.

Notes to the financial statements

12. Property, plant and equipment

(a) The breakdown of balances is as follows:

	12/31/2023			12/31/2022			
	Average rate	Cost	Accumulated depreciation	Property, plant and equipment, net	Cost	Accumulated depreciation	Property, plant and equipment, net
Parent Company:							
In operation							
Machinery and equipment	14.36%	769,071	(576,274)	192,797	684,904	(541,141)	143,763
Vehicles	27.43%	81,660	(81,091)	569	82,553	(80,223)	2,330
Other	-	41,892	(231)	41,661	31,490	(231)	31,259
		892,623	(657,596)	235,027	798,947	(621,595)	177,352
Land and buildings	4.20%	3,758,415	(2,235,619)	1,522,796	3,417,153	(2,127,109)	1,290,044
Total property, plant and equipment - in operation		4,651,038	(2,893,215)	1,757,823	4,216,100	(2,748,704)	1,467,396
Consolidated:							
In operation							
Machinery and equipment	14.32%	775,483	(578,377)	197,106	689,775	(542,450)	147,325
Vehicles	23.44%	85,454	(82,066)	3,388	85,648	(80,453)	5,195
Other	-	41,892	(231)	41,661	31,490	(231)	31,259
		902,829	(660,674)	242,155	806,913	(623,134)	183,779
Land and buildings	4.20%	3,759,180	(2,235,628)	1,523,552	3,417,153	(2,127,109)	1,290,044
Total property, plant and equipment - in operation		4,662,009	(2,896,302)	1,765,707	4,224,066	(2,750,243)	1,473,823

(b) Changes during the year ended December 31, 2023, may be shown as follows:

	Machinery and equipment	Vehicles	Other	Land and buildings	Total
Parent Company:					
Balances at December 31, 2022	143,763	2,330	31,259	1,290,044	1,467,396
Additions	61,168	-	-	3,226	64,394
Write-offs	(2,715)	-	-	(19)	(2,734)
Depreciation	(34,502)	(1,805)	-	(103,126)	(139,433)
Transfer of contract assets	24,895	44	132	304,617	329,688
Transfer between intangible asset and property, plant and equipment	177	-	10,271	28,408	38,856
Transfers between financial assets and property, plant and equipment	13	-	-	843	856
Other	(2)	-	(1)	(1,197)	(1,200)
Balances at December 31, 2023	192,797	569	41,661	1,522,796	1,757,823

Notes to the financial statements

	Machinery and equipment	Vehicles	Other	Land and buildings	Total
Consolidated:					
Balances at December 31, 2022	147,325	5,195	31,259	1,290,044	1,473,823
Additions	62,451	700	-	3,299	66,450
Write-offs	(2,715)	-	-	(19)	(2,734)
Depreciation	(35,304)	(2,551)	-	(103,135)	(140,990)
Transfer of contract assets	25,169	44	132	305,310	330,655
Transfer between intangible asset and property, plant and equipment	169	-	10,271	28,408	38,848
Transfers between financial assets and property, plant and equipment	13	-	-	843	856
Other	(2)	-	(1)	(1,198)	(1,201)
Balances at December 31, 2023	197,106	3,388	41,661	1,523,552	1,765,707

For the year 2022, changes were as follows:

	Machinery and equipment	Vehicles	Other	Land and buildings	Total
Parent Company:					
Balances at December 31, 2021	77,921	6,076	31,275	1,354,852	1,470,124
Additions	75,086	45	-	-	75,131
Write-offs	(315)	(8)	-	-	(323)
Depreciation	(23,534)	(3,793)	-	(101,256)	(128,583)
Transfer of contract assets	12,107	8	5	36,351	48,471
Transfer between intangible asset and property, plant and equipment	2,346	-	-	58	2,404
Transfers between financial assets and property, plant and equipment	82	-	-	42	124
Other	70	2	(21)	(3)	48
Balances at December 31, 2022	143,763	2,330	31,259	1,290,044	1,467,396

Consolidated:					
Balances at December 31, 2021	81,246	6,161	31,274	1,354,852	1,473,533
Additions	75,838	3,044	-	-	78,882
Write-offs	(315)	(8)	-	-	(323)
Depreciation	(24,155)	(4,012)	-	(101,256)	(129,423)
Transfer of contract assets	12,197	8	5	36,351	48,561
Transfer between intangible asset and property, plant and equipment	2,362	-	-	58	2,420
Transfers between financial assets and property, plant and equipment	82	-	-	42	124
Other	70	2	(20)	(3)	49
Balances at December 31, 2022	147,325	5,195	31,259	1,290,044	1,473,823

Depreciation was allocated to income (loss) as follows:

	Parent Company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Cost of services rendered	117,561	113,891	118,973	114,719
Sales expenses	4,666	4,090	4,759	4,096
Administrative expenses	17,206	10,602	17,258	10,608

Notes to the financial statements

<u>139,433</u>	<u>128,583</u>	<u>140,990</u>	<u>129,423</u>
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Notes to the financial statements

13.Public-Private Partnership – PPP - Rio Manso Producing System

Copasa and BRK Ambiental - Manso S.A, a Special Purpose Entity (SPE), formalized a Public-Private Partnership (PPP), in the form of an Administrative Concession, to expand the capacity of the Rio Water Producing System Manso, in the Belo Horizonte Metropolitan Region, and providing services in this system.

During the construction phase, the Company recognized the intangible asset according to the construction progress, matched against a related liability, under the PPP contract. Inflation adjustment expenses were capitalized in intangible assets until the beginning of its operation. The expenses arising from this agreement related to the maintenance of systems for the year ended December 31, 2023 were R\$ 91,288 (R\$ 96,779 in the year ended December 31, 2022).

To adjust the liability determined, the contract readjustment index is being applied annually, in April, and apportioned over the subsequent 12 months in a proportional manner. Changes in liabilities can be shown as follows:

	Parent company / Consolidated		Consolidated	
	2023	2022	2023	2022
Opening balance	243,603	260,985	243,603	260,985
Restatement	16,751	23,737	16,751	23,737
Amortization	(36,634)	(25,464)	(36,634)	(25,464)
Interest paid	(11,820)	(15,655)	(11,820)	(15,655)
Closing balance	211,900	243,603	211,900	243,603
Current liabilities	45,752	36,792	45,752	36,792
Non-current liabilities	166,148	206,811	166,148	206,811

14.Taxes, rates, contributions, social and labor charges and other liabilities

(a) Current assets:

The recoverable taxes are shown as follows:

	Parent Company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
IRPF recoverable	2,902	2,463	3,646	3,109
IRPJ to be offset/negative balance	26,395	61,041	26,540	61,044
CSLL to be offset/negative balance	4,596	20,973	4,653	20,973
Recovery of PIS/COFINS credits	-	5,707	-	5,707
Other taxes recoverable	2,341	141	2,376	156
Closing balance	36,234	90,325	37,215	90,989

Recoverable taxes mainly refer to the negative balance of Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) for 2023, which are offset in 2024.

Notes to the financial statements

(b) Current liabilities:

The taxes, fees, contributions, and social and labor charges include:

	Parent Company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
INSS	30,203	27,267	30,730	27,772
COFINS	37,991	25,548	38,353	25,634
PIS	8,200	5,505	8,278	5,522
IRPJ	22,391	28,437	22,413	28,470
FGTS	6,135	5,513	6,263	5,634
Other	6,994	5,855	7,081	5,944
Closing balance	111,914	98,125	113,118	98,976

The other liabilities are comprised as follows:

	Parent Company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Deposit for works ⁽ⁱ⁾	54,471	55,429	54,471	55,429
PDVI ⁽ⁱⁱ⁾	35,467	-	35,467	-
Return of Tariffs – ARSAE ⁽ⁱⁱⁱ⁾	23,290	51,567	23,290	51,567
Health program	11,316	11,049	11,449	11,159
Other	45,289	45,470	47,230	47,283
Closing balance	169,833	163,515	171,907	165,438
Current liabilities	74,007	84,001	76,081	85,924
Non-current liabilities	95,826	79,514	95,826	79,514

(i) Refers to ANA's funds related to the Hydrographic Basins Depollution Program (PRODES) (See Note 8).

(ii) The Company instituted the Voluntary Dismissal Incentive Program – PDVI in May 2023, duly regulated and widely publicized to its employees. A total of 736 employees joined the program, and dismissals took place as of July 2023, as follows:

Parent company / Consolidated			
PDVI	Provision in May 2023	Payments/cancellations ^(*) up to 12/31/2023	Balance at 12/31/2023
Number of employees	736	703	33
Total current and non-current liabilities	115,067	(79,600)	35,467
Current liabilities			23,477
Non-current liabilities			11,990

(*) Four (4) subscriptions were cancelled.

(iii) Minas Gerais State Regulatory Agency for Water Supply and Sewage Services – ARSAE-MG determined the return of amounts to clients through the following administrative proceedings, assessed by Management as having a probable likelihood of loss, and, thus, provisioned.

The Company identified all customers involved in the aforementioned proceedings and recorded the exact amount to be returned to each one, through a credit (discount) on invoices. Changes in the amounts involved in the proceedings were as follows:

Notes to the financial statements

Proceedings	Parent Company / Consolidated					
	Opening balance to be reimbursed	Increase in provision	Principal value	Returns made Interest and inflation adjustment	Total returned	Closing balance to be reimbursed
Year ended December 31, 2023						
005/2019	43,814	-	7,598	18,316	25,914	17,900
028/2021	3,432	-	110	-	110	3,322
041/2021	4,321	-	2,239	14	2,253	2,068
	<u>51,567</u>	<u>-</u>	<u>9,947</u>	<u>18,330</u>	<u>28,277</u>	<u>23,290</u>
			Current liabilities			19,050
			Non-current liabilities			4,240
Year ended December 31, 2022						
005/2019	94,073	7,886	34,380	23,765	58,145	43,814
028/2021	5,485	-	1,417	636	2,053	3,432
041/2021	-	6,153	1,758	74	1,832	4,321
	<u>99,558</u>	<u>14,039</u>	<u>37,555</u>	<u>24,475</u>	<u>62,030</u>	<u>51,567</u>
			Current liabilities			50,266
			Non-current liabilities			1,301

15.Loans, financing and debentures

Loans, financing, and debentures, totaling R\$ 4,743,514 as of December 31, 2023 (R\$ 4,139,920 as of December 31, 2022), mature until 2043, and average coupons of 8.7% p.a. for the Parent Company and Consolidated (10.85% p.a. as of December 31, 2022 for the Parent Company and Consolidated).

	Parent company / Consolidated	
	12/31/2023	12/31/2022
Current:		
Financings – FGTS	48,705	43,266
Loans	12,149	41,047
Finame	3,073	4,198
Financing in foreign currency ⁽ⁱ⁾	50,048	61,817
Bank loans and financing	113,975	150,328
Debentures⁽ⁱ⁾	567,681	790,543
Total current	681,656	940,871
Non-current:		
Financings – FGTS	681,004	671,489
Loans	5,039	16,962
Finame	250	3,315
Financing in foreign currency ⁽ⁱ⁾	628,809	134,843
Bank loans and financing	1,315,102	826,609
Debentures⁽ⁱ⁾	2,746,756	2,372,440
Total non-current	4,061,858	3,199,049
Total current and non-current	4,743,514	4,139,920

⁽ⁱ⁾ Funding cost is included.

Notes to the financial statements

(a) Loans and financing

Changes in loans and financing are as follows:

	Parent company / Consolidated	
	2023	2022
Opening balance	976,937	1,068,394
Additions of loans and financing	589,234	103,456
Provisioned charges	73,063	66,383
Inflation adjustment and exchange rate change	5,477	(15,706)
Amortization of charges	(68,672)	(66,565)
Amortization of principal	(147,219)	(179,282)
Amortization of fund raising costs	257	257
Closing balance	1,429,077	976,937
Current liabilities	113,975	150,328
Non-current liabilities	1,315,102	826,609

The amounts recorded in non-current liabilities referring to bank loans and financing are broken down by year of maturity as follows:

Year of maturity	Parent company / Consolidated	
	12/31/2023	12/31/2022
2024	-	107,258
2025	100,787	96,965
2026	121,803	55,410
2027	161,144	58,484
2028–2043	933,607	510,987
Funding cost	(2,239)	(2,495)
Total	1,315,102	826,609

As of December 31, 2023, the book values of the Company's loans are stated as follows:

	Parent company / Consolidated			
	Index + Interest (p.a.)	Year of maturity	Book value	
			12/31/2023	12/31/2022
In domestic currency:				
Financing - FGTS	REF.RATE+8.50%	01/16/2043	729,709	714,755
Loan	TJLP + 1.55–1.73%	05/15/2025	17,188	58,009
Finame	2.5–8.7%	01/15/2025	3,323	7,513
			750,220	780,277
In foreign currency (Euro):				
Financing	1.41%	05/15/2034	185,218	143,695
Financing	Euribor + 0.55%	09/20/2033	496,120	55,717
Financing	Euribor + 2.69%	12/20/2043	15	-
			681,353	199,412
Funding cost			(2,496)	(2,752)
			678,857	196,660
Loans and financing			1,429,077	976,937

On December 29, 2023, the Company contracted a financing of € 200 million from a French development agency, with a term of 20 years and a grace period of five years for amortization. The resources will be allocated to the execution of projects related to hydrometry/macromasurement/apparent losses, vegetative growth, information technology,

Notes to the financial statements

water quality control, operational equipment and machinery, research and development, as well as water supply and sewage systems. The ceiling interest rate is Euribor 6M + spread, with half-yearly payments over the disbursed amount, establishing the mandatory minimum interest rate of 0.25% p.a.

(b) Debentures

The Company has contracted long-term credit operations through the public issue of simple and unsecured debentures not convertible into shares. The breakdown of debentures is presented below:

	Parent company / Consolidated			
	Index + Interest (p.a.)	Year of maturity	Book value	
			12/31/2023	12/31/2022
Subscription - 5th issue				
Single series	REF.RATE+9.00%	09/01/2031	136,246	154,146
Total 5 th Issue			136,246	154,146
Subscription 8th issue				
1 st series	TJLP + 1.87%	06/15/2028	42,128	45,298
2 nd series	IPCA + 8.18%	06/15/2028	27,079	27,008
Total 8 th issue			69,207	72,306
Subscription 11th issue				
1 st series	TJLP + 2.62%	01/15/2031	101,156	114,292
2 nd series	IPCA + 8.85%	01/15/2031	58,159	63,446
Total 11 th issue			159,315	177,738
Subscription 12th issue				
1 st series	IPCA + 5.06%	01/15/2024	43,646	125,126
2 nd series	IPCA + 5.27%	01/15/2026	70,475	94,289
Total 12 th issue			114,121	219,415
Subscription 13th issue				
1 st series	110% CDI	07/15/2023	-	287,994
2 nd series	IPCA + 6.50%	07/15/2025	61,651	88,392
Total 13 th issue			61,651	376,386
Subscription 14th issue				
1 st series	106.15% CDI	06/15/2024	9,645	28,532
2 nd series	IPCA + 4.30%	06/15/2026	115,228	154,153
Total 14 th issue			124,873	182,685
Subscription 15th issue				
Single series	CDI + 1.75%	12/16/2025	308,941	464,207
Total 15 th issue			308,941	464,207
Subscription 16th issue				
1 st series	IPCA + 5.23%	09/15/2031	281,960	269,454
2 nd series	CDI + 1.30%	09/15/2026	430,204	509,315
Total 16 th issue			712,164	778,769
Subscription - 17th issue				
1 st series	CDI + 1.30%	12/16/2029	752,937	753,362
Total 17 th issue			752,937	753,362
Subscription - 18th issue				
1 st series	CDI + 1.20%	09/16/2030	114,123	-
2 nd series	IPCA + 7.10%	09/16/2030	793,540	-
Total 18 th Issue			907,663	-
Total debentures			3,347,118	3,179,014
Funding cost			(32,681)	(16,031)
Total			3,314,437	3,162,983

In December 2022, the Company contracted long-term credit operations of R\$ 750,000 through the 17th issue of debentures.

Notes to the financial statements

In September 2023, the 18th Public Issue of simple Debentures was carried out, in the amount of R\$ 900,000, in two series; the (i) first series of R\$ 113,600; and (ii) the second series of R\$ 786,400. The maturity period for both series is seven years. The resources are being allocated to the execution of part of the investment program and the payment of the Company's Voluntary Dismissal Incentive Program (PDVI).

Changes in debentures are as follows:

	Parent company / Consolidated	
	2023	2022
Opening balance	3,162,983	2,916,950
Inflows of debentures	909,127	772,546
Provisioned charges	326,126	267,756
Inflation adjustment and exchange rate change	40,616	54,182
Amortization of charges	(348,737)	(265,542)
Amortization of principal	(759,027)	(583,268)
Funding cost	(21,673)	(3,443)
Amortization of fund raising costs	5,022	3,802
Closing balance	3,314,437	3,162,983
Current liabilities	567,681	790,543
Non-current liabilities	2,746,756	2,372,440

The Company maintains collateral in monetary amounts, as mentioned in Note 8, in addition to the guarantee of lien of its collection, according to Note 22.1 (e). Both guarantees occur within the term or grace period of the contracted debts.

The amounts recorded in non-current liabilities of debentures are broken down by year of maturity as shown below:

Year of maturity	Parent Company / Consolidated	
	12/31/2023	12/31/2022
2024	-	544,525
2025	547,171	538,249
2026	526,505	414,071
2027	479,405	262,121
2028–2031	1,219,896	625,268
Funding cost	(26,221)	(11,794)
Total	2,746,756	2,372,440

(c) Covenants and guarantees

The Company has loans and financing and debentures with certain contractual conditions, which require compliance with covenants based on certain financial and non-financial ratios and different reporting periods, as established in the respective contracts. Some contracts provide that, in the event of non-compliance with these ratios and indicators, the Company will provide additional collateral to the creditor or reinstate the financial ratios provided for in the contracts within a certain period. Finally, if the temporary waiver of compliance with these rates is not obtained, the creditor may require the early maturity of the debt.

The Company has been complying with all covenants established, or obtaining from the creditors the necessary authorization to waive compliance with the restrictive clauses provided for in the contractual instruments.

Notes to the financial statements

16.Provision for legal disputes

(a) Legal disputes provisioned

Following is the breakdown of provision for legal disputes:

	12/31/2023			12/31/2022		
	Contingencies	Judicial deposits	Net balance	Contingencies	Judicial deposits	Net balance
Parent Company:						
Labor	46,264	(19,208)	27,056	297,104	(13,225)	283,879
Civil	108,775	(9,946)	98,829	120,546	(6,065)	114,481
Tax	1,908	(2,029)	(121)	1,848	(3,460)	(1,612)
Closing balance	156,947	(31,183)	125,764	419,498	(22,750)	396,748
Consolidated:						
Labor	46,432	(19,322)	27,110	297,219	(13,301)	283,918
Civil	109,169	(9,946)	99,223	121,000	(6,066)	114,934
Tax	1,908	(2,029)	(121)	1,848	(3,460)	(1,612)
Closing balance	157,509	(31,297)	126,212	420,067	(22,827)	397,240

Changes for the year 2023 are demonstrated as follows:

	Parent Company	Consolidated
Balance at December 31, 2022 before offset of judicial deposits	419,498	420,067
Additions	38,035	38,364
Restatements	18,527	18,566
Reversals	(153,922)	(153,970)
Payments	(165,191)	(165,518)
Total provision	156,947	157,509
Offsetting of deposits	(31,183)	(31,297)
Balance at December 31, 2023	125,764	126,212

The additions and reversals refer to the inclusion of new lawsuits and revaluations of loss forecasts in lawsuits against the Company and as an analysis carried out by the Legal department, based on previously adjudged cases or sentences issued by the judiciary branch and validation in the scope of the COPASA Contingency Board. Restatements refer to the inflation adjustment of the provision balance.

Changes can be summarized as follows, with the main lawsuits detailed below in (i) Civil Provisions and (ii) Labor Provisions:

1. Additions in the amount of R\$ 38,035, referring to the recording of a provision for labor, civil and tax claims, with an increase in labor provision of R\$ 13,929, civil provision of R\$ 23,894 and tax provision of R\$ 212.
2. Updates of proceedings in the amount of R\$ 18,527, of which R\$ 11,909 refers to labor claims, R\$ 6,547 refers to civil claims and R\$ 71 refers to tax claims.
3. Payments of R\$ 165,191 made, of which R\$ 110,391 were labor claims, R\$ 52,691 were civil claims, and R\$ 2,109 were tax claims.
4. Reversals of R\$ 153,922 mainly referring to labor lawsuits.

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Changes for the year 2022 are demonstrated as follows:

	Parent Company	Consolidated
Balance at December 31, 2021 before offset of judicial deposits	402,258	403,052
Additions	55,927	56,532
Restatements	44,740	44,843
Reversals	(37,420)	(38,102)
Payments	(46,007)	(46,258)
Total provision	419,498	420,067
Offsetting of deposits	(22,750)	(22,827)
Balance at December 31, 2022	396,748	397,240

The Company is a party to several lawsuits that arise in the ordinary course of its operations, with a different number and value of lawsuits. The main of which are listed below:

(i) Civil provisions

Civil provision is related to indemnity claims for pain and suffering and material damages or requests for reimbursement related to overpayments or payments made in duplicate. Copasa estimates the provision based on the amounts billed, subject to inquiry and recent judicial decisions.

The Public Ministry of the State of Minas Gerais filed a collective civil action in 2003 claiming the simple return to users. The sum provisioned as of December 31, 2023 is R\$ 20,782 (R\$ 20,012 as of December 31, 2022).

(ii) Labor provisions

The lawsuits for which the Company has direct responsibility are mainly related to requests for payment of overtime, unhealthy and dangerous hazard pay, overtime, and salary differences arising from equal roles. The Company form a provision for labor lawsuits classified as risk of probable loss. The classification of the risk of loss, the amount of contingency and the amount of the accounting provision are reviewed and changed, according to the decisions made, in each of the stages of the proceeding and assessed by the internal contingency committee.

A collective labor action was filed in 2008 by the Labor Prosecution Office and Sindicato dos Trabalhadores nas Indústrias de Purificação e Distribuição de Água e em Serviços de Esgoto do Estado de Minas Gerais (Sindágua-MG) Sindágua, questioning the legality of the dismissal policy adopted at that time for using the age of employees as a criterion for terminating the employment contract.

Considering a court decision unfavorable to the Company in December 2021, Copasa decided to review the amount of the provision at the time, in compliance with the best accounting practices, even though the amount of the conviction in such lawsuit had not been settled. Such review was carried out based on preliminary calculations, under the guidelines and legal grounds laid down by the lawyers hired to conduct the process. Subsequently, the Company filed a Rescissory Action aiming to revert the decision.

An agreement was reached in the collective action, duly approved by the Labor Court, with payments of R\$ 102,182 made, generating a reversal of the provision for the demand in the amount of R\$ 59,177 in Other Operating Expenses and the remainder in Financial Expenses.

The agreement ended the possibility of including potential interested parties in the Collective Action. New individual executions are suspended due to the Motion for New Trial filed, and the Company obtained provisional relief in the same. However, conservatively - and based on the position of its legal advisors - the Company maintained a provision of R\$ 8,757 as of December 31, 2023, relating to

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potential beneficiaries who did not join the Collective Action, considering possible future individual lawsuits.

(b) Legal disputes not provisioned

Copasa is challenging other lawsuits for which the likelihood of loss is considered possible. For these suits, no provision was set up for losses considered possible, considering that the Company believes that it has a solid legal basis that justifies the procedures adopted for defense in the judicial sphere. The proceedings in progress at administrative and judicial levels, with different courts, in which the Company is figures as defendant, are as follows:

Nature	Parent Company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Civil (i)	548,818	483,090	554,499	491,494
Labor (ii)	73,564	58,462	74,408	58,896
Tax (iii)	114,454	91,371	114,479	91,395
Environmental	45,369	2,490	45,369	2,490
Total	782,205	635,413	788,755	644,275

(i) Civil

They refer to lawsuits filed by clients, the State and Federal Prosecutors' Office, Municipalities, associations, etc., which claim jurisdictional protection with respect to various matters, except for tax and labor claims, being distributed in several instances, courts and special courts and can be divided into:

Individual proceedings

The Company and its subsidiary are parties to a significant number of individual proceedings for damages due to the suppression of water supply and damages caused by works conducted. Such proceedings were filed in the normal course of our business and involve moral and material damages, such as indemnities for damages to real estate and automobiles and accidents caused during the exploration of our activities, among other issues. Management does not believe that such proceedings will cause, individually or collectively, a material adverse effect on the operating income, financial condition or business prospects of the Company and its subsidiary.

Collective proceedings

1. The Company is a party to public civil lawsuits and popular lawsuits seeking the annulment, suspension or challenge of 36 of our concession contracts. The likelihood of loss of these proceedings were classified as possible or remote, and, consequently, no provisions were set up. It should also be noted the existence of previously adjudged case favorable for the Company, handed down by the Minas Gerais State Public Court of Justice in a similar case, as well as opinions of renowned jurists on the subject, also favorable to our positioning, that is, the legality of the concession agreements.
2. Public Civil Action filed by the Municipality of Coronel Fabriciano in 2020 on the grounds that the Company was not complying with all contractual obligations, as there would be no treatment of all sewage produced at the town hall. In addition, failure to treat sewage would have caused environmental damage. As a result of these facts, the municipality expects Copasa to be convicted not to charge sewage tariff or to charge it at an amount proportionally reduced until entire sewage is treated; to pay a fine in compensation to the municipality for alleged non-compliance with Concession Agreement clauses; to return to users amounts charged as sewage tariff; to implement total sewage treatment in the municipality; to pay indemnity for collective moral damage. Summary judgment was dismissed because appraisal of requests was not urgent and incidence of prevailing jurisprudence on the possibility of charging sanitary sewage treatment tariff for services provided. In defense, Copasa argued that there was no breach of contract as sewage treatment service covers more than 108 thousand inhabitants

Notes to the financial statements

and construction work of interconnection to Integrated System with the municipality of Timóteo has already started, and half of the population is already served by this System. The amount of the lawsuit as of December 31, 2023, is R\$ 6,339 (R\$ 6,110 as of December 31, 2022).

3. Public Civil Action filed by the Public Ministry of Minas Gerais in 2023, under the argument of intermittency in the water supply in the Municipality of Diamantina in October and November 2023. The plaintiff claims the supply regularization, so that there is no interruption of service for more than 24 hours, as well as the payment of compensation for collective moral damage. In a previous statement, the Company has already demonstrated in the records that the water supply is regularized, and the deadline for submitting the objection has not yet started. The amount of the lawsuit as of December 31, 2023 is R\$ 3,800.

(ii) Labor

The lawsuits where the Company is directly liable are mostly related to pain and suffering and damages due to occupational illnesses or accidents, overtime, risk and health exposure premiums, stand-by periods, salary differences deriving from alleged job equality, and challenges of terminations with cause, as well as subsidiary responsibility in the lawsuits related to contractors, service providers and suppliers.

As a rule, labor proceedings are initially classified as possible loss and periodically, the classification of the risk of loss, the amount of contingency and the amount of the accounting provision are reviewed and changed, according to the decisions made, in each of the stages of the proceeding.”

(iii) Tax

These are proceedings in which the Company is assessed by the Public Treasury, whether National, State or Municipal, to collect credits of a tax nature (resulting from taxes, fees, contributions for improvement, social contributions and/or compulsory loan) and for collection of non-tax credits (such as those arising from the imposition of administrative fines).

The increase in the non-provisioned amount in the year 2023 was due to the filing of executive proceedings by some municipalities, seeking the collection of credits resulting from administrative infraction notices. These proceedings are in their initial phase, and there is a relevant legal thesis for the deconstitution of the credit, which is why the current loss prognosis is “possible”.

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17. Deferred income tax and social contribution

(a) Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL)

The amounts recorded as income tax and social contribution expenses in the financial statements are reconciled with the nominal rates provided by law, as shown below:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Income (loss) before taxes	1,786,272	1,045,954	1,786,272	1,045,954
Nominal rate	34%	34%	34%	34%
Expected expense at nominal rate	(607,332)	(355,624)	(607,332)	(355,624)
IRPJ and CSLL on:				
(Additions) /exclusions -				
Equity in net income of subsidiaries	(6,238)	(3,795)	-	-
Donations and subsidies	1,160	818	1,160	818
Other (additions) / exclusions	(6,519)	(1,819)	(12,757)	(5,614)
Other reconciliation items -				
Interest on own capital	162,905	132,976	162,905	132,976
Tax incentives	49,098	24,852	49,098	24,852
Effective expense - IRPJ and CSLL	(406,926)	(202,592)	(406,926)	(202,592)
Current IRPJ and CSLL	(305,613)	(126,952)	(305,613)	(126,952)
Deferred income tax and social contribution	(101,313)	(75,640)	(101,313)	(75,640)
Effective expense - IRPJ and CSLL	(406,926)	(202,592)	(406,926)	(202,592)
Effective rate	22.78%	19.37%	22.78%	19.37%

The Company recognizes, in accordance with the Constitutive Report 227/2021 issued by SUDENE and Executive Declaratory Act 103/2022 of 09/26/2022, the right to use the tax incentive of a 75% reduction in income tax in the amount of R\$ 31,401 (R\$ 16,577 in 2022). See Note 20.

(b) Deferred income tax and social contribution

Deferred income tax and social contribution are calculated on income tax losses and the negative basis of social contribution and on the corresponding temporary differences between the calculation basis of tax on assets and liabilities, and book values of financial statements. Such tax rates, currently defined to find these deferred taxes, are of 25% for income tax and 9% for social contribution.

Deferred tax liabilities are recognized inasmuch as it is likely that the future taxable income is available for use to offset temporary differences, based on projections of future income prepared and based on internal assumptions and on future economic scenarios that may, however, be subject to change.

Notes to the financial statements

The amounts of deferred income tax and social contribution by temporary difference are as follows:

	Parent company / Consolidated			Closing balances
	Opening balances	Comprehensive income	Recognized in income (loss)	
Year ended December 31, 2023				
Assets (Liabilities)				
Provision for expected credit losses on trade accounts receivable	74,261	-	6,356	80,617
Provision for legal disputes	142,629	-	(89,267)	53,362
Actuarial liabilities - comprehensive income	2,753	25,654	-	28,407
CPC adjustment - Balance of assigned assets to depreciate	40,216	-	(2,726)	37,490
Amortization difference by the discount of financial asset	212,179	-	26,099	238,278
Exchange-rate change on loans	(652)	-	(7,264)	(7,916)
Other sundry temporary provisions	26,241	-	(5,439)	20,802
Deferred construction revenue margin	(27,781)	-	1,799	(25,982)
Capitalization of discounted financial asset	(146,105)	-	(25,313)	(171,418)
Funding cost due to issue of debentures	(5,451)	-	(5,661)	(11,112)
Funding cost of loans	(937)	-	88	(849)
Provision for CPC adjustments - comprehensive income	(4,870)	15	-	(4,855)
Total net assets	312,483	25,669	(101,328)	236,824
Year ended December 31, 2022				
Assets (Liabilities)				
Provision for expected credit losses on trade accounts receivable	81,320	-	(7,059)	74,261
Provision for legal disputes	136,767	-	5,862	142,629
Actuarial liabilities - comprehensive income	25,150	(22,397)	-	2,753
CPC adjustment - Balance of assigned assets to depreciate	42,943	-	(2,727)	40,216
Amortization difference by the discount of financial asset	187,373	-	24,806	212,179
Exchange-rate change on loans	15,354	-	(16,006)	(652)
Other sundry temporary provisions	89,518	-	(63,277)	26,241
Deferred construction revenue margin	(29,583)	-	1,802	(27,781)
Capitalization of discounted financial asset	(126,834)	-	(19,271)	(146,105)
Funding cost due to issue of debentures	(5,573)	-	122	(5,451)
Funding cost of loans	(1,023)	-	86	(937)
Provision for CPC adjustments - comprehensive income	(6,373)	1,503	-	(4,870)
Total net assets	409,039	(20,894)	(75,662)	312,483

Temporary differences of R\$ 101,328 (R\$ 75,662 in 2022) for the year refer to expenses with deferred IRPJ and CSLL recognized in income (loss), in the amount of R\$ 101,313 (R\$ 75,640 in 2022), and deferred IRPJ and CSLL on the amortization of inflation adjustment on restated assets - years 1996/1997 recognized in shareholders' equity, under equity valuation adjustments, in the amount of R\$ 15 (R\$ 22 in 2022).

In compliance with CVM Resolution 109, dated May 20, 2023 and Technical Pronouncement CPC 32 - Income Taxes, the Company has a history of profitability and expectation of generating future taxable income that allow the recovery of tax credits contained in the deferred tax assets existing as of December 31, 2022. The balance of gross deferred assets recorded in the tax books on December 31, 2023 is R\$ 430,550 (R\$ 497,025 on December 31, 2022).

Therefore, projections of income (loss) show that the company should obtain sufficient income to recover the taxes paid, according to the estimated realization of the deferred tax assets, as follows:

Notes to the financial statements

Expected realization of deferred tax assets	Parent company / Consolidated
2024	92,065
2025	19,379
2026	14,756
2027	14,154
2028	14,154
2029	3,353
2030	3,353
2031	3,353
2032	3,353
2033	3,353
>2033	259,277
Total	430,550

18. Technical cooperation agreement

The balance of covenants in assets is as follows:

	Parent Company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Current assets	51,368	30,170	51,376	30,185
Non-current assets	4,479	2,629	4,479	2,629
	55,847	32,799	55,855	32,814

	Parent Company			Consolidated		
	Receivable	Advance	Net	Receivable	Advance	Net
December 31, 2023						
State funds	4,653	(4,287)	366	555,580	(555,206)	374
Federal funds	241,143	(185,662)	55,481	241,143	(185,662)	55,481
Total	245,796	(189,949)	55,847	796,723	(740,868)	55,855
December 31, 2022						
State funds	4,653	(4,287)	366	563,416	(563,035)	381
Federal funds	174,148	(141,715)	32,433	174,148	(141,715)	32,433
Total	178,801	(146,002)	32,799	737,564	(704,750)	32,814

The balance of agreements in liabilities is as follows:

	Parent company / Consolidated		
	Advance	Receivable	Net
December 31, 2023			
State funds	5,409	(4,111)	1,298
Current liabilities	5,409	(4,111)	1,298
December 31, 2022			
State funds	5,122	-	5,122
Federal funds	42,519	(39,663)	2,856
Current liabilities	47,641	(39,663)	7,978

Notes to the financial statements

19. Obligations with retirement benefits

On December 7, 1982, the Company signed an adhesion agreement and became a sponsor of the Minas Gerais Social Security Foundation - FUNDASEMG, whose rights and obligations were later assumed by PREVIMINAS, currently Libertas Foundation, which was established with the purpose of complementing the retirement of participating employees, ensuring the maintenance of its defined benefit plan in said Foundation. The Company's contribution is equivalent to that of participating employees, pursuant to Complementary Laws 108 and 109, dated May 29, 2001, and its value is calculated based on previously prepared actuarial studies.

As of November 1, 2010, the Company has three different plans: a) the RP1-BD (Defined Benefit) Plan, which was closed to new members, but which remains active and receiving contributions from those who did not choose to migrate to the other plans; b) the Copasa Settled-BD (Defined Benefit), created only to manage employee benefits from settlement; and c) the Copasa New Plan-CD (Defined Contribution) that was created for the migration of all participants and beneficiaries of the old BD plan and for the inclusion of new employees and officers.

On December 31, 2023, the descriptive statistics of the population mass linked to the RP1-BD, Copasa Settled-BD and Copasa New Plan-DB is:

	<u>RP1-BD</u>	<u>Copasa Settled-BD</u>	<u>Copasa New Plan-DC</u>
Active Participants	63	633	8,600
Redeemed participants	15	10	-
Participants	157	2,231	1,370
Pensioners	135	637	74

The benefits offered by the RP1-BD Plan, which is closed to new members, are as follows: supplementation of disability retirement, age, contribution and special retirement, in addition to sickness pay, pension, inmate pension supplement and death benefit.

Benefits offered by Copasa Settled-BD Plan: a) active, self-sponsored and assisted participants: settled benefit of scheduled retirement plan; b) beneficiary of assisted participant from the defined benefit plan: settled death pension benefit and settled savings for death; and c) redeemed participant or beneficiary of redeemed participant: settled benefit resulting from option for deferred proportional benefit.

The benefits offered by COPASA New Plan-DC are: a) for participants who migrated from the defined benefit plan to this plan, the length of stay in the previous plan will be recognized for the purpose of fulfilling the grace period in the new plan; and b) for new participants, the guaranteed benefits are deferred proportional benefit, disability retirement, death pension, inmate pension supplement and annual allowance.

The actuarial assumptions used in the benefit plans maintained by the Company are regularly reviewed and may differ from the actual results observed based on changes in the market and economic conditions, regulatory facts, judicial regulations, increase or decrease in the dismissal rates, in the life expectancy of participants, the volatility of the plan's assets, the changes in the return on bonds and inflation.

The investment guidelines for the plan assets are defined by the Libertas Foundation's Deliberative Council, based on the legal rules in force.

Notes to the financial statements

a) Amounts recognized in liabilities:

	Parent Company / Consolidated	
	12/31/2023	12/31/2022
Normal contributions - current	60	9,627
Long-term obligations - non-current	109,577	44,296
Total liabilities recorded in the balance sheet	109,637	53,923

b) Amounts recognized in statement of income are:

	Parent company / Consolidated				2022
	2023				
	RP1-BD	Copasa Settled-BD	Copasa New Plan-DC	Total	
Cost of current services	(105)	(1,654)	73	(1,686)	(652)
Financial cost	(6,643)	(136,516)	(1,120)	(144,279)	(118,251)
Expected return on the plan assets	8,155	131,447	6,744	146,346	112,937
Interest on the effect of asset ceiling	(1,512)	-	(5,625)	(7,137)	(5,000)
(Expense) Revenue	(105)	(6,723)	72	(6,756)	(10,966)

	Parent company / Consolidated	
	2023	2022
Actuarial remeasurements recognized in comprehensive income for the year	(49,801)	43,476
Actuarial gains (losses) accumulated in comprehensive income up to the year	(55,144)	(5,343)

c) Amounts recognized in other comprehensive income are:

	Parent company / Consolidated				2022
	2023				
	RP1-BD	Copasa Settled-BD	Copasa New Plan-DC	Total	
Actuarial gains (losses)	(2,579)	(38,731)	406	(40,904)	102,280
Return on the plan's assets, not including interest	(4,644)	(35,793)	(982)	(41,420)	(35,431)
Change in the effect of the asset ceiling	7,118	-	(250)	6,868	(976)
Gross (Loss) Gain	(105)	(74,524)	(826)	(75,456)	65,873
Taxes	36	25,338	281	25,655	(22,397)
Net gain (loss)	(69)	(49,186)	(545)	(49,801)	43,476

d) Consolidated liability amounts

Amounts related to three benefit plans recognized in balance sheet are as follows:

	2023				2022
	RP1-BD	Copasa Settled-BD	Copasa New Plan-DC	Total	Total
Present value of the obligations financed	(62,838)	(1,265,769)	(10,961)	(1,339,568)	(1,233,610)
Fair value of the plan assets	70,174	1,156,192	64,871	1,291,237	1,251,249
Asset ceiling effect	(7,336)	-	(53,910)	(61,246)	(60,977)
Plan's net liabilities	-	(109,577)	-	(109,577)	(43,338)

Notes to the financial statements

Changes in the present value of financed obligations is as follows:

	2023				2022
	RP1-BD	Copasa Settled-BD	Copasa New Plan-DC	Total	Total
January 01	(56,881)	(1,167,165)	(9,563)	(1,233,609)	(1,292,965)
Cost of current service	(105)	(1,654)	73	(1,686)	(652)
Financial cost	(6,644)	(136,516)	(1,120)	(144,280)	(118,251)
Contributions from plan participants	(262)	-	(757)	(1,019)	(1,127)
Actuarial remeasurements ⁽¹⁾	(2,579)	(38,731)	406	(40,904)	102,280
Benefits paid by the plan	3,633	82,124	-	85,757	79,320
Extraordinary contributions (active participants)	-	(1,755)	-	(1,755)	(1,173)
Extraordinary contributions (assisted participants)		(2,072)		(2,072)	(1,041)
Present value at December 31	(62,838)	(1,265,769)	(10,961)	(1,339,568)	(1,233,609)

⁽¹⁾ Gain is mainly due to the higher discount rate and expected return on assets for 2023 compared to 2022 (see actuarial assumptions below).

Changes in fair value of benefit plan assets are as follows:

	2023				2022
	RP1-BD	Copasa Settled-BD	Copasa New Plan-DC	Total	Total
January 01	69,823	1,123,827	57,598	1,251,248	1,235,203
Actual return on plan's assets	3,511	95,653	5,762	104,926	77,506
Employer contributions	211	-	754	965	1,118
Contributions from employees	262	-	757	1,019	1,127
Benefits paid	(3,633)	(82,123)	-	(85,756)	(79,319)
Extraordinary contributions (active participants)	-	1,755	-	1,755	1,173
Extraordinary contributions (assisted participants)		2,072		2,072	1,041
Sponsor's extraordinary contributions		15,008		15,008	13,399
Fair value, December 31	70,174	1,156,192	64,871	1,291,237	1,251,248

e) The main actuarial assumptions used:

	RP1 (BD)	Copasa Settled (BD)	New Copasa (CD) Plan
In 2023:			
Annual discount rate	9.73% p.a.	9.70% p.a.	9.7% p.a.
Expected annual return on plan assets	9.73% p.a.	9.70% p.a.	9.7% p.a.
Annual salary increase	1.60% p.a.	-	-
Projected inflation rate	3.92% p.a.	3.92% p.a.	3.92% p.a.
General mortality table	AT 2000 Basic M&F	BR-EMSsb 2015 (M&F)	BR-EMSsb 2015 (M&F) AT 49 M
Mortality table of individuals with permanent disability	AT 49 M	AT 49 M	(A80%) Light Weak
Table of new disability benefit vested	TASA 1927	TASA 1927	D50%

Notes to the financial statements

	RP1 (BD)	Copasa Settled (BD)	New Copasa (CD) Plan
In 2022:			
Annual discount rate	11.68% p.a.	9.15% p.a.	11.71% p.a.
Expected annual return on plan assets	11.68% p.a.	9.15% p.a.	11.71% p.a.
Annual salary increase	1.60% p.a.	-	-
Projected inflation rate	5.08% p.a.	5.08% p.a.	5.08% p.a.
General mortality table	AT 2000 Basic M&F	BR-EMSsb 2015 (M&F)	BR-EMSsb 2015 (M&F)
Mortality table of individuals with permanent disability	MI 2006	AT 49 M	AT 49 M (A80%)
Table of new disability benefit vested	Light Average	TASA 1927	Weak light D50%

The expected rate of return on plan assets was determined by their manager, according to their estimated return expectation for each type of investment, as well as on the plan's asset allocation target, defined based on the 2023 investment policy.

f) Sensitivity analysis of main hypotheses:

	RP1 Plan		
	AT 2000 Basic M&F	Age +1	Age -1
Mortality Assumption			
Actuarial liability	(62,838)	(61,825)	(63,940)
Fair asset	70,174	70,174	70,174
Surplus (deficit)	7,336	8,349	6,234
Changes	-	13.81%	-15.02%
Actual interest rate	5.59%	+0.25%	-0.25%
Actuarial liability	(62,838)	(61,358)	(64,384)
Fair asset	70,174	70,174	70,174
Surplus (deficit)	7,336	8,816	5,790
Changes	-	20.21%	-21.05%
	Copasa Settled-BD		
	BR-EMSsb 2015 (M&F)	Age +1	Age -1
Mortality Assumption			
Actuarial liability	(1,265,769)	(1,240,106)	(1,292,422)
Fair asset	1,156,192	1,156,192	1,156,192
Surplus (deficit)	(109,577)	(83,914)	(136,230)
Changes	-	-23.42%	24.32%
Actual interest rate	5.56%	+0.25%	-0.25%
Actuarial liability	(1,265,769)	(1,236,252)	(1,295,315)
Fair asset	1,156,192	1,156,192	1,156,192
Surplus (deficit)	(109,577)	(80,060)	(139,123)
Changes	-	-26.94%	26.96%

Notes to the financial statements

	New Copasa (CD) Plan		
	BR-EMSsb 2015 (M&F)	Age +1	Age -1
Mortality Assumption			
Actuarial liability	(10,961)	(12,058)	(9,888)
Fair asset	64,871	64,871	64,871
Surplus (deficit)	53,910	52,813	54,983
Changes	-	-2.03%	1.99%
Actual interest rate	5.56%	+0.25%	-0.25%
Actuarial liability	(10,961)	(10,871)	(11,080)
Fair asset	64,871	64,871	64,871
Surplus (deficit)	53,910	54,000	53,791
Changes	-	0.17%	-0.22%

The sensitivity analyzes presented for the plans are based on a change in the assumption, while all other assumptions are kept constant. In practical terms, this is not likely to happen, and changes in some of the assumptions can be correlated. In calculating the sensitivity of the defined benefit obligation in relation to material actuarial assumptions, the same method (present value of the defined benefit obligation calculated based on the projected credit unit method on the balance sheet date) was adopted, as well as in the calculation of the pension plan obligation recognized in the balance sheet.

20. Shareholders' equity and dividends

The Company is part of B3 – Brasil, Bolsa, Balcão's New Market of Corporate Governance, and its capital is exclusively comprised of common shares. Subscribed and paid-in capital, as of December 31, 2023 and 2022, totals R\$ 3,402,385, represented by 380,253,069 common shares, all nominative and with no par value.

The Company is controlled by the State of Minas Gerais, which owns approximately 50.03% of its shares and entity(ies) related to the controlling shareholder own 0.12% of the shares. There are approximately 49.56% of free float shares and the remainder, corresponding to approximately 0.28%, is held in treasury.

Copasa is authorized to increase its Capital up to the limit of R\$ 5 billion, upon resolution of the Board of Directors, as per the Extraordinary General Meeting held on April 29, 2020.

The shareholders will have the right of first refusal in any capital increases in accordance with current legislation. However, at criteria established at General Meeting, the preference right may be removed or the deadline to may be reduced to its exercise, upon issuance of shares, debentures convertible into shares and subscription warrant whose placement occurs through stock exchange sale or public subscription pursuant to law and within authorized capital limit.

The Company may, by resolution of the General Meeting, grant a stock option plan for managers, employees and collaborators, and this option may be extended to the managers and employees of the direct or indirect subsidiaries of the Company. It is worth highlighting that there was no stock option plan in the last years.

(a) Profit reserves

(i) Legal reserve

The legal reserve is set up annually by the allocation of 5% of net income for the year, and may not exceed 20% of the Company's capital. The legal reserve has the purpose of ensuring integrity of the Company's capital and may be used to offset losses and increase the capital.

Notes to the financial statements

(ii) Tax incentive reserve

- Government grants

Formed by the allocation of portion of tax incentives, resulting from donations and government grants. In the year of 2023, the amount of R\$ 3,412 (R\$ 2,407 in 2022) was recorded in income (loss), referring to the incentive for the fulfillment of the depollution targets for the Company's sewage treatment plants (Note 14), granted by ANA, with funds from PRODES.

- Tax incentives - SUDENE

Provisional Measure 2199-14, of August 24, 2001, updated by Law 13799 of January 3, 2019, establishes the right to a 75% reduction in income tax and non-refundable surcharges, calculated based on the Exploration Income, to legal entities that have a project for installation, expansion, modernization or diversification, classified in priority sectors of the economy for regional development and are located in the areas of operation of the Superintendence of Development of the Northeast (SUDENE) and Superintendence of Development of the Amazon (SUDAM).

Companhia de Saneamento de Minas Gerais - COPASA MG is present in 638 municipalities in Minas Gerais. Among the municipalities served by Copasa, 168 municipalities are included in SUDENE's area of operation, as established by Complementary Law 125/2007.

SUDENE approved the Company's right to the tax benefit of a 75% reduction in income tax and non-refundable surcharges, calculated on exploitation income. The incentive was granted for 10 years, with fruition starting as of January 1, 2021 and ending as of December 31, 2030 for water catchment, treating and distributing water and sanitary sewage, classified in the Infrastructure sector, considered a priority for purposes of regional development, according to Decree 4213/2002.

The tax incentive for the reduction of non-refundable Income Tax and Additional Charges, based on the Exploitation Income, are recorded in the income (loss) for the year as a reduction in income tax, in compliance with Technical Pronouncement CPC 07 (R1) (IAS 20). The portion of income from these tax incentives is destined to Profit Reserve known as Tax Incentive Reserve, pursuant to article 195-A of Law 6404/1976, which may be only used for capital increase or absorption of loss. In the calendar year 2023, the Company recognized the right to use the tax incentive of a 75% reduction in income tax and non-refundable surcharges, in the amount of R\$ 31,401 (R\$ 16,577 in 2022). Additionally, in 2023, after reviewing the procedures adopted in 2022, an adjustment was made to the SUDENE Tax Incentive Reserve, in the amount of R\$ 21 (R\$ 1,696 in 2022), as a contra entry to the Tax Incentive Reserve, in Shareholders' Equity.

(iii) Profit retention

Management proposes profit retention in the amount of R\$ 637,812 (R\$ 391,149 in 2022) for future investments by the Company, in line with the "Pluriannual Investment Program".

The accumulated balance of profit reserves on December 31, 2023, except for tax incentive reserves, considering the management's proposal for the allocation of net income for said year, is greater than the capital. Aiming to comply with the limit established in Article 199 of Federal Law 6404/1976 and the statutory provisions, the Company's Management will propose the holding of an General Meeting to deliberate on this matter in due course.

Notes to the financial statements

(b) Equity valuation adjustments

Equity valuation adjustments are related to:

- (i) Actuarial gains and losses: corresponds to the actuarial gains and losses calculated in accordance with CPC 33 (R1) and IAS 19 (R1) (Note 19). As of December 31, 2023, this account totals a credit balance of R\$ 55,144 (creditor of R\$ 5,343 as of December 31, 2022).
- (ii) Inflation adjustment on 1996/1997 assets, net of IRPJ and CSLL, of R\$ 9,427 for the year ended December 31, 2023 (R\$ 9,468 for the year ended December 31, 2022).

(c) Remuneration to shareholders

- Dividend Policy

Pursuant to the Bylaws, shareholders are entitled to receive a mandatory minimum dividend of 25% of net income for the year, adjusted by the decrease or increase in the amounts provided for in items I, II and III, article 202 of Law 6404/76. The Company has a Dividend Policy, approved by the Extraordinary General Meeting held on April 28, 2023, the content of which is summarized below:

Regular dividends - The Board of Directors will define, upon approval of corporate budget for the year, the percentage of Adjusted Net Income to be distributed, observing the statutory minimum percentage of 25% and the limit of 50%. The declaration must occur quarterly and the payment will be made within 60 days as of the date of the declaration, except for the values referring to the fourth quarter, which will be defined at the Annual General Meeting.

Extraordinary Dividends - They may be distributed as assessed by the Board of Directors, complying with the general guidelines, including compliance with the public interest that justified the creation of Copasa; the guarantee of resources, in its Investment Plan, to meet the provisions of Federal Law 11.445/2007 and Federal Law 14.026/2020, as well as legal, regulatory, statutory and financial restrictions, as well as covenants.

- Regular dividends

For 2023, the Board of Directors defined the percentage of Regular Dividends corresponding to 50% of Net Income, adjusted by the decrease or increase in the amounts specified in items I, II and III of Article 202 of Federal Law 6.404/1976, in the form of Interest on Own Capital and/or dividends.

The amount of R\$ 637,783 was declared as Regular Dividends, of which R\$ 387,526 were paid and R\$ 250,257 will have their payment date defined at the Ordinary General Meeting, as shown in the table below:

Reference	Corporate event	Date of right	Amounts	Payment date
JCP 1Q23	RCA 03/17/2023	03/22/2023	131,583	05/16/2023
JCP 2Q23	RCA 06/16/2023	06/21/2023	128,511	08/14/2023
JCP 3Q23	RCA 09/15/2023	09/21/2023	127,432	11/14/2023
	Declared Value (Jan to Sep/2023)		387,526	
JCP 4Q23	BOARD OF DIRECTORS' MEETING ON DECEMBER 15, 2023	12/21/2023	91,606	To be defined at Ordinary General Meeting
4Q23 Dividends	BOARD OF DIRECTORS' MEETING ON MARCH 20, 2024	03/25/2024	158,651	To be defined at Ordinary General Meeting
			250,257	
	Total		637,783	

Notes to the financial statements

As of December 31, 2023 and 2022, minimum mandatory dividends are as follows:

	Parent company / Consolidated	
	2023	2022
Net income for the year	1,379,346	843,362
Legal reserve - (5%)	(68,967)	(42,168)
Tax incentive reserve - government grant	(3,412)	(2,407)
Tax incentive reserve - SUDENE	(31,401)	(16,577)
Profit available for distribution	1,275,566	782,210
Minimum mandatory dividends – 25%	318,892	195,553

- Extraordinary dividends

Within the scope of the Dividend Policy, the General Meeting held on December 13, 2023 resolved to distribute extraordinary dividends in the amount of R\$ 372,472, using part of the Profit Retention Reserve existing in the balance sheet for the year ended December 31, 2022.

- Changes in “dividends and interest on own capital payable” caption:

	Parent company / Consolidated	
	2023	2022
Dividends and interest on own capital payable at the end of the year	231,653	265
Interest on own capital, proposed	479,132	391,105
Withholding income tax on interest on own capital	(33,471)	(23,576)
Interest on own capital paid in the year	(591,911)	(136,141)
Dividends	531,123	-
Dividends paid	(185,535)	-
Dividends and interest on own capital payable at the end of the year	430,991	231,653

(d) Allocation of income

As provided for in article 192 of Law 6404/76 the net income for the year will be allocated as follows:

	Parent Company
	2023
Legal reserve	68,967
Tax incentive reserve - government grant	3,412
Tax incentive reserve - SUDENE	31,401
Monetary updating of assets	(29)
Remuneration to shareholders	637,783
Profit retention reserve	637,812
Net income	1,379,346

(e) Earnings per share

- Basic

Basic earnings per share are calculated by dividing the income attributable to Company’s shareholders by the weighted average number of common shares issued by the Company throughout the year, less common shares held as treasury shares (letter “a” of this Note).

Notes to the financial statements

	Parent Company / Consolidated	
	2023	2022
Earnings attributable to Company's shareholders	1,379,346	843,362
Weighted average number of common shares issued - thousands	379,181	379,181
Basic earnings per share (in R\$)	3.64	2.22

- Diluted

As of December 31, 2023 and 2022, the diluted earnings per share is the same as the basic earnings since there are no dilutive instruments.

21. Information per business segment

The Company's management defined the operating segments used to make strategic decisions, such as water services, sewage services and solid waste services. The Company does not have inter-segment revenues, having only external clients.

- (i) Income (loss)

	Consolidated			Reconciliation to financial statements	Balances as per financial statements
	Water services	Sewage services	Solid waste		
Year ended December 31, 2023					
Gross operating revenue	4,792,299	2,466,804	5,523	812,077	8,076,703
Sales taxes	(443,457)	(228,202)	(665)	-	(672,324)
Net operating revenue	4,348,842	2,238,602	4,858	812,077	7,404,379
Costs, sales and administrative expenses	(3,077,726)	(1,584,284)	(3,438)	(812,077)	(5,477,525)
Other income before other net operating expenses	1,271,116	654,318	1,420	-	1,926,854
Other operating expenses, net					(137,660)
Net financial income (loss)					(2,922)
Operating income before taxes					1,786,272
Year ended December 31, 2022					
Gross operating revenue	3,964,647	2,004,617	2,406	758,074	6,729,744
Sales taxes	(367,014)	(185,568)	(307)	-	(552,889)
Net operating revenue	3,597,633	1,819,049	2,099	758,074	6,176,855
Costs, sales and administrative expenses	(2,754,714)	(1,392,849)	(1,607)	(758,074)	(4,907,244)
Other income before other net operating expenses	842,919	426,200	492	-	1,269,611
Other operating expenses, net					(17,275)
Net financial income (loss)					(206,382)
Operating income before taxes					1,045,954

Notes to the financial statements

The amortization and depreciation of the asset are allocated as follows:

Year ended December 31,	Consolidated			
	2023			2022
	Amortization	Depreciation	Total	Total
Water services	162,831	70,286	233,117	223,081
Sewage services	319,372	28,500	347,872	319,940
Other intangible assets	166,378	42,204	208,582	187,112
Total intangible assets	648,581	140,990	789,571	730,133

The impacts on gross operating revenue and costs arising from the reconciliation to the Financial Statements are presented below:

	Consolidated	
	12/31/2023	12/31/2022
Gross construction revenue referring to ICPC 1 (R1)	812,077	758,074
Construction cost referring to ICPC 1 (R1)	(812,077)	(758,074)
Construction margin	-	-

The assets corresponding to the reported segments are reconciled with the total assets, as shown below:

	Consolidated	
	12/31/2023	12/31/2022
Intangible assets:		
Water services	1,622,783	1,490,363
Sewage services	3,377,355	3,400,753
Other intangible assets	684,634	612,788
Total intangible assets	5,684,772	5,503,904
Property, plant and equipment		
Water services	1,160,716	928,182
Sewage services	253,250	251,488
Other intangible assets	351,741	287,348
Total Property, plant and equipment	1,765,707	1,467,018

There is no liability allocated to the reported segments.

22. Financial risk management

Corporate Risk Management is in line with Corporate Governance practices and with Corporate Planning, which defines the Company's Strategic Declaration.

The Company uses short, medium and long-term planning instruments to assess the management of its financial risks and, thus, guide the decision-making process, allowing actions, when necessary, to be taken in a timely manner. In the short term, the "daily cash flow schedule" is used, which covers a period of up to 90 days; in the medium term (360 days) it uses the corporate budget; in the long term, the Company uses the "Statement of Income", which portrays its strategic objectives for a period of 5 years, complemented by an economic-financial projection over a 30-year time horizon, and consists of an economic statement and a financial statement.

Notes to the financial statements

22.1. Financial risk management

The Company monitors its debt ratios aiming to assess the risks of loan operations that could compromise its liquidity.

The Company's short-term assumption is to predict its cash flow over a 12-month period, considering the economic scenarios disclosed by the financial institutions with which it relates.

The Company's main exposure risks are as follows:

(a) Market risk

The market risk is the risk that the fair value of future cash flows of a financial instrument will float due to changes in market prices. Market prices comprise several types of risk: interest rate risk, foreign exchange risk, commodity price risk and other price risks, such as equity risk. Financial instruments affected by market risk include loans, financing and debentures, CDBs and financial investments.

The sensitivity analyzes, according to the tables in items (b) and (c) below, were prepared by the Company based on the value of the net debt, on the index of fixed interest rates in relation to the variable interest rates for the debt, and the proportion of financial instruments in foreign currencies, all at constant values. The analyzes exclude the impact of changes in market variables on the value of retirement and post-employment obligations, provisions and on non-financial assets and liabilities.

Sensitivity analysis of respective item in statement of income is the effect of assumed changes according to respective market risks. It is based on financial assets and liabilities held as of December 31, 2023 and 2022.

(b) Interest rate risk

The interest rate risks for the Company arise from the different rates that remunerate: (i) assets, such as financial investments and (ii) Company's liabilities, especially loans, financing and debentures. The Company is exposed to the risk of rising interest rates and changes in exchange rates, with an impact on loans and financing.

As of December 31, 2023, 85.74% of Copasa's total debt was denominated in local currency and the outstanding balances were mainly indexed to the changes in Long-term Interest Rate (TJLP), the Benchmark Rate (TR), the Broad Consumer Price Index (IPCA), and the Interbank Deposit Certificate Rate (CDI), whereas 14.26% of its total debt was indexed to foreign currencies (euro). Operations related to loans, financing, debentures and their respective interest rates are disclosed below:

Indebtedness – financing facilities	Start of contract	Contractual rate (annual)	Variable rate (annual)	Termination of contract	Debit balance	Debt balance (including provision for interest)	% of total debit balance
<u>In domestic currency:</u>							
Financings – FGTS	- ⁽¹⁾	7.30–8.50%	REF. RATE	01/16/2043	729,709	729,709	15.3%
Loans	01/15/2008	1.55–1.73%	TJLP	05/15/2025	17,132	17,188	0.4%
Finame	03/28/2011	2.5–8.7%	-	01/15/2025	3,315	3,323	0.1%
Debentures - 5 th issue			REF. RATE				
Single series	09/20/2011	9.00%	REF. RATE	09/01/2031	135,288	136,246	2.9%
Debentures – 8 th issue							
1 st series	06/15/2015	1.87%	TJLP	06/15/2028	41,986	42,128	0.9%
2 nd series	06/15/2015	8.18%	IPCA	06/15/2028	27,003	27,079	0.6%
Debentures 11 th issue							
1 st series	01/15/2017	2.62%	TJLP	01/15/2031	100,785	101,156	2.1%
2 nd series	01/15/2017	8.85%	IPCA	01/15/2031	57,983	58,159	1.2%
Market debentures – 12 th issue							
1 st series	02/08/2018	5.06%	IPCA	01/15/2024	42,681	43,646	0.9%
2 nd series	02/08/2018	5.27%	IPCA	01/15/2026	68,855	70,475	1.5%

Notes to the financial statements

Indebtedness – financing facilities	Start of contract	Contractual rate (annual)	Variable rate (annual)	Termination of contract	Debit balance	Debt balance (including provision for interest)	% of total debit balance
Market Debentures - 13 th issue							
2 nd series	07/15/2018	110%	CDI	07/15/2023	-	-	0.0%
3 rd series	07/15/2018	6.50%	IPCA	07/15/2025	59,919	61,651	1.3%
Market debentures – 14 th issue							
1 st series	06/15/2019	106.15%	CDI	06/15/2024	9,605	9,645	0.2%
2 nd series	06/15/2019	4.30%	IPCA	06/15/2026	115,055	115,228	2.4%
Market debentures – 15 th issue							
Single series	12/16/2020	1.75%	CDI	12/16/2025	307,693	308,941	6.5%
Market debentures – 16 th issue							
1 st series	09/15/2021	5.23%	IPCA	09/15/2031	277,938	281,960	5.9%
2 nd series	09/15/2021	1.3%	CDI	09/15/2026	428,317	430,204	9.0%
Market Debentures - 17 th issue							
Single series	12/16/2022	1.30%	CDI	12/16/2029	750,000	752,937	15.8%
Market debentures – 18 th issue							
1 st series	09/15/2023	1.20%	CDI	09/16/2030	113,626	114,123	2.4%
2 nd series	09/15/2023	7.10%	IPCA	09/16/2030	791,599	793,540	16.6%
Total						4,097,338	

(1) Sundry dates.

Thus, analyzes are carried out considering the possibility of refinancing, renewing existing positions and new financing, aiming to optimize the Company's cost of capital.

Interest rate sensitivity

The Company prepared a sensitivity analysis of the effects of a possible change in market variables on its loans, financing, and debentures. In such analysis, keeping all other variables constant, the Company's income (loss) before taxation would be affected according to the scenarios presented below:

Indicators	Exposure	Scenario				
		Scenario I Probable	Scenario II	III	Scenario IV	Scenario V
	(i)	(ii)	+25%	-25%	+50%	-50%
TJLP (iii)	159,903	6.70%	8.38%	5.03%	10.05%	3.35%
Changes in principal	-	10,713	13,392	8,035	16,070	5,357
IPCA	1,441,034	3.90%	4.88%	2.93%	5.85%	1.95%
Changes in principal	-	56,200	70,250	42,150	84,301	28,100
CDI	1,609,241	9.15%	11.44%	6.86%	13.73%	4.58%
Changes in principal	-	147,246	184,057	110,434	220,868	73,623
REF. RATE	862,796	2.11%	2.64%	1.58%	3.16%	1.05%
Changes in principal	-	18,202	22,752	13,652	27,303	9,100
Fixed spread - Euribor						
(iv)	492,347	2.41%	3.01%	1.81%	3.62%	1.21%
Changes in principal	-	11,866	14,832	8,899	17,798	5,933
Fixed spread (iv)	188,141	-	0.00%	0.00%	0.00%	0.00%
No impact	-	-	-	-	-	-
Total	4,753,462	244,227	305,283	183,170	366,340	122,113

(i) Principal as of December 31, 2023.

(ii) Sources of indexes:

IPCA, as per Focus Bulletin of December 29, 2023.

TJLP and CDI, as per BRADESCO projections of December 21, 2023.

Accumulated TR of the last 12 months according to the Central Bank of Brazil.

For exchange rate change, see item "Exchange rate sensitivity" below.

(iii) Agreements: When the TJLP is higher than 6% per annum, the restated outstanding balance is subject to a rate of 6% per annum + spread. When the TJLP is equal to or less than 6% p.a., the restated outstanding balance will be charged considering the full TJLP plus the spread.

(iv) Contracts with fixed spread and without inflation adjustment.

Notes to the financial statements

(c) Currency risk

The Company is exposed to the risk of rising exchange rates, mainly to the quotations of euro against the Brazilian real, directly impacting indebtedness, income and cash flow. The operations and their respective exchange rates are disclosed below:

Indebtedness – financing facilities	Start of contract	Contractual rate (annual)	Variable rate (annual)	Termination of contract	Debit balance (Principal)	Debt balance (interest included)	%
Financing	12/13/2019	0.55%	€ + Euribor	09/20/2033	492,347	496,120	10.4%
Financing	12/13/2018	1.41%	€	05/15/2034	184,826	185,218	3.9%
Financing	12/29/2023	2.69%	€ + Euribor	12/20/2043	-	15	0.0%
Total					677,173	681,353	

Loans and financing in foreign currency are earmarked for specific works to improve and expand the water supply and sewage collection and treatment systems, as well as for gains in energy efficiency and environmental protection. For said operations, whose outstanding principal balances were € 126,537 thousand (equivalent to R\$ 677,173 thousand) on December 31, 2023, there is no contracted hedging mechanism.

Sensitivity to foreign exchange rate

The sensitivity analysis, prepared by the Company, is determined by the estimated changes in the € exchange rates, of ±25% and ±50%, in the debt balance in foreign currency of loans and financing. Keeping all other variables constant, the result of exchange rate sensitivity before taxation is shown below:

Financial instrument on 12/31/2023	Financing
Principal Balance (in thousand euros)	€126,537
Principal Balance	677,173
	Gain (loss)
Scenarios regarding the debt balance	Financing
Likely (Projection)	11,591
25% decrease in € FX	169,293
50% decrease in € FX	338,587
25% increase in € FX	(169,293)
50% increase in € FX	(338,587)

Source of projected indexes: Bradesco Euro Projection as of December 21, 2023.

<https://www.economiaemdia.com.br/SiteEconomiaEmDia/Projecoes/Longo-Prazo>

(d) Credit risk

Credit risk is the risk of a business counterpart not complying with obligations provided in a financial instrument or contract with client, resulting in financial loss. The Company is exposed to credit risk in its operating and financing activities, including deposits held in financial institutions, foreign exchange transactions and other financial instruments.

(i) Accounts receivable

The client's credit risk is subject to the users' payment capacity, as well as the regulatory rules and laws that define commercial and collection rules. This type of risk is minimized due to the dispersion of the client portfolio. Any losses due to impairment of accounts receivable are adequately covered by the allowance. The details of the recognition of expected credit loss with clients are in Note 3.4.2.

Notes to the financial statements

(ii) Financial instruments and cash deposits

Credit risk arises from the possibility that the Company may incur losses on deposits held with financial institutions. Aiming to mitigate this, the Company's financial investment policy was established, setting up limits and criteria for defining the financial institutions with which the Company will work.

The credit quality of financial assets can be assessed by reference to the latest available credit ratings or by the following historical information:

	Parent Company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Bank deposits and short-term interest earning bank deposits and collaterals (risk agencies, Moody's, Fitch and S&P)				
AAA	1,044,794	885,358	1,060,019	893,356
AA	8	7	92	118
A	54,689	318,774	75,086	341,614
BBB	-	1	-	1
Total	1,099,491	1,204,140	1,135,197	1,235,089
	Parent Company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Short-term bank deposit certificates - (Note 06 (a))	962,323	1,071,401	998,029	1,102,350
Restricted interest earning bank deposit (Note 08)	75,285	71,706	75,285	71,706
Collaterals as guarantees of loans, financing and debentures (Note 8)	61,883	61,033	61,883	61,033

(e) Liquidity risk

The Company's liquidity risk arises from the dynamics of its cash flow, which is strongly impacted by its revenue, investments and debt service. However, Copasa monitors the risk of shortage of funds through a sound cash flow management, ensuring sufficient funds to cover most of the short-term financial commitments and to ensure the Company's investment program.

Management monitors the liquidity level of the Company, considering the expected cash flow and balances of cash, cash and cash equivalents and interest earning bank deposits. Moreover, the Company develops cash flow projections, monitors the balance sheet liquidity ratios in relation to internal and external regulatory requirements and monitors macroeconomic and market issues that give rise to price renegotiations that materially change the cash flow.

The table below analyzes financial liabilities to be settled at net value, per maturity brackets, corresponding to balance sheets' remaining period in relation to contract maturity date. The amounts shown in the table correspond to the contracted undiscounted cash flows.

	Maturity brackets as of December 31, 2023			
	≤01 year	01–03 years	03–05 years	>05 years
Amortization	663,144	1,296,266	1,257,724	1,536,328
Interest	380,219	584,187	355,609	328,093
Loans, financing and debentures	1,043,363	1,880,453	1,613,333	1,864,421
Public-private partnership ⁽¹⁾	45,752	81,388	84,760	-
Obligations – Lease	47,457	38,225	6,485	-
Suppliers	377,766	-	-	-

⁽¹⁾ The amounts also include the financial expense related to the flow of future disbursements from Rio Manso PPP, updated according to the index defined in the agreement and calculated for the month of April, the date scheduled for the updates.

Notes to the financial statements

The Company does not have operations with derivative financial instruments.

The table below shows the collateral for the receivables provided by the Company in loans, financing and debentures agreements, in addition to the Rio Manso PPP. It is worth highlighting that these agreements also have a collateral for financing (Note 08).

Restricted revenues as of December 31, 2023			
Contract	Collateral (committed revenue)	Amount	Termination of contract
<u>Financing and Debentures</u>			
2007/2008 Financing	three (3) times the monthly debt service of the agreements.	5,687	September 2031
PAC 2009	three (3) times the monthly debt service of the agreements.	2,035	November 2032
5 th Issue of debentures (R\$ 288 Million)	at least 4.5% of the debentures' outstanding balance in the last business day of each year.	6,937	September 2031
2011 Financing (Normative Instructions 33, 25 and 24)	three (3) times the monthly debt service of the agreements.	4,324	June 2035
2012 Financing (Normative Instruction 24)	three (3) times the monthly debt service of the agreements.	566	May 2036
2013 Financing (Normative Instruction 27)	three (3) times the monthly debt service of the agreements.	3,886	October 2037
2014 Financing (Normative Instruction 02)	three (3) times the monthly debt service of the agreements.	2,725	Feb 2038
2015 Financing (Normative Instruction 02)	three (3) times the monthly debt service of the agreements.	1,613	March 2039
2017 Financing (Normative Instruction 29)	three (3) times the monthly debt service of the agreements.	4,487	January 2043
Financing (R\$ 181 million)	R\$ 7.0 million, annually adjusted by the IPCA since April 2010.	15,023	May 2025
8 th Issue of debentures (R\$ 140 million)	R\$ 16.9 million, annually adjusted by the IPCA since September 2015.	24,939	June 2028
11 th Issue of Debentures (R\$ 226 million)	R\$ 5.5 million, annually adjusted by the IPCA since April 2017.	6,589	January 2031
Financing of € 100 million in 2011	one (1) time the monthly debt service of the agreement.	30,190	December 2023
Finame	130% of the PMT of the contracts.	425	January 2025
Financing of € 200 million in 2023	125% of PMT.	1,681	December 2043
<u>Public-Private Partnership</u>			
Rio Manso PPP	1/12 of the annual installment of the consideration payable for each effective year.	11,100	December 2028
Total restricted revenue		<u><u>122,207</u></u>	

22.2. Capital risk management

The Company manages and monitors the capital structure in accordance with its Indebtedness Policy established in its Bylaws, in which:

- Copasa's consolidated net debt must be equal to or less than 3x EBITDA;
- Copasa's Total Liabilities must be equal to or less than its Shareholders' Equity; and
- Copasa's EBITDA must exceed 1.2x the Debt Service.

Objectives, policies and procedures were not changed during years ended December 31, 2023 and 2022.

Notes to the financial statements

22.3. Fair value estimate

It is assumed that balances of trade accounts receivable and trade accounts payable at book value, less impairment loss on accounts receivable is close to fair values considering maturity dates. For disclosure purposes, financial liabilities' fair value is estimated by discounting future contract cash flows at interest rate prevailing in the market, which is available to the Company for similar financial instruments.

(a) Fair value of loans, financing and debentures

The book values compared to their respective estimated fair values are as follows:

	Parent company / Consolidated			
	12/31/2023		12/31/2022	
	Book value	Fair value	Book value	Fair value
Loans and financing	1,429,077	1,397,880	976,937	953,664
Simple debentures	3,314,437	3,295,607	3,162,983	3,159,675
Total	4,743,514	4,693,487	4,139,920	4,113,339

The market liability values are calculated through the projection of the debt balance, updated by the contractual rate for the number of months remaining for payment. The value found goes back to the current period using the market rates below:

Lines	Parent Company / Consolidated			
	Contractual rate	Period in months	Market rate	Observations
Financing	7.78%	129	9.00%	Rate quote in December 2023
Financing	7.55%	17	12.0%	Rate quote in December 2023
FINAME	5.95%	8	12.04%	FINAME rate quote – December 2023
Simple debentures	9.93%	56	10.79%	Debenture rate quotes in December 2023
Financing	1.41%	63	1.41%	Rate quote in December 2023
Financing	4.56%	118	4.41%	Rate quote in December 2023
Financing	6.55%	243	6.55%	Rate quote in December 2023

Notes to the financial statements**23. Financial instruments by category**

(a) Assets

	12/31/2023		12/31/2022	
	Financial assets at amortized cost	Total	Financial assets at amortized cost	Total
Parent Company:				
Cash and cash equivalents	994,581	994,581	1,091,080	1,091,080
Trade accounts receivable	1,320,392	1,320,392	1,075,072	1,075,072
Banks and arrangements	-	-	11,791	11,791
Restricted interest earning bank deposits	75,285	75,285	71,706	71,706
Concession financial assets	999,639	999,639	872,921	872,921
Other accounts receivable	129,763	129,763	136,773	136,773
	3,519,660	3,519,660	3,259,343	3,259,343
Consolidated:				
Cash and cash equivalents	1,031,425	1,031,425	1,122,299	1,122,299
Trade accounts receivable	1,337,303	1,337,303	1,086,570	1,086,570
Banks and arrangements	124	124	11,842	11,842
Restricted interest earning bank deposits	75,285	75,285	71,706	71,706
Concession financial assets	1,016,635	1,016,635	889,897	889,897
Other accounts receivable	123,342	123,342	131,716	131,716
	3,584,114	3,584,114	3,314,030	3,314,030

(b) Liabilities

	12/31/2023		12/31/2022	
	Financial liabilities at amortized cost	Total	Financial liabilities at amortized cost	Total
Parent Company:				
Loans, financing and debentures	4,743,514	4,743,514	4,139,920	4,139,920
Suppliers	377,766	377,766	289,620	289,620
Leases	92,167	92,167	105,909	105,909
Public-Private Partnership	211,900	211,900	243,603	243,603
	5,425,347	5,425,347	4,779,052	4,779,052
Consolidated:				
Loans, financing and debentures	4,743,514	4,743,514	4,139,920	4,139,920
Suppliers	388,277	388,277	298,595	298,595
Leases	92,278	92,278	105,916	105,916
Public-Private Partnership	211,900	211,900	243,603	243,603
	5,435,969	5,435,969	4,788,034	4,788,034

Regarding the consolidated lease, in the year ended December 31, 2023, amortization and interest totaled R\$ 52,075 and R\$ 6,234, respectively (R\$ 39,856 and R\$ 9,767, respectively, in the year ended December 31, 2022).

Notes to the financial statements**24.Related party transactions**

(a) Assets, liabilities and income (loss)

The Company recognizes as a related party, in addition to the business relationships maintained with its wholly-owned subsidiary COPANOR, Copass Saúde and Fundação Libertas de Seguridade Social, as well as the financial transactions maintained with key management personnel, with its Majority Shareholder and with the Companies or Bodies directly or indirectly related to it, provided that there are formalized contractual relations with these Companies or Bodies that generate financial transactions.

Balances and transactions with related parties are as follows:

	Parent Company			
	12/31/2023			
	Subsidiary COPANOR	Other		
STATE OF MG		COPASS	LIBERTAS	
Assets				
Current assets				
Trade accounts receivable				
Amounts billed	-	15,954	1	17
Amounts to be billed	-	12,709	1	10
Agreements	-	366	-	-
Sundry receivables	-	-	-	-
Other assets - Credits with subsidiary	6,744	-	-	-
Total assets	6,744	29,029	2	27
Liabilities				
Current liabilities				
Agreements	-	1,298	-	-
Obligations with retirement benefits	-	-	-	60
Health program	-	-	11,316	-
Non-current liabilities				
Obligations with retirement benefits	-	-	-	109,577
Total liabilities	-	1,298	11,316	109,637
Income (loss) for the year				
Revenues from water and sewage treatment services	86	182,759	10	205
Security program	-	-	-	(55,112)
Health program	-	-	(109,716)	-
Personnel ceded expenses	(1,402)	-	-	-

Notes to the financial statements

	Parent Company			
	12/31/2022			
	Subsidiary COPANOR	Other		
STATE OF MG		COPASS	LIBERTAS	
Assets				
Current assets				
Trade accounts receivable				
Amounts billed	-	19,870	1	12
Amounts to be billed	-	11,192	1	6
Agreements	-	366	-	-
Sundry receivables	-	-	-	-
Other assets - Credits with subsidiary	5,342	-	-	-
Total assets	5,342	31,428	2	18
Liabilities				
Current liabilities				
Agreements	-	5,122	-	-
Obligations with retirement benefits	-	-	-	9,627
Health program	-	-	11,049	-
Non-current liabilities				
Obligations with retirement benefits	-	-	-	44,296
Total liabilities	-	5,122	11,049	53,923

Income (loss) for the year

Revenues from water and sewage treatment services	217	155,468	8	196
Security program	-	-	-	(51,025)
Health program	-	-	(101,555)	-
Personnel ceded expenses	(1,275)	-	-	-

Balances and transactions with related parties are conducted at prices and under terms and conditions agreed by the parties.

(b) Remuneration of key management personnel

	2023	2022
Remuneration	7,047	5,944
Benefits:		
Food	88	87
Health	122	85
Post-employment benefit	352	303
Total	7,609	6,419

24.1. Type of related party transactions

- State of Minas Gerais**

(a) Provision of water supply and sewage treatment services to the State and other State associates

These services are provided under terms to apply the tariffs set by ARSAE-MG.

(b) Interest on own capital and dividends

For the year ended December 31, 2023, the Company allocated to the State of Minas Gerais the amount of R\$ 240,398 referring to Interest on Own Capital (JCP) and R\$ 79,601 referring to dividends (R\$ 196,183 referring to the Interest on Own Capital - JCP as of December 31, 2022).

Notes to the financial statements

(c) Guarantee in Company agreements with the Federal Government

The agreement listed below describes the guarantees provided by the State of Minas Gerais in agreements involving the Company and the Federal Government.

Under the Revenue Attachment and Counter Guarantee Receivables Assignment and Transfer Agreement of November 29, 2011, entered into by the Federal Government, the State of Minas Gerais and Copasa, the State assigned as counter guarantee in case of default of the KfW payments, its tax credits provided for in Articles 155, 157 and 159 of the Constitution of the Federative Republic of Brazil, as provided for by Section III of said Agreement, i.e., in amounts sufficient to pay the installments and other charges due on each maturity date. As of December 31, 2023, the outstanding balance of this contract is R\$ 185,218 (R\$ 143,685 as of December 31, 2022).

(d) Technical cooperation agreements

Refer to agreements entered into by the Company and the State, under which the latter transfers funds from the Federal Government's General Budget, as grants, i.e., without generating finance costs and the need to provide guarantees. In turn, the Company is required to build infrastructure within the agreements' effective periods.

(e) Service agreements with PRODEMGE

The Company has agreements signed with the Information Technology Company of the State of Minas Gerais - PRODEMGE, whose shareholder is EMG, for the provision of Integration Services to the Multiservice IP Network with support for the transmission of voice and video data with quality of service, based on Internet Protocol (IP) technology, through which it is possible to share information technology services and telecommunications infrastructure, as well as providing a digital signature certificate for individuals or companies in the ICP Brasil standard. It also enables the provision of a Web Server/Multidomain Site certificate - International Hierarchy.

(f) Execution of works - water resilience

On July 14, 2021, the Company disclosed a Material Fact, communicating that it received an Official Letter from its controlling shareholder, the State of Minas Gerais, on that date informing of the approval of the Bill by the Legislative Assembly of the State of Minas Gerais – subsequently enacted, converted into the State Law 23830/21 of July 28, 2021 – authorizing the budget supplementation and capital expenditure to this Company in the amount of R\$ 2.05 billion, to carry out interventions and works that will enhance the water resilience of the Paraopeba and Rio das Velhas Basins, resulting from the Agreement signed in court between the State of Minas Gerais and the company Vale S.A.

On February 28, 2023, the Company announced in a Material Fact informing that it received on the aforementioned date from its controlling shareholder (State of Minas Gerais) a new official letter informing that, regarding the aforementioned works that will enhance the water resilience of the Paraopeba and Rio das Velhas, the transfer of amounts allocated to the execution of the works will be carried out in a non-onerous manner and, consequently, no capital contribution will be made to the Company. The legal instruments related to this matter were formalized in the fourth quarter of 2023.

- **COPANOR**

Refers to the costs of the personnel assigned by the Parent Company.

- **Fundação Libertas**

Sponsor's contribution relating to the employees participating in one of the three Supplementary Pension Plans: defined benefit, settled fund benefit, and benefit contribution, managed by Fundação Libertas (Note 19).

Notes to the financial statements

The Company's contribution is equivalent to that of participating employees, pursuant to Complementary Laws 108 and 109, dated May 29, 2001, and its value is calculated based on previously prepared actuarial studies.

The management fees and other prices are set by the entity's managing board, including the payments of retirees, appropriately calculated at arm's length.

(i) Cooperation Agreement for staff assignment

In 2023, a cooperation agreement was signed with lien to the assignee, aiming at the assignment of 1 employee from the Company's staff to exercise the position of administrative director with the Executive Board of Fundação Libertas, and in July 2023 the said employee was discharged from Copasa, through the Voluntary Dismissal Incentive Program - PDVI. Expenses for Copasa related to this assignment in 2023 were R\$ 47.

- **COPASS Saúde**

Sponsor's contribution to the employee's healthcare and dental care plan.

The transaction is conducted at arm's length since the plan is registered with the ANS (National Health Agency) and regulated by this Agency, which means it must comply with the same rules applicable to other corporate healthcare and dental care plans.

(i) Cooperation Agreement for staff assignment

The Company, through cooperation agreements with lien to the assignor, signed on March 23, 2022 and July 20, 2022, assigned 2 employees to exercise, respectively, the positions of Executive Superintendent and Administrative and Financial Manager at Copass Saúde. Expenses for Copasa related to this assignment in 2023 were R\$ 1,506 (R\$ 1,355 in 2022).

25. Commitments

The Company is a party to contracts for the construction of new projects, under which obligations are recognized as the services are performed. The main amounts payable to contractors and suppliers outstanding as of December 31, 2023 are listed below:

	Amount	Average contractual term (in months)
Obligations of the major 10 contracts - Investments in construction works and organic growth in several concessions, which corresponds to the expected disbursement	347,746	13
Contractual obligations - Lease agreements within the scope of IFRS 16, which corresponds to the expected disbursement	5,576	5

Notes to the financial statements

26. Insurance

The Company and its subsidiary contracted the Civil Liability Insurance for board members, directors and/or administrators of commercial companies in order to ensure them the right to compensation for the members of the Board of Directors and the Executive Board in the event of judicial and extrajudicial settlements, arbitration awards made by courts, final and unappealable court decisions, including attorneys' fees and court costs, in the course of proceedings based on civil liability for acts of management committed by these individuals while carrying out their duties.

On September 13, 2023, the Company contracted insurance coverage for damages to its buildings or facilities, in the locations called Regional, Cercadinho, Mutuca, and Barreiro.

27. Transactions that do not involve cash or cash equivalents

During 2023 and 2022, the Company and its subsidiary carried out the following investment and financing activities not involving cash, so these are not reflected in the statement of cash flows:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Capitalized interest (Note 10)	117,891	77,627	117,891	77,627
Leases additions	37,799	41,854	37,984	41,936

28. Revenues

The reconciliation of gross revenue to net revenue is as follows:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Revenue from rendering of water services	4,737,671	3,925,082	4,792,299	3,964,647
Revenue from rendering of sewage services	2,449,552	1,992,070	2,466,804	2,004,617
Solid waste	5,523	2,406	5,523	2,406
Construction revenue	798,644	741,034	812,077	758,074
Total gross revenue	7,991,390	6,660,592	8,076,703	6,729,744
Sales taxes	(665,675)	(548,069)	(672,324)	(552,889)
Net revenue	7,325,715	6,112,523	7,404,379	6,176,855

	Parent Company		Consolidated	
	2023	2022	2023	2022
Breakdown of Net Revenue:				
Direct revenue from water	4,221,902	3,473,639	4,270,619	3,508,496
Direct revenue from sewage	2,211,564	1,800,694	2,227,218	1,812,079
Solid waste	4,858	2,099	4,858	2,099
Total direct revenue	6,438,324	5,276,432	6,502,695	5,322,674
Indirect revenue from water	77,365	88,088	78,223	89,137
Indirect revenue from sewage	11,382	6,969	11,384	6,970
Total indirect revenue	88,747	95,057	89,607	96,107
Construction revenue	798,644	741,034	812,077	758,074
Net revenue	7,325,715	6,112,523	7,404,379	6,176,855

Notes to the financial statements**29. Costs and expenses by nature**

	Parent Company		Consolidated	
	2023	2022	2023	2022
Operating costs				
Personnel	920,786	784,853	940,206	801,287
Social security costs	177,223	169,572	181,069	172,702
Construction costs	798,644	741,034	812,077	758,074
General material	110,398	114,937	115,634	120,138
Treatment materials	128,558	114,667	132,368	117,969
Outsourced services	620,321	544,068	625,453	548,186
Electric power	572,988	517,971	586,012	528,952
General expenses	293,848	219,305	295,835	220,927
Depreciation and amortization	707,162	653,960	718,145	662,918
(-) Tax credits	(64,633)	(68,875)	(65,462)	(69,733)
Losses of obsolete materials	526	-	1,093	(81)
	4,265,821	3,791,492	4,342,430	3,861,339
Sales expenses				
Personnel	202,423	183,212	202,780	183,593
Social security costs	32,178	34,044	32,241	34,115
General material	4,164	4,895	4,176	4,908
Treatment materials	34	30	34	30
Outsourced services	45,806	28,685	47,343	30,168
Electric power	2,545	2,214	2,545	2,214
General expenses	1,687	727	1,702	750
Depreciation and amortization	7,317	6,944	7,411	6,950
	296,154	260,751	298,232	262,728
Expected credit losses on trade accounts receivable	183,658	201,935	185,496	206,215
Administrative expenses				
Personnel	363,560	280,773	365,035	281,772
Social security costs	50,365	43,008	50,647	43,185
General material	3,535	5,774	3,798	5,987
Treatment materials	8	35	8	35
Outsourced services	138,742	146,782	140,644	148,528
Electric power	3,433	3,049	3,662	3,284
General expenses	23,355	34,129	23,558	34,302
Depreciation and amortization	63,946	60,227	64,015	60,265
Losses of obsolete materials	-	(403)	-	(396)
	646,944	573,374	651,367	576,962

Notes to the financial statements

	Parent Company		Consolidated	
	2023	2022	2023	2022
Costs and Expenditures				
Personnel (Note 30)	1,486,769	1,248,838	1,508,021	1,266,652
Social security costs (Note 30)	259,766	246,624	263,957	250,002
Construction costs	798,644	741,034	812,077	758,074
General material	118,097	125,606	123,608	131,033
Treatment materials	128,600	114,732	132,410	118,034
Outsourced services	804,869	719,535	813,440	726,882
Electric power	578,966	523,234	592,219	534,450
General expenses	318,890	254,161	321,095	255,979
Depreciation and amortization	778,425	721,131	789,571	730,133
(-) Tax credits	(64,633)	(68,875)	(65,462)	(69,733)
Losses of obsolete materials	526	(403)	1,093	(477)

	Parent Company		Consolidated	
	2023	2022	2023	2022
Details of construction costs:				
Salaries and payroll charges	42,368	40,624	42,368	40,624
Material	49,550	52,657	51,483	54,705
Equipment	43,041	21,538	43,631	23,947
Outsourced services	581,492	568,514	592,402	581,096
Financing costs	82,243	55,170	82,243	55,171
Other	(50)	2,531	(50)	2,531
	798,644	741,034	812,077	758,074

30. Personnel expenditures

	Parent Company		Consolidated	
	2023	2022	2023	2022
Salaries	810,660	774,039	825,223	786,270
Indemnities, mainly PDVI	125,326	7,685	125,439	7,685
Social security costs	259,766	246,624	263,957	250,002
FGTS	68,854	65,869	69,876	66,703
Contribution to pension plan	55,111	51,025	55,111	51,025
Meal program	209,988	186,397	214,183	190,121
Health program	109,716	101,555	110,667	102,385
Employee profit sharing	84,935	38,003	84,935	38,004
Other benefits	22,179	24,265	22,587	24,459
Total (Note 29)	1,746,535	1,495,462	1,771,978	1,516,654
Personnel (Note 29)	1,486,769	1,248,838	1,508,021	1,266,652
Social security costs (Note 29)	259,766	246,624	263,957	250,002

Notes to the financial statements

31. Other operating expenses, net

Other net operating expenses are presented below:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Reversal of non-deductible provision	28,277	62,031	28,277	62,031
Recovery of written-off accounts	-	42,798	-	44,582
Disposal of property, plant and equipment	3,746	4,481	3,896	4,481
Other revenues	35,037	25,707	35,530	25,774
Total revenue	67,060	135,017	67,703	136,868
Legal demands and compensations	(37,026)	(29,389)	(37,811)	(28,397)
ARSAE fee	(56,813)	(53,060)	(57,843)	(54,019)
Expenses with environment preservation	(39,750)	(20,686)	(39,750)	(20,686)
Taxes and duties	(13,306)	(15,553)	(13,601)	(15,781)
Actuarial liability	(6,756)	(10,806)	(6,756)	(10,806)
Other expenses	(39,839)	(21,818)	(49,602)	(24,454)
Total expense	(193,490)	(151,312)	(205,363)	(154,143)
Other operating expenses, net	(126,430)	(16,295)	(137,660)	(17,275)

32. Financial revenues and expenses

Financial revenues (expenses) can be summarized as follows:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Asset interest	49,679	47,783	50,137	48,423
Yields from interest earning bank deposits	125,863	86,368	130,010	90,626
Revenue from inflation adjustment and exchange rate change	48,451	78,858	48,601	78,915
Revenues from financial assets/other	114,434	67,201	115,576	67,757
Taxes on financial revenue	(10,926)	(7,609)	(11,174)	(7,846)
Total financial revenue	327,501	272,601	333,150	277,875
Charges on financing and legal provision	(208,097)	(326,687)	(208,235)	(326,761)
Inflation adjustment and exchange rate change expense	(120,051)	(157,209)	(126,258)	(157,209)
Other expenses	(1,441)	(264)	(1,579)	(287)
Total financial expenses	(329,589)	(484,160)	(336,072)	(484,257)
Financial income (loss)	(2,088)	(211,559)	(2,922)	(206,382)

33. Operational and Financial Data of Activities Related to Achievement of Collective Interest Purposes

In compliance with the provisions of item VI, article 8 of Federal Law 13303/16 and in item VI, article 13 of State Decree 47154/17, Copasa informs that the operational and financial data regarding the activities related to the achievement of the collective interest purposes are informed in Management report.

Comments on the Behavior of the Business Projections

Comments on the Behavior of the Business Projections

1. Projections

Aiming to monitor the dynamics of the sanitation sector and the performance of the Brazilian economy, the Company periodically reviews its planning and goals, including investment plans.

1.1. Investment Program

1.1.1. 2023 Investment Program

For the year 2023, Copasa's planned investments in water, sewage and business and operational development were R\$ 1.60 billion, as approved by the Ordinary General Meeting (AGM) held on 04/28/2023. Furthermore, the value of capitalizations totaled R\$ 160.0 million. Referring to the subsidiary Copanor, in the estimated amount of R\$ 49.3 million for the year.

The amounts invested in 2023, within the scope of the Parent Company totaled R\$ 1.63 billion, including interest capitalizations, personnel expenses, materials and others, according to the following table:

Investments made (R\$ million)	2023
Water	680.0
Sewage	671.0
Business and operational development	78.5
Subtotal	1,429.5
Capitalization ¹	198.6
Total - Parent company	1,628.0
Copanor (including capitalizations)	31.5
Total - Copasa and Copanor	1,659.5

(1) Amounts referring to the capitalization of interest, personnel expenses, materials and others, related to the works carried out and business and operational development.

1.1.2. Investment Program, 2024–2028

The values of the Multiannual Investment Program projected by COPASA MG for the period from 2024 to 2028 are as follows:

Projected value (R\$ million)	2024	2025	2026	2027	2028
Water, Sewage, and Corporate Development	1,670.0	1,628.0	1,628.0	1,628.0	1,628.0
Capitalizations	221.5	330.9	342.2	342.3	342.3
Total	1,891.5	1,958.9	1,970.2	1,970.3	1,970.3

Capital budget proposal

CAPITAL BUDGET

In view of the projections for business growth in 2024, the Company will invest in the expansion of water services, with works to expand production capacity, waste treatment, service capacity and systems deployment. Funds will also be invested in Sewage treatment systems, in works aimed at expanding the service capacity, implementing systems, sewage treatment and proper disposal of effluents, among others.

Moreover, investments will be made in operational and business development focused on information technology, energy efficiency, environmental actions and water quality control, among others.

For 2024, the investments foreseen by Copasa in water, sewage and business and operational development, for deliberation of the Ordinary General Meeting (AGM), total R\$ 1,670.0 million. The Company also plans to capitalize R\$ 221.5 million in 2024.

Furthermore, an investment proposal of R\$ 47.5 million will be submitted to the same Ordinary General Meeting, with the purpose of improving the infrastructure conditions for the provision of services in COPANOR's area of operation. The source of funds is a subsidy from an additional amount charged in the tariff of the Company's customers, as provided for in the Copasa's Tariff Review.

INDEPENDENT AUDITORS' REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Board Members, Shareholders, Administrators of Companhia de Saneamento de Minas Gerais - COPASA MG

Belo Horizonte - MG

Opinion

We have examined the individual and consolidated financial statements of Companhia de Saneamento de Minas Gerais - COPASA MG ("Company"), identified as Parent Company and Consolidated, respectively, comprising the balance sheet as of December 31, 2023 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, as well as the corresponding notes, comprising the significant accounting policies and other clarifying information.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the individual and consolidated financial position of Companhia de Saneamento de Minas Gerais – COPASA MG as of December 31, 2023, the individual and consolidated performance of its operations and its individual and consolidated cash flows for the year then ended, in conformity with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board (IASB).

Basis for opinion

Our audit was conducted in accordance with Brazilian and international auditing standards. Our responsibilities, in conformity with these standards, are described in the following section denominated "Auditor's responsibilities for the audit of the individual and consolidated financial statements".

We are independent in relation to the Company and its subsidiaries, in accordance with the relevant ethical principles provided for in the Accountant's Code of Professional Ethics and in professional standards issued by the Federal Accounting Council, and we comply with other ethical responsibilities according to these standards. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Main audit issues

The key audit matters are those who, in our professional judgment, were the most significant in our audit of current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and, therefore, we do not express a separate opinion on these matters.

Revenue from rendering of water and sewage services

See Notes 3.14, 4 (item b - Uncertainties on assumptions and estimates) and 28 of the individual and consolidated financial statements

Key audit matters

The Company's water supply and sewage treatment service revenues are recognized when water is consumed or when services are rendered. Therefore, revenue recognition requires an information technology environment with a robust structure capable of supporting the number of transactions related to billing, from the reading of consumption and processing to the invoice issuance.

The recognition of revenue from the provision of water and sewage services includes the estimated volumes consumed and not yet billed, calculated based on the last consumption reading date until the end of each period.

Thus, there is a significant risk that the revenue to be billed is recognized without meeting all the minimum criteria required for its recognition or without having a rationale or justification consistent with the normal course of the Company's business.

Due to the complexity, inherent risks and the information technology environment associated with the high level of reliance on the revenue and accounts receivable process, we consider this matter to be material for our audit.

How our audit addressed this matter

Our procedures included, but were not limited to:

- We evaluated the design and implementation of existing relevant internal controls related to the billing process and accounts receivable; and
- With the assistance of our IT experts, we carried out the understanding and testing of the general controls regarding the technology environment related mainly to the security aspects, systems change and monitoring of the processes that support the Company's billing system.

Our tests revealed deficiencies in the design and operational effectiveness of certain internal controls related to the general technology environment controls. In view of this fact, we expanded the scope of our substantive procedures to obtain sufficient and appropriate audit evidence:

- We performed a reconciliation test of the book balances of water and sewage service revenues with the auxiliary reports and, on a sampling basis, inspected subsequent invoices and receipts, as well as performed a subsequent receipt test of selected invoices in the accounts receivable outstanding in December 31, 2023;
- We carried out a matching test of the registration of active and inactive clients and whether they have any billing in 2023 and evaluated the exceptions identified; and
- To estimate the revenue to be billed from volumes consumed, we evaluated the data and criteria adopted by the Company, as well as the uniformity of the criteria in relation to the one adopted in the previous year and recalculated the revenue to be billed as of December 31, 2023, considering the number of days not billed in relation to the closing date of the month, as well as carrying out a documentary inspection test, using a sample basis, to examine the invoice and the subsequent settlement of the revenue to be invoiced, evaluating the accrual period of each record.

As a result of evidence from the procedures summarized above, we consider that unbilled revenues are acceptable in the context of the individual and consolidated financial statements taken as a whole for the year ended December 31, 2023.

Expenses with contract assets, intangible assets and financial assets

See Notes 3.4, 3.6, 05, 10 and 11 of individual and consolidated financial statements

Key audit matters

As of December 31, 2023, under contract assets, intangible assets and financial assets of concessions, the Company has individual amounts of R\$ 2,511,680 thousand, R\$ 5,570,519 thousand and R\$ 999,639 thousand, respectively, and consolidated amounts of R\$ 2,609,114 thousand, R\$ 5,684,772 thousand and R\$ 1,016,635 thousand, respectively. The business that the Company operates and the modeling of concession agreements with the Concession Grantors require the Company to make material investments in the infrastructure of their concessions, which are classified as contract assets, intangible assets or concession financial assets.

In view of the high judgment level exercised by the Company to define and allocate expenditures between: (i) costs capitalized as contract assets, which are expenses with works in progress linked to the concession; (ii) capitalized costs of intangible assets, when there is an increase in capacity and network improvement; (iii) capitalized costs to the concession's financial asset, when there is an unconditional right to receive cash at the end of the concession as indemnity and refer to the portion that is not recovered via tariff, and (iv) maintenance expenses incurred, which are recognized in the income (loss) for the year; and the fact that any change in the adopted assumptions and exercised judgments in the classification of expenses may materially impact the financial statements, we consider this matter key to our audit.

How our audit addressed this matter

Our procedures included, but were not limited to:

- We evaluated the design and implementation of the internal controls related to the concession investments, including the criteria for determining the accounting classification between capitalized costs of contract asset, intangible asset, concession financial asset and maintenance expenses, controls of project completion and process of determining the beginning of the amortization record;
- On a sampling basis, for additions made during the year, we evaluated the nature of these investments and we considered the adequacy of the classification of investment amounts among concession contract assets, intangible assets, concession financial assets and maintenance expenses, the latter to be recognized in income (loss) for the year. Additionally, we evaluated the process of transferring costs from contract assets to definite accounts to determine the beginning of the amortization record on a sample basis; and
- Finally, we evaluated the fair presentation of the disclosures of the Company and its subsidiary about their capitalization and transfer policies.

As a result of evidence from the procedures summarized above, we consider that contract assets, intangible assets and financial assets of concessions, as well as respective disclosures, after adjustments, are acceptable in the context of financial statements taken as a whole for the year ended December 31, 2023.

Other issues - Statements of added value

Individual and consolidated statements of added value (DVA) for the year ended December 31, 2023, prepared under responsibility of Company's management, and presented as supplementary information for IFRS purposes, were submitted to audit procedures carried out together with the audit of Company's financial statements. To form our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in CPC 09 Technical Pronouncement - Statement of Added Value. In our opinion, these statements of added value were prepared, in all material respects, in accordance with the criteria defined in this Technical Pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Other information accompanying individual and consolidated financial statements and the auditors' report

The Company's management is responsible for such other information that comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not include the Management Report and we do not express any form of audit conclusion on such report.

Regarding the audit of individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is, in a material way, inconsistent with the financial statements or with our knowledge gained in the audit or otherwise appears to be materially misstated. If, based on the works performed, we conclude that there is a material misstatement in the Management Report, we are required to disclose this fact. We have nothing to report in this regard.

Responsibilities of management and governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of individual and consolidated financial statements, management is responsible for assessing the ability of the Company to continue as a going concern, disclosing, where applicable, the matters relating to its going concern and the use of this basis of accounting in preparing the financial statements, unless management intends to wind-up the Company and its subsidiaries or cease its operations, or has no realistic alternative to avoid the closure of operations.

Those charged with governance of the Company and its subsidiaries are the people responsible for overseeing the process of preparation of the financial statements.

Auditors' responsibilities for the audit of the individual and consolidated financial statements

Our purposes are to obtain reasonable assurance that the individual and consolidated financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error, and to issue audit report containing our opinion. Reasonable assurance means a high level of security, but not a guarantee that an audit conducted in accordance with Brazilian and international auditing standards always detects any existing material misstatements. Misstatements may be due to fraud or error and are considered material when, individually or taken as a whole, can influence, within a reasonable perspective, the economic decisions of users taken based on these financial statements.

As part of the audit conducted in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain our professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may lead the Company and its subsidiaries to no longer remain as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identified during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Belo Horizonte, March 20, 2024.

KPMG Auditores Independentes Ltda.
CRC SP-014428/O-6 F-MG

Original report in Portuguese signed by

Anderson Luiz de Menezes
Accountant CRC MG-070240/O-3

Opinions and Statements / Tax Council opinion or equivalent body**TAX COUNCIL OPINION**

The Tax Council of Companhia de Saneamento de Minas Gerais - Copasa, in the exercise of its legal and statutory duties, have examined the Management Report and the Financial Statements, comprising the following: Balance Sheet, Statement of Income for the Year, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity, Statement of Cash Flows, Explanatory Notes, Capital Budget and other accounting documents, relating to the year 2023.

Based on the examinations and clarifications provided by Management and Statutory Audit Committee throughout the fiscal year and in view of the non-qualified report of KPMG Auditores Independentes, issued on March 20, 2024, the Tax Council considers that the Management Report and the individual and consolidated Financial Statements, accompanied by the Explanatory Notes for the year ended December 31, 2023, as well as the proposals for the allocation of net income and the capital budget, are in condition to be submitted for discussion and voting at the Ordinary General Meeting of Copasa.

Belo Horizonte, March 20, 2024.

Carlos Henrique Guedes
Deputy Board Member

Fernando Dal-Ri Murcia
Chairman of the Board of Directors

Juliano Fisicaro Borges
Board Member

Sérgio Tuffy Sayeg
Board Member

Opinions and Statements / Summarized Report from Audit Committee (statutory, provided for in specific CVM regulation)

ANNUAL SUMMARIZED REPORT FROM AUDIT COMMITTEE - COAUDI 2023

To the members of the Board of Directors of Companhia de Saneamento de Minas Gerais - Copasa:

Introduction

The Statutory Audit Committee - COAUDI of Companhia de Saneamento de Minas Gerais - Copasa was established at the Board of Directors' meeting as of March 21, 2018. The composition, discipline and operation of COAUDI are provided for in its own Internal Regulation, presented in the Company's official website.

The current COAUDI is made up of 3 members: Artemio Bertholini, who acts as a Member specializing in corporate accounting, in compliance with Article 25 of Law 13.303/2016 and Article 37 of State Decree 47.154/17, with a term of office until June 2024; Brenda Felícia Vieira da Silveira, with a term of office until July 2025, and Marcelo Souza Monteiro, Member representing the Board of Directors as COAUDI Coordinator, with a term of office until April 2024.

COAUDI is a joint statutory advisory body to the Board of Directors, with permanent and independent performance, whose main duties are evaluating and monitoring the processes for preparing and presenting the Company's financial statements, the risk management processes and internal controls, as well as the effectiveness of the internal and external audit performance.

Furthermore, it also assesses the reasonableness of the parameters supporting the actuarial calculations and results of the benefit plans maintained by the Company, as well as the monitoring, together with Management, of the transactions with its related parties.

Managers are responsible for the preparation and integrity of the financial statements, for the management of risks, the maintenance and effectiveness of the internal control systems and the compliance of activities with legal and regulatory standards.

Internal Audit is responsible for the periodic review and assessment of controls related to the main risk areas, acting independently to analyze, assess and verify their effectiveness, recommendations and adequacy of the applicable governance criteria.

KPMG was responsible for the independent audit of the Company's financial statements for the year ended December 31, 2023 and for the special review of its quarterly information. As a normal part of its duties, it also obtained an understanding of internal controls relevant to the audit to plan appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of internal controls and compliance with applicable legal and regulatory provisions.

Main activities of COAUDI for the year

COVID-19 pandemic

Throughout 2023, COAUDI kept monitoring the residual developments of the pandemic applicable to the Company's internal and external operating environment, mainly related to the impacts on the relationship with employees and their distinct effects, among those who continued to work in person in the operation and those involved with administrative and support activities, which can be performed remotely and with potential consequences for revenue and default levels.

Water Security

Accident with barrage of Córrego do Feijão mine - owned by Vale - in Brumadinho generated several consequences to Copasa's operational water catchment process, mainly in sites related to Rio das Velhas and Rio Paraopeba basins, which are the major water suppliers in Belo Horizonte Metropolitan Region.

Effort made on different fronts to overcome problems related to this accident culminated in a general agreement executed on February 04, 2021 by Vale, Minas Gerais Government, Minas Gerais State Public Prosecution Office - MPMG, Federal Public Prosecution Office - MPF, Minas Gerais State Public Defender's Office and mediation of Minas Gerais State Public Court of Justice. Copasa is part of the Water Security front, involving the integration of Paraopeba and das Velhas Systems and universalization of basic sanitation in affected municipalities and other environmental compensation actions.

Considering the significant importance of this matter for the Company's operations, COAUDI closely monitored the negotiations between the Management of Copasa and its controlling shareholder, the Government of the State of Minas Gerais, which culminated in the formalization, through the SEDE/SUBINVEST Circular Letter 9/2023, of February 27, 2023, which was also the subject of a Material Fact issued to the market.

According to such understandings, the amounts to be transferred for the execution of the works that will enhance the water resilience of the Paraopeba and Rio das Velhas basins will be made in a non-onerous manner for Copasa, thus not resulting in an increase in its capital.

Other recurring matters - throughout the year, COAUDI developed an intense process to deepen the knowledge on the Company's business and familiarizing itself with its main risk areas, policies, control mechanisms and governance support. Accordingly, for the year 2023, monthly or bi-monthly meetings were maintained with the Company's Administrators, especially with those responsible for the areas of Governance, Controllership and Accounting, Internal Audit, Sustainable Development and Risk Management. Additionally, COAUDI also met with the Board of Directors.

Meetings were also held with the Managers of Fundação Libertas and their external auditors, with COPASS Saúde, with the subsidiary Copanor and with the technicians responsible for the KPMG Auditores Independentes.

These meetings addressed, among others, matters related to the financial statements, accounting and tax and fiscal processes, risk management and internal controls and transactions involving related parties, monitoring of initiatives related to ESG, activities related to cybersecurity and data governance/incident responses and reports from the reporting channel forwarded to COAUDI.

Other activities developed by COAUDI consisted of monitoring the eligibility requirements of the Tax Council and Administrators, pursuant to article 36, paragraph 1, items IX and X, of State Decree 47154/17 and monitoring the Company's compliance with the requirements of Law 13709/2019 - General Personal Data Protection Law - LGPD.

In January 2024, COAUDI stated that there was no obstacle to hiring the company Grant Thornton Brasil as responsible for independent audit services for Copasa and Copanor, effective from the quarterly information for the first quarter of 2024.

In the dialogues of COAUDI Members with internal and external audits, their work plans were assessed and their results, conclusions and recommendations were presented. The reviews of the quarterly Financial Statements, as well as the Financial Statements for the year ended December 31, 2023 were carried out with those responsible for their preparation and with the independent auditors.

Finally, COAUDI also records the participation of its members in the Training and Retraining Program for Administrators, carried out in 2023.

Conclusions

COAUDI's opinions and judgments rely on the data and information presented to it by the Company's Management (especially in the Accounting, Legal, Risk Management and Internal Audit areas), of its subsidiary Copanor, of Fundação Libertas, of COPASS Saúde and of the External Auditor.

As for the structure of internal controls and risk management, COAUDI considers that there is satisfactory coverage for the size and complexity of the Company's businesses.

Regarding the Internal Audit, the results of its performance during the year 2023 did not reveal any deviations or significant flaws in the procedures related to the effectiveness of the internal controls adopted by the Company, as well as regarding the adherence to the policies and practices established by the Management and in compliance with the rules and regulations applicable to the activity.

Regarding the External Audit, COAUDI has not identified a situation that could affect its independence and is not aware of significant technical differences between Management, the Independent Auditors and COAUDI itself.

Subject to the limitations and peculiarities of its scope of operation, COAUDI considers that all relevant and pertinent matters were properly addressed in its diligences and discussions with the Company's Management, allowing it to conclude that they are adequately disclosed in the Financial Statements for the year ended December 31, 2023. Accordingly, there is any restrictions on their approval by the Board of Directors.

Belo Horizonte, March 20, 2024.

Artemio Bertholini
COAUDI's Member

Brenda Felicia Vieira da Silveira
COAUDI's Member

Marcelo Souza Monteiro
COAUDI's Coordinator

Opinions and Declarations / Opinion or Summary Report, if any, from the Audit Committee (statutory or otherwise)

ANNUAL SUMMARIZED REPORT FROM AUDIT COMMITTEE - COAUDI 2023

To the members of the Board of Directors of Companhia de Saneamento de Minas Gerais - Copasa:

Introduction

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Subject to the limitations and peculiarities of its scope of operation, COAUDI considers that all relevant and pertinent matters were properly addressed in its diligences and discussions with the Company's Management, allowing it to conclude that they are adequately disclosed in the Financial Statements for the year ended December 31, 2023. Accordingly, there is any restrictions on their approval by the Board of Directors.

Belo Horizonte, March 20, 2024.

Artemio Bertholini
COAUDI's Member

Brenda Felicia Vieira da Silveira
COAUDI's Member

Marcelo Souza Monteiro
COAUDI's Coordinator

Opinions and Statements / Statement of the Executive Officers on the Financial Statements

STATEMENT OF REVIEW OF THE FINANCIAL STATEMENTS AND THE INDEPENDENT AUDITORS' REPORT BY THE OFFICERS

In compliance with items V and VI, article 27 of CVM Resolution 80, dated March 29, 2022, the Chief Executive Officer and the other Officers of Companhia de Saneamento de Minas Gerais - COPASA MG, a publicly held mixed capital company headquartered at Rua Mar de Espanha, 525, Belo Horizonte - MG, EIN 17.281.106/0001-03, hereby declare that:

1. They have reviewed, discussed and agreed with the opinions expressed in the KPMG Auditores Independentes opinion on the Financial Statements of the Parent Company and Consolidated, in compliance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) for the year ended December 31, 2023;
2. Review and discussions were carried out and they agree that financial statements of the Parent Company and Consolidated are in compliance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) for the year ended December 31, 2023.

In Belo Horizonte-MG, March 20, 2024.

Guilherme Augusto Duarte de Faria
CEO

Carlos Augusto Botrel Berto
Chief Financial and Investor Relations Officer

Cleyson Jacomini de Sousa
Chief Customer Relationship and Regulation Officer

Guilherme Frasson Neto
Chief Operating Officer

Pablo Ferraço Andreão
Chief Technological Development, Environment and Project Officer

Opinions and Statements / Statement of the Directors on Independent Auditor's Report

STATEMENT OF REVIEW OF THE FINANCIAL STATEMENTS AND THE INDEPENDENT AUDITORS' REPORT BY THE OFFICERS

In compliance with items V and VI, article 27 of CVM Resolution 80, dated March 29, 2022, the Chief Executive Officer and the other Officers of Companhia de Saneamento de Minas Gerais - COPASA MG, a publicly held mixed capital company headquartered at Rua Mar de Espanha, 525, Belo Horizonte - MG, EIN 17.281.106/0001-03, hereby declare that:

1. They have reviewed, discussed and agreed with the opinions expressed in the KPMG Auditores Independentes opinion on the Financial Statements of the Parent Company and Consolidated, in compliance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) for the year ended December 31, 2023;
2. Review and discussions were carried out and they agree that financial statements of the Parent Company and Consolidated are in compliance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) for the year ended December 31, 2023.

In Belo Horizonte-MG, March 20, 2024.

Guilherme Augusto Duarte de Faria
CEO

Carlos Augusto Botrel Berto
Chief Financial and Investor Relations Officer

Cleyson Jacomini de Sousa
Chief Customer Relationship and Regulation Officer

Guilherme Frasson Neto
Chief Operating Officer

Pablo Ferraço Andreão
Chief Technological Development, Environment and Project Officer