

Companhia de Saneamento de Minas Gerais (COPASA MG)

Individual and consolidated
financial statements as of
December 31, 2022
and independent auditors' report
(Free-Translation)

Companhia de Saneamento de Minas Gerais - COPASA - MG

Years ended December 31, 2022 and 2021

In thousands of reais, unless otherwise indicated

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MESSAGE FROM MANAGEMENT

For COPASA MG, 2022 was a year of positive results, having ended the year with net revenue from water and sewage services on the order of R\$ 5.4 billion (3.7% higher than in 2021), net income of R\$ 843 million (56.9% higher than the previous year), and EBITDA of R\$ 2.0 billion (2.2% higher than Adjusted EBITDA in 2021).

The resilience of the Company's business model contributed favorably to these results, with positive impacts on revenue. Furthermore, COPASA MG implemented several actions that, among other benefits, led to greater efficiency in managing costs and expenses, which evolved at rates that in 2022 were lower than inflation for the period.

Noteworthy among these measures is the "Incentivized Voluntary Resignation Program" (PDVI) implemented in 2021, in which approximately 1,100 employees took part, aiming at adapting the Company's cost curve and improving its operational efficiency.

Also worth mentioning are the commercial actions focused on resuming and intensifying collections and debt renegotiation campaigns, such as the *Dias Azuis* ["Blue Days"] Campaign, in which special conditions were offered to low-income clients in the "Social Residential" category. These commercial actions and campaigns resulted in a reduction in the Company's default rate to 3.22% in December 2022, the lowest figure reported in the last six years.

Another front on which COPASA MG achieved success in 2022 was water loss management, with a 2% reduction in the year, considering the loss rate in liters/connection x day. This was achieved through measures such as the implementation of the Performance Contract to recover the micro-measured volume in areas of social vulnerability and the acquisition / application of around 840,000 new water meters in micro-measurement, leading to a reduction in the average age of the water metering system.

Whether aimed at reducing costs or aligned with its commitment to sustainable development, the Company has also been implementing several initiatives to manage its electricity consumption, such as contracting energy on the "free" market, for what is expected to be a reduction in electricity costs of around R\$ 228 million over the next 60 months, as well as the implementation of photovoltaic solar plants for remote offsetting of energy consumption at units served at low voltage, in addition to the replacement of outdated equipment with other more efficient equipment.

COPASA MG—reaffirming its commitment to providing quality services and to achieving the targets of universal access (or universalization) established in the New Sanitation Framework—in 2022 invested R\$ 1.35 billion jointly with its subsidiary COPANOR, an amount 28.5% higher than the investments made in 2021. For the period 2023–2027, the Company plans investments of roughly R\$ 9.5 billion.

Within the scope of its ESG Agenda and in fulfillment of the Sustainable Development Goals (SDGs), in 2022 the Company continued its investments in actions to protect and recover micro-drainage basins, through its award-winning "Pró-Mananciais" Program, among other initiatives. Also along these lines, also worth mentioning is the fact that, since it began reporting its information on the global Carbon Disclosure Project (CDP) platform in 2013, COPASA MG has evolved from an "E" score, the lowest at the time, to a "B" ", in 2022, being ahead of the regional average for Latin America and the sector average of non-electricity-producing utilities companies, which reached a score of "C" in both cases.

The Company's performance is marked by social engagement. Along these lines, COPASA MG joined the "Mais Água" ["More Water"] Movement, an initiative of Global Compact Network Brazil to accelerate the universalization of sanitation and water security in Brazil.

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The “Engajar para Transformar” [“Engage to Transform”] Program—the Company’s foremost initiative in the social sphere—was a finalist in the Innovation in Environmental Sanitation Management Category of the 2022 National Sanitation Quality Award; through this Program, 12,900 new users signed up for COPASA MG’s services in local communities.

Also in the social dimension, COPASA MG invests in caring for the people of Minas Gerais, with initiatives such as the promotion of cultural, artistic, sporting and social projects, and grants a special 50% tariff discount to city governments with no overdue water bills, enabling them to save resources for investments in works and other projects of social interest. The “social residential” tariff, which offers a reduction of up to 50% on water and sewage bills for low-income families for monthly consumption of no more than 20 cubic meters, reached 686,900 households for water supply services and 405,500 households for sewage services, considering COPASA MG and COPANOR jointly.

The Company works intensely to strengthen its safety culture, with a 10.1% reduction in lost-time accidents in 2022 compared to the previous year. Still seeking to ensure an increasingly safe, promising, and welcoming work environment, COPASA MG endeavors in actions that seek gender equity, diversity, and inclusion. Part of this effort is the Women’s Mentoring Program, which was in its second edition in 2022, in addition to joining the 2030 Women Leadership Movement, a Global Compact initiative with the scope of increasing women’s participation in leadership positions.

Regarding corporate governance, the Company always seeks to be on par with the best market practices and adhere to regulatory demands as well as “Novo Mercado” requirements. In this respect, several actions were adopted throughout 2022, such as the establishment of the Compensation Policy, review of the main policies and regulations of the Company’s statutory bodies, definition of risk appetite, and preparation of the Corporate Risk Map.

In view of these achievements, we would like to thank our employees, shareholders and clients for all their support and the trust they have placed in us. Your contribution was essential for everything we achieved in 2022.

Below we present in detail the main results achieved in this financial year.

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MANAGEMENT REPORT

1. Company's profile

Companhia de Saneamento de Minas Gerais – COPASA MG 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 MG’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 8.5 million inhabitants also receive sewage services.

In December 2022, COPASA MG (consolidated) had 640 concessions to render water services and 309 concessions to provide sewage treatment services, as shown in the following table:

Concessions ^(1,2)	12/2022			12/2021		
	Total	Parent company	Copanor	Total	Parent company	Copanor
Water						
Concessions	640	591	49	640	591	49
In operation	632	584	48	631	583	48
Sewage						
Concessions ⁽³⁾	309	253	56	310	254	56
In operation	269	228	41	266	225	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 19 municipalities and concessions with 2 municipalities, whose contracts were judicially declared null and void.

(3) This reduction is due to the termination of the sewage concession in the municipality of Datas, which has a population of less than 4,000 inhabitants. The concession was not operated.

The ten main current concessions on December 31, 2022, which jointly accounted for approximately 50% 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
Ribeirão das Neves	05/2034
Divinópolis	06/2041
Patos de Minas	12/2038
Santa Luzia	02/2050
Pouso Alegre	08/2046
Varginha	06/2047

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In December 2022, 83% of the Company's water and sewage revenues came from concessions whose maturity dates occur after December 2031. Concessions relating to 19 municipalities were expired and the contracts of 2 municipalities, which together account for approximately 3.8% of water and sewage revenues, were legally considered null and void.

Considering 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.

2. Regulatory innovations in the basic sanitation sector in Brazil

Law 14026/2020 was published on July 15, 2020, amending the basic sanitation framework in Brazil (Law 11445/2007). Some of the main points of this Law are: designation of the National Water and Basic Sanitation Agency (ANA) as the regulator of services at the national level, with powers to publish general rules for the services; the requirement for universal provision of services, with targets of 99% coverage for water and 90% for collected and treated sewage by the year 2033; new conditions to provide services; targets for reducing losses; mandatory prior indemnity for investments not amortized in the transfer from one service provider to another; required bidding for all new contracts; instruments that facilitate privatization; among other points.

With the new regulatory powers of Brazil's National Water and Sanitation Agency – ANA (established in Law 14026/2020) to issue reference standards, which contain guidelines for the regulation of public basic sanitation services in Brazil, the aim is to standardize the sector's rules in order to attract more investments in sanitation.

In November 2021, the ANA approved yet another reference standard for the basic sanitation sector, concerning the standardization of addenda to water supply and sewage collection/treatment agreements. The document contains indicators for monitoring the universalization of these public services. The measure seeks to contribute to the harmonization and strengthening of the sector's regulatory governance, allowing for a more transparent and attractive business environment for new investments. ANA Resolution 106/2021, containing the Reference Standard that establishes parameters for the regulation of public services of basic sanitation, water supply, and sewage collection and treatment, entered into effect on November 5, 2021. This standard sets out the indicators through which the clauses relating to the universalization targets provided for in Article 11-B of Law 11445/2007 are to be ascertained.

During FY 2022, the calendar for publishing the Reference Standards of the Regulatory Agenda was updated; for the coming years, new reference standards are planned for the sanitation sector, which include water supply, sewage collection and treatment, urban stormwater drainage, and solid waste management.

The reference standard on the methodology for indemnifying assets for water and sewage was made available for public consultation in November 2022; the time limit for submitting contributions was January 2023.

The rules on water and sewage tariff review will be divided into two standards, since the discussion on tariff models was separated due to the complexity of the subject; both standards are expected for 2023. In the case of the reference standard on the minimum content of program and concession agreements, it will also be divided into two (02) parts: the first one on contractual addenda, due to the need to include the universalization targets set forth

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in article 11-B of Law 11445/207, and the second one on the standardization of concession contracts (slated for 2023).

2.1. Economic-Financial Capacity of COPASA MG and its Water and Sewage Universalization Indices

According to the Notice to the Market published on March 17, 2022, the minutes of the meeting of the Board of the Minas Gerais State Water and Sewage Regulatory Agency (Arsae-MG) were published in the State's Official Gazette on that date, which addressed the procedure for proving the economic-financial capacity of COPASA MG, as provided for in Federal Law 14026/2020 and Federal Decree 10710/2021.

Arsae-MG's technical opinions attested to COPASA MG's ability to meet the requirements established by the aforementioned legislation, both in the first stage (economic-financial indicators) and in the second stage of the process (feasibility studies and fundraising plan).

The decision by the Arsae-MG Board was to unanimously approve the proof of the Company's economic-financial capacity, considering COPASA MG's submission of the statement of consent to the addendum to agreements for the insertion of universalization targets, for 396 municipalities that signed the documents. A qualified opinion was indicated for the 183 municipalities that, by the end date of the deciding opinion issued by Arsae-MG, had not formalized addenda to the respective concession agreements. It is worth noting that, in December 2022, 141 municipalities with regular contracts in force did not sign the New Framework Updating Statement.

The Company continues to work on several fronts to ensure compliance with the New Sanitation Framework. At the same time that the new legislation brings challenges, it also represents opportunities. One of them refers to the COPASA MG positioning in the Brazilian basic sanitation sector, with financial, operational and service indicators much higher than the national average.

In 2022, COPASA MG's water supply universalization index, measured by the percentage of properties with access to a treated water distribution network, was 99.8% in the area covered. In that period, the sewage collection universalization index reached 90.8% of the properties in its area of coverage, and 72.1% of the properties with complete infrastructure available for the treatment of collected sewage. The indices of universalization of water supply, sewage collection, and sewage treatment were calculated in accordance with the rule provided for in ANA Resolution 106/2021, which establishes parameters for the regulation of basic sanitation public services of water supply and sewage collection and treatment.

In December 2022, the National Sanitation Information System (SNIS) released the "Thematic Diagnosis - Water and Sewage Services", whose reference year is 2021. According to the report, in 2021, the total supply rate with public water networks was 84.2% in Brazil. Regarding sewerage, only 55.8% of the population is served by the sewage system. Considering only collected sewage, the service rate rises to 80.84%.

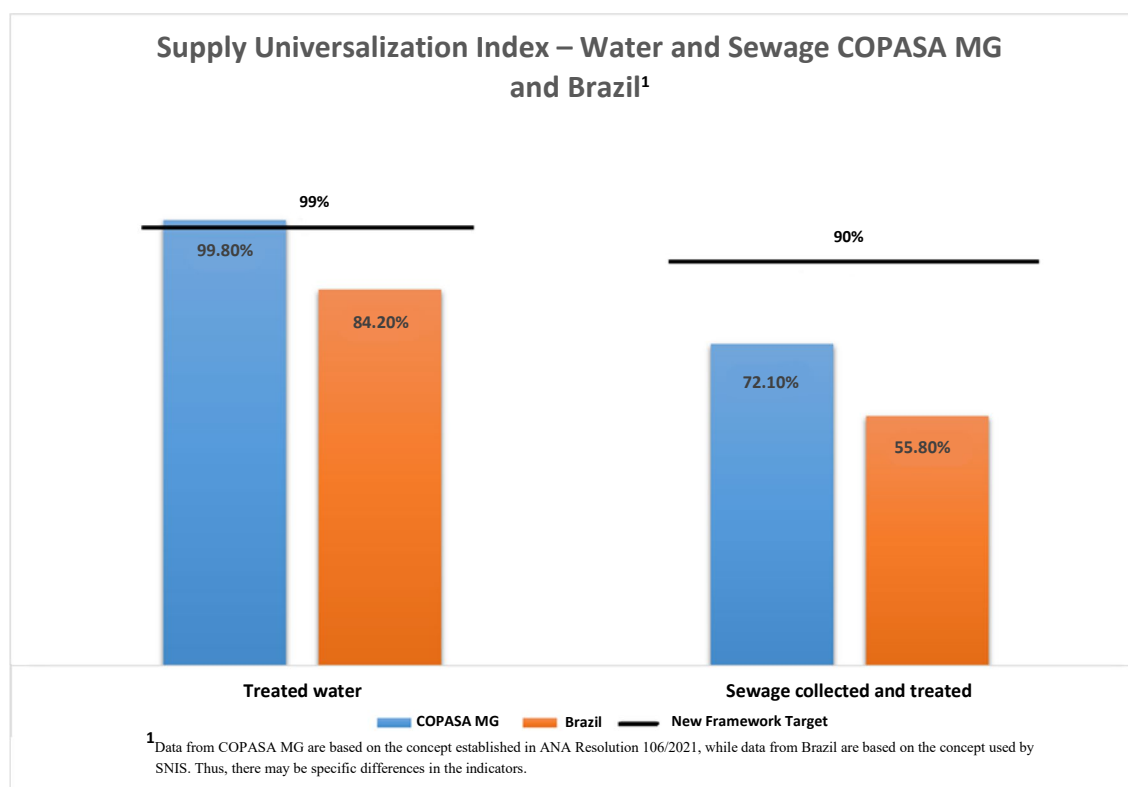
Although there is a lag of one year in the comparison between the indicators of COPASA MG (2022) and those made available by the SNIS for the Brazilian population (2021), one can see that the Company's universalization indices—both for water and for sewage collected and treated—are much higher than the national average, as shown in the graph below. Moreover, one can see that the universalization index of water supply presented by COPASA MG in 2022 in its region of coverage remained higher than the target laid down in the New Regulatory Framework, which shows that the Company reached universalization before the planned deadline of 2033. With

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regard to sewage collected and treated, COPASA MG—whose universalization index is also higher than the national average, albeit below the target of 90% for 2033 established by the New Framework—has been making intensive efforts with the aim of achieving universalization within the defined time periods and, accordingly, approved a robust Investment Program for the period 2023–2027, as detailed in item 5.2 below.



The investments estimated for the coming years for universalization in the coming years aim to meet the organic growth of the locations in the area covered by the COPASA MG concessions, in addition to investments in infrastructure aiming to guarantee the continued water supply with quality for the required demand. In sewage, in addition to meeting the growth of municipalities, COPASA MG will need to expand the implementation of treatment units, interceptors and pumps, to increase the rate of treated sewage, as provided for in the New Sanitation Framework. The Company's Investment Program is aligned with the achievement of these targets.

3. Regulatory Environment

The public water supply and sewage treatment services provided by the Company are regulated and supervised by the Minas Gerais State Regulatory Agency for Water Supply and Sewage Services (ARSAE-MG). Among other responsibilities, Arsa-e-MG is in charge of defining the tariffs (or rates) to be charged, which is the form of remuneration for the services provided by the Company.

The tariff is calculated taking as a parameter the overall costs incurred by the Company, which must guarantee an efficient level of expenditure by the concessionaire, which ensures the economic and financial balance and the preservation of the social aspects of the services, as provided for by Federal Law 11445/2007.

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These tariffs are reviewed every four years and adjusted for inflation once a year.

The Periodic Tariff Review seeks to ensure that the revenue billed by the service provider can cover the efficient costs necessary for the provision of services, generating funds for investments and guaranteeing adequate remuneration and amortization of invested capital, as well as defining the parameters of tariff incentives related to efficiency of operating costs, in addition to the expansion and quality of services to be in effect during the Tariff Cycle. The calculation of these incentives is done through the component called X factor.

The first tariff review was conducted in 2017.

The 2nd periodic review was completed in June 2021, and the average tariff effect applied to the current tariffs was -1.52%, which was applied as of August 01, 2021, when a new cycle of four years started.

The tariff adjustment—whose methodology is defined by means of CRE Technical Note 15/2021—aims to correct the incidence of inflation on the Company's costs, the application of tariff incentives (X factor), and the compensation related to the financial components.

The base date for the annual tariff adjustment was August 1st. In 2022, there was a change in the date of application of the tariff adjustments, which changed to January 1st of each year.

On November 23, 2022, Arsaé-MG announced the tariff adjustment to be applied by COPASA MG starting January 01, 2023. The Average Tariff Effect ("ETM") was 15.7% (fifteen-point-seven percent). It is worth mentioning that the financial losses arising from the postponement of the application of the tariff adjustment were offset by this tariff adjustment.

4. Corporate Strategy and Client-Centered Approach

4.1. Strategic Declaration

In December 2021, the Company's Board of Directors approved COPASA MG's Strategic Planning for the 2022–2026 cycle, expressing it in its Strategic Declaration and on the Strategic Map.

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The Strategic Declaration, designed considering the challenges imposed by the new scenario in the sanitation sector in Brazil, incorporates an innovative vision to guide the Company’s management, and is noteworthy because it places the client as its central value. COPASA MG’s Strategic Declaration, which brings together declarations for the Company’s Purpose, Commitment, Way, Processes and Ambition, can be seen below:

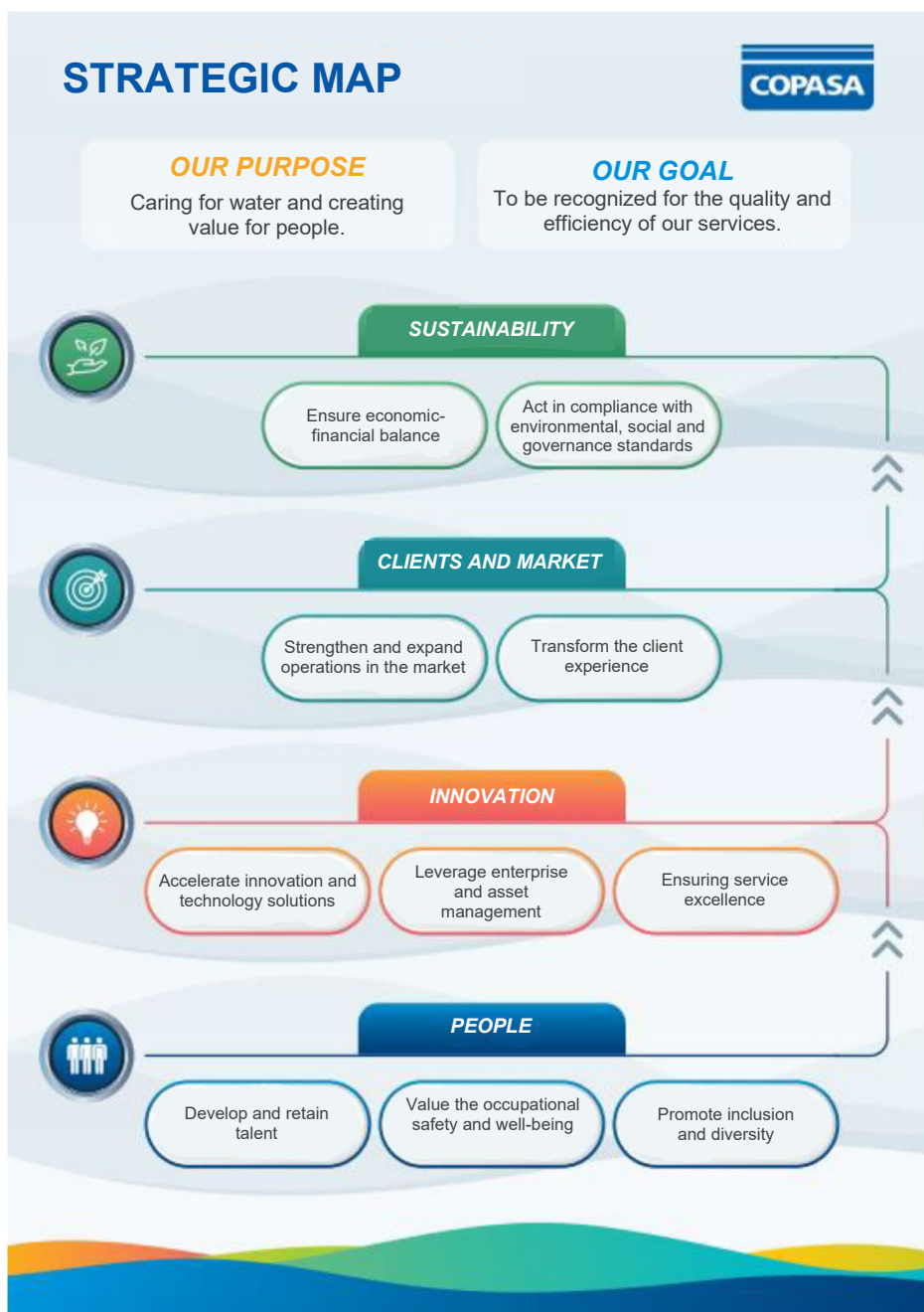
In turn, the Strategic Map—shown in the figure below—unfurls the Company’s Strategic Declaration into guidelines, consolidated according to the perspectives of Sustainability, Clients and Market, Innovation, and

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People, with a view to integrating the commitments of COPASA MG's Environmental, Social and Governance (ESG) Agenda to its Strategic Planning and the 10 strategic objectives defined by the Company, aligned with the Sustainable Development Goals (SDGs) of the UN Global Compact:



In FY 2022, implementation and monitoring of the performance of the Strategic Planning continued on course. The Company's top leaders presented to the Executive Board the performance of the Results-based Management Agreement, which consists of the deployment of the Business Plan and Long-Term Strategy, including

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commitments to strategic indicator targets for the business. An electronic dashboard was built, containing the strategic initiatives linked to the strategic objectives, as well as the indicators and the respective action plans, with the respective time limits and persons responsible, which makes it possible to monitor what was planned throughout the 2022–2026 cycle. Starting in 2023, managers’ performance will be presented quarterly to the Executive Board and the Board of Directors.

The Management Excellence Model (“MEG”)¹

The “Revival of Excellence” Strategic Program was instituted in January 2021, with the aim of implementing actions for the application of the Management Excellence Model—MEG®—throughout COPASA MG. It is worth noting that applying the MEG makes it possible to assess the degree of management maturity, improve understanding of stakeholders’ needs, and improve business results, thus positively impacting the Company’s sustainability.

The Program completed two years in 2022 and has achieved significant results in the pursuit of excellence, proven by external recognition. In 2022, all the Company’s regional Business Units² were recognized at the National Sanitation Quality Awards (PNQS) and 17 cases of success were selected to be presented at the PNQS Benchmarking Seminar, with four of them being certified as finalists.

Considering the evolution of the maturity of the Company’s management processes, considering the MEG, the Program’s identity was changed to “Strategic Management Excellence Program,” and in January 2023 the Executive Board approved its continuation for the 2023–2024 period.

4.2. A Client-Centered Approach

The client is at the center of COPASA MG’s Strategic Declaration. 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, which is not limited to merely meeting their needs, but rather anticipating their expectations and generating excellence in their service and maximizing client satisfaction.

In this regard, the Company—in its Strategic Declaration—has the purpose of “caring for water and generating value for people.” As one of its key commitments, the Company established the motivation to serve clients well, and with these guidelines in perspective, it continuously adopts actions aimed at increasing the relationship with its clients, giving them special attention and facilitating the fulfillment of their demands. COPASA MG understands that this care and dedication is the only way to continuously build and strengthen its image.

4.2.1. Commitment to Creating Value for Clients

High-quality water supply and sewage collection/treatment services have a strong impact on promoting people’s quality of life, and the effective provision of services requires building a relationship of trust and credibility, which must always be aligned with our clients’ needs and expectations. With a humanized look that is closer to users’

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. Its primary characteristic is to be an integrative and self-assessment model to obtain a diagnosis of management maturity.

² COPASA MG’s area of operation is divided into six Business Units, outlined according to their territorial scope.

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needs, COPASA MG and COPANOR seek to increasingly strengthen their relationship with their clients, incorporating actions aimed at maintaining quality sanitation services and preserving the environment.

COPASA MG and COPANOR have a total of 688 client service points, in addition to 24-hour digital service channels such as websites and WhatsApp. Mobile service, through vans parked at different locations, is yet another initiative to strengthen this bond with clients, facilitating and offering humanized service, clearing up doubts, and providing guidance on campaigns and users' rights.

In late 2021, a firm widely recognized on the market with expertise in conducting Client Satisfaction Surveys was engaged, through a bidding process. With relational and transactional approaches, in 2022, monthly qualitative surveys conducted with the Company's active client base were established. These surveys are aimed at identifying clients' needs and expectations and COPASA MG's image, and to assess the level of knowledge of products and services, as well as perceptions on operational actions. Additionally, the surveys will make it possible to measure the dimensions of basic sanitation, from the client's perspective, serving as an important tool for analyzing and disseminating data.

In this way, based on the results verified monthly (which will compose the annual Client Satisfaction indicator), the quantitative survey is one of the inputs for the Company's Strategic Planning, allowing for greater agility in identifying possible points of attention and a more assertive action to propose solutions. 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 MG's image.

4.2.2.Strategic objective: Improve the client experience

The Company decided to implement an Integrated and Intelligent Solution for Customer Relations. This solution aims to foster the digital transformation of client service, with new integrated solutions, which will promote technology synergies, through multichannel service platforms and systems with artificial intelligence, aiming to improve the COPASA MG client experience and brand reputation management, add value to the business and its shareholders, optimize operating costs and mitigate regulatory and legal risks.

Still referring to the client-centered approach in the Company's Strategic Planning, in April 2022 a multi-disciplinary and cross-sectional work group was set up, for the purpose of conducting studies, building new knowledge and multipliers, as well as reviewing and creating new processes related to the client's experience with the Company.

Throughout the year, this group carried out several actions to learn about the main reasons for client complaints and dissatisfaction, to diagnose the main causes of lawsuits and identify their costs, compiling a map of hot spots with geographic distribution as well as distribution by amounts involved, and to revisit communication and processes between the sales, operational, and client relationship departments, with a focus on providing high-quality service, thereby transforming the client experience.

It is also worth mentioning the implementation of Client Care Week, held annually on the week of September 15th (Client's Day in Brazil), with in-house and external events aimed at promoting good practices for excellence in COPASA MG client relations. In 2022, Client Care Week was marked by chats among the service channels,

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which included the participation of managers and employees from the various areas/departments involved. Thus, meetings were held according to themes and channels chosen for the presentation and debate of related processes. The Week ended with an in-person meeting, at which the eight pillars of Client Service Excellence at COPASA MG were presented: outreach, agility, attitude, trust, care, empathy, humility and transparency.

4.2.3. Commercial actions in 2022

Throughout 2022, the Company promoted commercial actions aimed at getting closer to its clients, granting benefits so that they could settle their debts, and strengthening dialogue through guidance. Among them, we point out:

- **“Blue Days” Campaign**

The “Dias Azuis” [“Blue Days”] Campaign took place from November 21 to December 30, 2022 and consisted of offering better conditions for clients, mainly in the low-income “Social Residential” Category, to negotiate their debts.

The Company invested in widespread dissemination of the campaign by sending SMS messages, using mass media/social media (television, radio, website, WhatsApp, etc.) and extending the days on which client service is available at its brick-and-mortar branches, so that information could reach its clients.

The campaign offered negotiation of debts past due more than 90 days, of more than 41,000 users of COPASA MG and COPANOR, corresponding to a total negotiated amount of around R\$ 63 million.

This action focused on increasing collections, reducing default, and recovering debts, primarily (as already explained) from clients in the “Social Residential” category; also with the aim of creating a culture of payment through the PIX instant electronic payment system.

- **Cut-off and Seal-off Alerts**

With the aim of improving the systematic collection of overdue debts, in 2022, the water Cut-off and Seal-off process was improved, by establishing of the Cut-off and Seal-off Alert last April, which aims to guide and alert clients about actions to be taken, if existing debts are not negotiated/settled. As a standard for all business units, a cut-off rule of R\$ 50.00 was established for the past-due debt alert and seal-off alert. This measure aims primarily at reducing default and recovering debts.

- **Revised Rules on Installment Payments**

The Revision of the Rules on Installment Payments, implemented in August 2022, is aimed at adapting the Standardization Rule to the organizational structure, standardizing installment payments, reducing bureaucracy in the installment-payment negotiation process, and changing the amount of approval authority.

The new Rule on Installment Payments, in 2022, in addition to the recovery of credits referring to negotiations carried out with City Governments, hospitals, and non-profit entities, also brings other expected benefits, such as:

- ✓ reduction of lawsuits, decrease in defaults, and reformulation of installment plans;
- ✓ improvement in the relationship with clients indebted to COPASA MG and COPANOR;

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- ✓ adaptation of the negotiation to the specific rules of Arsa-MG applicable to the special conditions for the “social” 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 “Villages and Hamlets” project seeks to reduce apparent water losses in areas of social vulnerability and carry out social actions in the benefited areas, with the sharing of the culture of sanitation and the promotion of activities that are appropriate to the realities of the locations covered by the project.

This project is encompassed by the Performance Contract³, the expected benefits of which are:

- ✓ provide greater coverage of access to sanitation in the regions involved, with a reduction in apparent water losses;
- ✓ reduce the spread of water-borne diseases, helping to improve the quality of life and socio-environmental conditions in the regions;
- ✓ preserve the environment through the appropriate use of the water supply network;
- ✓ inform, guide, and sensitize the populace as to the importance of interconnecting homes to the water supply network;
- ✓ reduce irregularities in the water supply network;
- ✓ form partnerships to increase the reach of new users interconnected to the water supply network; and
- ✓ sign up new users to connect homes to the public water supply network.

Regarding the Performance Contract, 146,600 cubic meters were recovered in 2022 (micro-measured volume recovered). Of the accumulated results, 38 neighborhoods were visited; 908 inspections were conducted; 8,131 visits were made; and 5,399 works were carried out.

Other results achieved were:

- ✓ Women in sanitation: 55 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;
- ✓ More than 7,000 households signed up to regularize the water connection, and 22,800 people were indirectly benefited; and

³ Variable-remuneration contract based on the performance of the service provider, the object of which is the recovery of micro-measured volumes in areas of social vulnerability.

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✓ Communication, perception, and decision making: In all, 412 people took part in community-based events with on-duty service representatives in the regions where the Company operates, with 190,400 people benefiting indirectly through such events.

• **2022 rainy season**

In compliance with the criteria established in Arsa-MG regulations, COPASA MG and COPANOR granted exemption or discounts on water bills for clients affected by the unusually heavy rainfall in December 2021 and January 2022.

In all, 28,500 COPASA MG and COPANOR households were benefitted through this measure, corresponding to an overall amount of nearly R\$ 5 million in benefits.

The exemptions and discounts granted, corresponding to the period from January to April 2022, were recognized in the tariff adjustment defined by Arsa-MG in November 2022.

4.2.4. Commercial actions to be implemented in 2023

The Company has developed actions aimed at improving client relations, as well as achieving regulatory targets. In this regard, some of the actions that initially got under way in 2022 and are currently being implemented in 2023 are:

• **“Come to the Water Network”**

The project called “Come to the Water Network” (“Vem pra Rede de Água”) is currently in the implementation phase, and aims to encourage properties that are technically able to be connected to the water network to sign up for water supply services offered by COPASA MG and COPANOR. As an incentive, clients in the “Residential” and “Social Residential” categories can apply free-of-charge for connection to this service.

As a benefit, we expect an increase in the number of households served, in addition to the increase in the coverage of this service; the target for 2023 is around 25,000 new households served by our water supply network.

• **Streamlined registration of new users**

The Company plans to hire a firm to streamline COPASA MG’s and COPANOR’s commercial registration in applications for new water hook-ups, changes in account owners, etc.

The benefits envisioned through this action include reduced average service times, inclusion of complete and accurate client data, and the validation of the CPF/CNPJ [SSN/EIN], before being included in COPASA MG’s and COPANOR’s records, consequently causing an increase in billing.

• **Contracting of Revenue Recovery through delivery of copies of water bills**

The Contracting of Revenue Recovery through delivery of copies of water bills is aimed at improving the process of receiving and collecting on invoices, by reissuing copies of any blocked, lost and rectified invoices issued by COPASA MG and COPANOR. In 2022, the action has already been carried out within the scope of one specific Business Unit, resulting in the recovery of overdue debts, in addition to the reduced costs on executing debit alerts and cut-off/seal-off alerts, as well as fewer processes of reporting outstanding debts to credit bureaus and judicial collections. The Company plans to extend this contract to its other Business Units in 2023.

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- **Standardization of Billing/Collections procedures**

Standardization of the Billing/Collections procedures is expected to be implemented in the first quarter of 2023 and offers improvements such as adjustments to the cut-off rule with deadlines for sending reminders via SMS to clients on D-1 and sending SMS/email reminders on D+5, debit notice and cut-off/seal-off alert, and implementation of the system for reporting indebted clients to credit bureaus, debt collection agencies, and judicial collection proceedings.

As benefits, standardization aims to:

- ✓ reduce losses due to the statute of limitations;
- ✓ reduce delinquency/default and recover debts, mainly those over R\$ 50,000 and more than six months past due;
- ✓ avoid expenses with cut-off actions, with the sending of notices about the existence of the debt shortly before the due date and after the due date; and
- ✓ avoid expenses with seal-off actions by means of a Cut-off Alert, as the client him/herself can remove the adhesive tape from the water meter once the debt has been paid.

Standardization of the Billing/Collections procedures is an instrument used by the Company in pursuit of continued reduction of default.

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

Reporting clients with past-due debts to credit bureaus is one step in the Standardization of the Billing Ruler. The hiring of a firm that specializes in reporting clients in arrears for more than 36 months to credit bureaus/debt collection agencies, scheduled to begin its services in the first quarter of 2023, is expected to bring benefits such as the reduction of default, cleansing of the records of clients with no CPF/CNPJ [SSN/EIN], improvement in the Company's collections, and the expectation of a 35% reduction in the cost of issuing debit notices and cut-off/seal-off alerts.

- **Adaptation of usage categories, as specified by Arsae-MG**

Specific Arsae-MG regulations provide for the classification, in the Commercial category, of various branches of activities that were previously registered as Public. With this action, COPASA MG and COPANOR expect an increase in Company revenue. Implementation of the adaptation of usage categories began in December 2022.

4.2.5. Actions with internal clients

In the Company's value chain, users of water and sewage services are the main clients, but in addition to them, it is also necessary to consider the people who are part of the organization's structure and who should be recognized and valued. In this spirit, the Company expects to implement, in 2023, a matrix management model at its Business Units, and disseminate the use of Knowledge Forums and Workshops, which contribute to the generation of value and the pursuit of the development of internal talent.

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Matrix Management at the Business Units

With the implementation (by late 2023) of matrix management in processes relevant to their commercial activities, COPASA MG and COPANOR expect to optimize the workforce, standardize commercial practices, review procedural rules and regulations, as well as align information, thus valuing talents and carrying out process-based management.

Forums related to billing and collection activities and Knowledge Workshops

The aforementioned Forums and Workshops were implemented in March 2022 and are aimed at aligning information, standardizing practices and building spaces for planning, discussing cases, sharing results, exchanging experiences and integrating teams. The resources used were meeting rooms and Microsoft Teams, and weekly meetings with the team are planned.

These Forums and Workshops contributed toward creating value for the team, sharing information (thus minimizing communication failures in the process), and disseminating information to a greater number of people, in a faster and more assertive way.

For 2023, the Company's goal is to disseminate the standardization of commercial practices, implementing matrix management at all business units, in line with the Management Excellence Model ("MEG").

5. Investment plan

5.1. Investment Program - 2022

As shown in the table below, the amounts invested in 2022 within the Parent Company totaled R\$ 1,305.6 million, representing an increase of 30.2% over 2021. It is worth highlighting that, in September 2022, the Company improved the criteria for disclosing the investments made, aiming at the convergence of accounting and regulatory concepts, with the inclusion of the amounts referring to the capitalization of interest, personnel expenses, materials and others, related to works carried out and to the business and operational development. For comparison, the capitalization amounts for 2021 and 2020 are also shown.

Investments made (R\$ million)	2022	2021	2020
Water	579.4	537.1	147.1
Sewage	449.3	317.5	213.3
Business and operational development	100.8	52.3	99
Subtotal	1,129.5	906.9	459.4
Capitalizations	176.1	95.8	111.4
Total - Parent company	1,305.6	1,002.7	570.8
COPANOR (including capitalizations)	39.6	44.5	24.2
Total – COPASA MG and COPANOR	1,345.2	1,047.2	595.1

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Water supply systems

- implementation, expansion, and improvements of water supply systems in the municipalities of Arcos, Belo Horizonte, Belo Oriente, Capelinha, Contagem, Conselheiro Lafaiete, Divinópolis, Fronteira, Guaraciama, Montes Claros, Nova Lima, Nova Serrana, Paracatu, Patos de Minas, Poté, Ribeirão das Neves, Sabará, Santa Bárbara, Santa Luzia, Santo Antônio do Monte, and Timóteo, 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 to reduce losses, with emphasis on the acquisition of macro- and micro-flow meters, aiming at the efficiency of water-metering and the reduction of losses;
- 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 14 Waste Treatment Units (RTUs) at Water Treatment Stations (WTSs) with a flow greater than 100 liters per second, and 133 RTUs with a flow between 20 and 100 liters per second.

Sewage Treatment Systems

- implementation, expansion and improvements of sewage systems in the municipalities of Abaeté, Belo Horizonte, Betim, Conselheiro Lafaiete, Contagem, Divinópolis, Ibirité, Inhapim, Janaúria, Minas Novas, Nova Lima, Ribeirão das Neves, Sabará, Santana do Paraíso, São Gotardo, São João Nepomuceno, São Joaquim de Bicas, Sarzedo, Timóteo, Três Marias, and Ubá, among others;
- emergency works to recover interceptors, damaged due to the heavy rainfall that occurred at the beginning of the year, in the municipalities of Belo Horizonte, Betim, Bom Despacho, Ibirité, Janaúba, Mirabela, Montes Claros, Porteirinha, Salinas, Santa Luzia, and Timóteo, among others; and
- acquisition of operational equipment for modernization and optimization of the sanitary sewage system in several operated municipalities.

Business and operational development

- modernization of the IT infrastructure, with the deployment (in progress) of the SAP S/4HANA system, seeking improvements and streamlining in client service and internal processes;
- investments in programs for the modernization of operating units and energy efficiency; and
- investments in programs for research, monitoring, and protection of water resources.

This 30.2% increase in investments made by the Parent Company, when comparing 2022 to 2021, was due to several guidelines and strategies adopted by the Company, particularly the structuring of its Project Management Office (PMO), in line with the best management practices adopted by the market and seeking to manage its projects strategically.

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The PMO is an effective method to meet the need for systematic monitoring of all stages of a project, program, or portfolio, not limited to the technical engineering design, but encompassing all phases so that an undertaking can be implemented in its fullest, resulting in a growing capacity for project execution, observing the efficiency and prudence of investments, as well as efficient cash management.

5.2. Investment Program, 2023–2027

At a meeting held on December 15, 2022, the Company's Board of Directors approved the projected Multiyear Investment Program, referring to the Parent Company, for the period from 2023 to 2027, as detailed in the table below:

Projected value (R\$ million)	2023	2024	2025	2026	2027
Water, Sewage, and Corporate Development	1,597	1,650	1,628	1,628	1,628
Capitalizations	160	185	294	371	382
Total	1,757	1,835	1,922	1,999	2,010

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, as well as achieving the Company's corporate purpose and mission, ensuring our sustainability and longevity. Through such efforts, the Company seeks to meet the demands of clients and the state government, seeking to expand the coverage of water supply and sewage services.

5.3. Funding

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

At the end of year 2022, the Company had a balance of R\$ 1.39 billion in funds contracted and not yet disbursed, of which R\$ 17.8 million was from BNDES, R\$ 254.5 million from FGTS, € 65.3 million (equivalent to R\$ 363.9 million) contracted with KfW, and € 135.0 million (equivalent to R\$ 751.8 million) with the European Investment Bank (EIB). 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 December 2022, a long-term credit operation was carried out, through the 17th Issue of debentures, in the amount of R\$ 750.0 million. Proceeds from this operation will be earmarked for the execution of part of the Company's Investment Program.

6. Operating Performance

6.1. Water

COPASA MG and COPANOR closed out 2022 with 5.6 million water households, a 1.0% increase compared to 2021, serving approximately 11.8 million people.

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

Specification COPASA+COPANOR	2022	2021	2022 X 2021	2020	2021 X 2020
Water					
Connections (1,000 units)	4,636	4,591	1.0%	4,529	1.4%
Households (1,000 units)	5,589	5,532	1.0%	5,458	1.3%
Population Served (1,000 inhabitants)	11,849	11,833	0.1%	11,804	0.2%
Distributed Volume (x 1,000 cubic meters)	1,067,482	1,056,135	1.1%	1,034,704	2.1%
Measured volume (1,000 m ³)	642,673	628,709	2.2%	611,118	2.9%
Network Extension (km) ⁽¹⁾	64,736	63,316	2.2%	56,859	11.4%

(1) CopaGIS, a corporate geographic information platform - GIS tailored for the Company's operational management, started including, as of 2021, 100% of the Company's water distribution and sewage collection network, which resulted in more accurate data of the network extension.

6.2. Sewage

Regarding sewage treatment services, COPASA MG and COPANOR, at the end of 2022, jointly had 4.0 million sewage households, representing a 1.9% increase compared to the previous year, serving a population of roughly 8.5 million inhabitants, as shown in the table below:

Specification COPASA+COPANOR ⁽¹⁾	2022	2021	2022 X 2021	2020	2021 X 2020
Sewage					
Connections (1,000 units)	3,122	3,064	1.9%	2,992	2.4%
Households (1,000 units)	3,963	3,888	1.9%	3,764	3.3%
Population Served (1,000 inhabitants)	8,539	8,447	1.1%	8,332	1.4%
Measured volume (1,000 m ³)	441,383	428,813	2.9%	414,326	3.5%
Treated volume (1,000 m ³)	310,984	339,981	-8.5%	314,169	8.2%
Network Extension (km) ⁽²⁾	33,440	32,376	3.3%	29,189	10.9%

(1) Data refer to COPASA MG and COPANOR jointly, except for the volume handled, whose information is provided by the Parent Company.

(2) CopaGIS, a corporate geographic information platform - GIS tailored for the Company's operational management, started including, as of 2021, 100% of the Company's water distribution and sewage collection network, which resulted in more accurate data of the network extension.

6.3. Other metrics related to commercial and operational performance

The following table shows indicators of commercial and operational performance:

Specification COPASA	Units	2022	2021	2022 X 2021	2020	2021 X 2020
Employees/Connections ⁽¹⁾	emp./1,000 connections	1.33	1.42	-5.9%	1.55	-8.3%
Hydrometering ratio	%	99.9	99.9	-	99.8	-
Loss ratio in distribution ⁽²⁾	%	39.4	40.1	-0,7p.p	40.5	-0,4p.p
Loss ratio in distribution ⁽³⁾	(L/connect. x day)	251.34	256.37	-2.0%	257.82	-0.6%
Default ⁽⁴⁾	%	3.22	3.50	-0,3p.p	4.52	-1,0p.p

(1) Number of Employees / 1,000 Water and sewage connections.

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

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

(4) 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.

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The “employees/connections” indicator, which shows the number of company employees for every thousand connections served, fell by 5.9% in 2022 compared to 2021, as a result of the Voluntary Dismissal Incentive Program, implemented in 2021, with terminations in 2021 and 2022. 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” index shows the relationship between the volume of water measured and the volume of water distributed, with a 0.7% decrease in 2022. The distribution loss index in liters/Connection x day fell 2%, comparing 2022 with the previous year.

The Company adopted several measures aimed at reducing losses, as well as adapting to the current context of regulation and alignment with the relevant legislation. Accordingly, 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. The actions adopted by the Company that resulted in a reduction in the losses reported for the year 2022 are detailed in item 6.4.1.

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, reached 3.22% in December 2022 with the resumption and intensification of collection actions, as well as debt renegotiation campaigns. The various commercial actions adopted throughout 2022 that led to this lower default rate are further detailed in item 4.2.3. It is worth mentioning that the rate of 3.22% at the end of 2022 was the lowest rate recorded in the last six (6) years.

6.4. Additional actions aimed at operational efficiency, sustainability, and innovation

6.4.1.Reduction of losses

As seen in item 6.3, the water loss rate in the distribution of COPASA MG decreased by 0.7 p.p. in 2022, and by 2% if we consider the loss rate in liters/connection/day. This result was achieved thanks to a set of measures adopted throughout 2022, among which we highlight the following:

- ✓ Performance Contract for the recovery of micromeasured volume in socially vulnerable areas (villages and shanty towns), with the aim of reducing apparent losses. Work began in December 2021, and the contract has a duration of five (5) years;
- ✓ acquisition of equipment and water meters for macro measurement purposes;
- ✓ acquisition and application of around 841,000 new water meters in micro measurement, bringing as a result, in addition to the increase of 1,134,000 m³ in the measured volume, a decrease in the average age of the water meters, which decreased from 5 years in December 2020 to 4.18 years in December 2022; and
- ✓ acquisition of equipment, such as geophones, rods and cameras, procurement of construction works and services, and detection of invisible leaks, including the use of artificial intelligence, to reduce physical losses.

In 2022, the Company invested R\$ 96 million in actions and operational improvements, aiming at reducing losses.

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6.4.2. Automation and research, development and innovation

Automation Project

Since 2021, COPASA MG has been implementing a project to increase automation in its operating units. In 2022, the Company moved forward with the implementation of the first stage of this project, covering 81 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 Scada⁴ and the smart phones of the operators of the systems involved. The Company expects to implement the system in 25 locations by 2023.

Research, development and innovation

As regards Research, Development, and Innovation (RD&I), the Company is carrying out a number of technological development and innovation initiatives, among which the following stand out:

- ✓ the COPATHON program, aimed at encouraging inventiveness and ideation among the Company's employees;
- ✓ the formalization of a strategic alliance between COPASA MG, the Federal University of Minas Gerais (UFMG) and the Reference Center for Sustainable Sewage Treatment Plants spin-off, created by sanitary engineers who graduated from UFMG, to develop innovative solutions for sewage treatment systems;
- ✓ research in progress to produce organic compost from the sludge of Sewage Treatment Plants to be used in agriculture; and
- ✓ the formalization of a partnership for the use of treated effluents for manufacturing purposes, in the cooling of blast furnaces.

Moreover, the COPAPARTNER program will be structured in 2023, which will look for startups that propose solutions to business challenges, in the areas of energy, losses, operational efficiency, improved client experience etc.

Additionally, it is important to mention that the Company has developed its Multi-Year Research, Development and Innovation Plan for the 2023-2024 biennium, as a strategic instrument for the management of projects and investments in RD&I, which is also part of the commitments established by Arsae-MG in its Regulatory Research, Development and Innovation Program. Under this Multi-Year Plan, COPASA MG defines topics of interest and RD&I projects that may be developed over the next four (4) years, identifying promising technologies to be tested on a pilot scale, for subsequent replication, after assessing their technical and economic feasibility.

6.4.3. Operational intelligence center

In view of the need to consolidate, in a strategic and agile manner, the information originating from the Operational Control Centers of its various Business Units, COPASA MG has implemented the Operational Intelligence Center (NIO), a multidisciplinary area that focuses on the integration of different strategic sectors for

⁴ Scada, which is an acronym that stands for Supervisory Control and Data Acquisition, is a system that uses software to monitor and control the variables and devices of a process.

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the smooth running of the operational areas. This integration expedites responses to demands, causing the Company to abandon a reactive approach to adopt a proactive approach.

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

6.4.4. Electric power management

COPASA MG 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 electric power in the free trading market for the units supplied by the high and medium voltage grids, totaling 46 MWm, with a contract value of R\$ 378 million, and beginning of supply in January 2023. This energy corresponds to approximately 43% of the total electric power consumed by the Company. With this action, electric power savings of approximately R\$ 228 million are expected over the next 60 months;
- ✓ Solar power: implementation of solar power plants for remote net metering of the units supplied by the low-voltage grid, with the generation of approximately 76 MWp, aiming at reducing the cost of electric power in the group of units supplied by the low voltage grid and reducing GHG emissions. and
- ✓ 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 (02) units implemented, three (03) under implementation, and 11 currently in the bidding process, and will enable energy savings in the facilities covered by it.

6.4.5. Innovation in procurement: Semi-Integrated Contracts and Performance Contracts

Starting in 2021 and throughout 2022, the Company adopted some innovations to modernize its bidding proceedings for construction works and services, introducing, among other actions, new types of procurement, always in compliance with the provisions of Law 13303/2016 (State-Owned Companies Law). Among these innovations, we may highlight:

- ✓ The semi-integrated contracting regime was introduced for engineering works and services, under which the contractor is responsible for preparing and developing the executive project, executing engineering works and services, supplying goods, or providing special services and carrying out assembly, testing, pre-operation and other activities required and sufficient for the final delivery of the object.

The logic behind semi-integrated contracting is that Management receives a complex development ready to go into operation. Therefore, the aim is to reduce the variety of contracts, moving away from the situation in which Management, to obtain a complex object, would have to accomplish multiple contracts with different objects and various contractors. This type of procurement allows for greater efficiency, with the streamlining of contractual relations by centralizing different objects within a single complex contract.

- ✓ Development of a procurement model for continued works and services under the performance modality: This type of procurement provides for a base remuneration to be monthly paid to the contractor for the performance

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of the works/services which are the subject matter of the contract. The General Performance Index (IDG) is applied to the base compensation, which consists of the result of the monthly calculation of contract-specific performance indicators, thus representing a variable performance-based remuneration.

6.4.6. Actions in logistics and supplies: driver of modernization and cost reduction

During 2022, the Company implemented measures to increase its efficiency in logistics and supply management, with a consequent reduction in costs and greater availability of products and inputs.

In 2022, COPASA MG revised its Procurement Regulation and, later on, the corresponding Procurement Procedure Standard, expediting and modernizing the bidding proceedings carried out by the Company, and aligning them with opportunities offered by the legislation and case law.

Another measure adopted was the engagement of a consulting firm in 2022, with the aim of improving the governance of the supply process, optimizing acquisition costs of materials and improving the storage and distribution logistics of the Company's materials, in accordance with the Strategic Sourcing methodology. As a result of this action, the Company expects to modernize and achieve continuous improvements in its supply processes, providing gains with a reduction in acquisition expenses and optimization of material storage and distribution processes.

Also in 2022, the Acquisition Management System was implemented, with the introduction of an end-to-end electronic process flow for acquisitions via bidding. This action provided agility, efficiency and transparency throughout the course of acquisitions, with fully electronic placement and processing of orders, reducing the time required for the procurement of materials, services and works.

It is also worth highlighting that the Company explored the international market for opportunities to procure products and inputs whose costs and supply are suffering adverse impacts in the Brazilian market, particularly chemicals and water meters, with the aim of lowering costs and increasing the availability of these products and inputs.

6.5. Investments in information technology – TI

In 2022, the Company made significant investments related to projects such as the modernization and expansion of its computer fleet, outsourcing of all printers, cybersecurity improvements, and expansion and improvement of the IT infrastructure.

In addition, in 2023 the Company gave continuity to the project initiated in 2022 to acquire, customize and implement the most up-to-date version of the SAP management software, integrating business management processes with the Company's commercial processes.

7. Economic and Financial management

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The financial information contained in this Section 7, unless otherwise stated, is presented in thousands 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 MG), unless otherwise stated.

7.1. Revenues

Net revenue from water, sewage and solid waste for 2022 totaled R\$ 5.4 billion, 3.7% higher than the previous year, as shown in the following table:

Net revenue	2022	2021	2022 X 2021	2020	2021 X 2020
Net Revenue - Water	3,561,727	3,355,225	6.2%	3,193,744	5.1%
Net Revenue - Sewage	1,807,663	1,824,296	-0.9%	1,819,243	0.3%
Net Revenue - Solid Waste	2,099	2,265	-7.3%	2,090	8.4%
Net Revenue - Water, Sewage and Solid Waste	5,371,489	5,181,786	3.7%	5,015,077	3.3%

Below, the Company presents its comments on the main factors that influenced the net revenue from water, sewage and solid waste in the comparative periods:

- ✓ application of new tariffs by the Company, with an average negative tariff effect of 1.52%, as authorized by Arsae-MG as of August 2021, based on the result of the 2nd Tariff Review;
- ✓ growth in the number of water households (consumer units) of 1.0% and sewage households of 1.9% in the Parent Company; due to vegetative growth and new locations;
- ✓ 1.0% increase in volume measured by water savings and 0.6% in volume measured by sewage savings; and
- ✓ impacts of migration of bands and consumption categories.

7.2. Costs and Expenditures

Costs and expenses, which correspond to the sum of costs of services sold, cost of sales and administrative expenses resulting from the operation of water, sewage and solid waste services, totaled R\$ 4.1 billion, as compared to R\$ 3.7 billion, with a reduction of 0.3% compared to 2021. If we disregard the amount relating to the Voluntary Resignation Incentive Program (PDVI), accounted for in 2021, is disregarded, there would have been an increase of 3.5% in total costs and expenses in the comparison between the 2 (two) periods. The following table shows costs and expenses in the comparative periods:

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Costs and Expenditures	2022	2021	2022 X 2021	2020	2021 X 2020
Manageable costs	2,720,113	2,710,965	0.3%	2,501,764	8.4%
Personnel	1,495,462	1,492,208	0.2%	1,413,472	5.6%
Voluntary Dismissal Incentive Program - PDVI	-	152,171	n.m.	-	-
Outsourced services	605,939	474,963	27.6%	413,953	14.7%
Rio Manso PPP	96,779	86,058	12.5%	77,792	10.6%
Material	79,957	70,859	12.8%	58,860	20.4%
Impairment loss on accounts receivable	201,935	221,416	-8.8%	369,880	-40.1%
Tariff transfer to municipalities	194,281	171,917	13.0%	133,432	28.8%
Sundry operating costs	45,760	41,373	10.6%	34,375	20.4%
Non-manageable costs	631,557	635,846	-0.7%	530,516	19.9%
Electric power	523,234	560,364	-6.6%	452,287	23.9%
Telecom	16,817	13,308	26.4%	12,037	10.6%
Laboratory equipment and treatment material	121,103	87,716	38.1%	94,487	-7.2%
Fuels and lubricants	39,278	31,942	23.0%	25,089	27.3%
Tax credits	(68,875)	(57,484)	19.8%	(53,384)	7.7%
Costs of capital	721,131	741,456	-2.7%	641,791	15.5%
Depreciation and amortization	721,131	741,456	-2.7%	641,791	15.5%
Charging for the use of water resources	13,717	12,546	9.3%	21,252	-41.0%
Total costs and expenses	4,086,518	4,100,813	-0.3%	3,695,323	11.0%
Total costs and expenses (without PDVI)	4,086,518	3,948,642	3.5%	3,695,323	6.9%
Total costs and expenses (without depreciation and amortization)	3,365,387	3,359,357	0.2%	3,053,532	10.0%

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 changes:

7.2.1. Manageable costs

Personnel (without PDVI)

Personnel expenses increased 0.2% in 2022 compared to 2021. The reduction in expenses, due to the PDVI, was offset by salary adjustments arising from the Collective Bargaining Agreements, of 5.0% on November 1, 2021 and 6.46% on November 1, 2022, in accordance with the variation in the National Consumer Price Index (INPC).

Voluntary Dismissal Incentive Program - PDVI

Refers to expenses incurred in 2021 with the PDVI of COPASA MG, with the adhesion of approximately 1.1 thousand employees, and the total cost recognized in the statement of income for 2021 was R\$ 152.2 million.

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Outsourced services

This account increased 27.6%. The items that showed the most significant changes are as follows:

- ✓ increase of R\$ 73.0 million in expenses with upkeep and maintenance services for assets and systems, mainly due to new contracts for maintenance of units and water and sewage networks, as well as the application of adjustments provided for in agreements;
- ✓ increase of R\$ 19.9 million in professional technical services, mostly due to the engagement of strategic consulting services related to regulations, controlling, and legal opinions. and
- ✓ increase of R\$ 13.9 million in IT expenses, due to the new contracting of services of this nature, as well as the application of contractually provided for readjustments.

Rio Manso PPP

This item increased by 12.5% mainly due to the application of the adjustment provided for in the agreement, based on the variation in the Extended Consumer Price Index (IPCA), in May 2022.

Materials

This item increased 12.8%, mainly due to the increase in expenses with materials for the conservation and maintenance of assets and systems, as a result of the increase in the price of such materials.

Impairment loss on accounts receivable

Comparing the year 2022 with 2021, this item dropped 8.8%, as a result of the reduction in defaults in the period - ratio between the balance of accounts receivable past due between 90 and 359 days, and the total amount billed in the last 12 months. This index increased from 3.50% in December 2021 to 3.22% in December 2022 due to collection actions and debt renegotiation campaigns.

The Net Impairment on Accounts Receivable table, obtained through the difference between the loss and the recovery of derecognized accounts (recorded under Other Operating Revenues) is as follows:

Impairment loss on accounts receivable, net	2022	2021	2022 X 2021	2020	2021 X 2020
Impairment loss on accounts receivable	201,935	221,416	-8.8%	369,880	-40.1%
Recovery of written-off accounts	(42,798)	(64,628)	-33.8%	(53,010)	21.9%
Impairment losses on accounts receivable, net	159,137	156,788	1.5%	316,870	-50.5%

Tariff Transfer to Municipalities

The 13.0% increase in this item, comparing the amounts recorded in 2022 with the amounts recorded in 2021, was mainly due to the inclusion of 85 new municipal sanitation funds with the transfer right, as of August 2021, as provided and authorized by the Regulatory Agency.

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7.2.2. Non-manageable costs

Electric power

The 6.6% decrease, comparing the expenses observed in 2022 with those of the previous year, was mainly due to tax relief, with the reduction of ICMS on electric power services to the ceiling of 18%, effective as of June 23, 2022, as well as the differences in the tariff flags applied in the comparative periods, which offset the increase in the price of inputs in the first semester of 2022.

Telecommunication

The increase of 26.4% in this item mainly reflects the increase in expenses due to the expansion of Personal Mobile Service lines and the new Fixed Switched Telephone Service contract.

Treatment material

The 38.1% increase in this item, comparing 2022 with 2021, occurred mainly as a result of the increase in the prices of chemical products used in water treatment and increases in the consumption of some of these products, considering specific operational issues.

Fuels and lubricants

The 23.0% increase in this item mainly reflects the higher fuel prices, particularly in the first three (3) quarters of 2022.

Tax credits

The 19.8% increase in tax credits, comparing 2022 to 2021, was mainly due to the inclusion of new inputs with the right to credit, based on tax studies carried out by an advisory company engaged by the Company.

7.2.3. Other operating revenues (expenses)

The table below shows the values of Other Operating Revenues (Expenses) in the comparative periods:

Other operating revenues (expenses)	2022	2021	2022 X 2021	2020	2021 X 2020
Other operating revenues	135,017	177,380	-23.9%	171,341	3.5%
Revenue from technical services	259	145	78.6%	(63)	n.m.
Reversal of non-deductible provision	62,031	33,650	84.3%	103,076	-67.4%
Recovery of written-off accounts	42,798	64,628	-33.8%	53,010	21.9%
Other revenues	29,929	78,957	-62.1%	15,318	415.5%
Other operating expenses	(151,312)	(396,632)	-61.9%	(197,261)	101.1%
Provision for lawsuits, net	(12,226)	(225,535)	-94.6%	(92,368)	144.2%
Arsae-MG fee	(53,060)	(42,949)	23.5%	(39,408)	9.0%
Expenses with Environment Preservation	(20,686)	(26,184)	-21.0%	(22,052)	18.7%
Taxes and Duties	(15,553)	(8,382)	85.6%	(7,487)	12.0%
Actuarial liability	(10,806)	(12,713)	-15.0%	(6,664)	90.8%
Other expenses	(38,981)	(80,869)	-51.8%	(29,282)	176.2%
Other operating revenues (expenses)	(16,295)	(219,252)	-92.6%	(25,920)	745.9%

The 92.6% reduction in “Other Operating Income (Expenses)” was mainly due to the impact, in 2021, of the recognition of the one-off and non-recurring items presented below on the balance of Other Operating Expenses:

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- ✓ provisioning, in September 2021, of returns determined by Arsa-MG, within the scope of Administrative Proceedings 05/2019 and 28/2021. The total amount of provisions made, referring to these proceedings, totaled R\$ 126.8 million, of which R\$ 82.6 million were recorded in Other Operating Expenses and R\$ 44.2 million in Financial Expenses (interest and inflation adjustment); and
- ✓ complement as of 12/31/2021, of R\$ 217.4 million in the provision for labor lawsuit 102100-74.2008.5.03.0024, of which R\$ 110.3 million was recorded as Other Operating Expenses and R\$ 107.1 million was recorded as Financial Expenses.

7.2.4. Equity in net income of subsidiaries

Equity-method income for 2022 refers to the wholly-owned subsidiary COPANOR and was negative by R\$ 11.2 million (negative by R\$ 12.7 million in 2021).

Copanor Summary Statement	2022	2021	2022 X 2021	2020	2021 X 2020
Net revenue from sales and/or services	47,292	41,381	14.3%	35,849	15.4%
Revenue from construction	17,040	23,134	-26.3%	18,546	24.7%
Other operating revenue	1,851	1,805	2.5%	6,492	-72.2%
Operating costs and expenses	(62,652)	(55,061)	13.8%	(49,239)	11.8%
Construction costs	(17,040)	(23,134)	-26.3%	(18,546)	24.7%
Other operating expenses	(2,831)	(3,091)	-8.4%	(1,387)	122.9%
Net financial revenue (expenses)	5,177	2,275	127.6%	898	153.3%
Impairment				(5,200)	
Net income (loss)	(11,163)	(12,691)	-12.0%	(12,587)	0.8%

7.2.5. Financial income (loss)

The table below shows the financial result:

Financial (expenses) revenues	2022	2021	2022 X 2021	2020	2021 X 2020
Financial revenues	272,601	285,168	-4.4%	145,962	95.4%
Inflation adjustments	18,963	9,835	92.8%	4,298	128.8%
Exchange rate changes	59,895	32,581	83.8%	26,394	23.4%
Interest	47,783	46,507	2.7%	43,270	7.5%
Actual gain in interest earning bank deposits	86,368	47,839	80.5%	23,212	106.1%
Capitalization of financial assets/other	59,592	148,406	-59.8%	48,788	204.2%
Financial expenses	(484,160)	(479,749)	0.9%	(321,935)	49.0%
Inflation adjustments	(125,200)	(142,137)	-11.9%	(57,151)	148.7%
Exchange rate changes	(32,009)	(30,193)	6.0%	(108,356)	-72.1%
Interest on financing	(326,687)	(306,599)	6.6%	(156,084)	96.4%
Sundry	(264)	(820)	-67.8%	(344)	138.4%
Financial income (loss)	(211,559)	(194,581)	8.7%	(175,973)	10.6%

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The Net Financial Income (Loss) for 2022 was 8.7% higher than the amount recorded in 2021. The items that showed the most significant changes are as follows:

- ✓ accounting, in the fourth quarter of 2021, of R\$ 42.3 million referring to dividends received from GS Inima Industrial Jeceaba S/A, and in the same period of 2022, this amount totaled R\$ 5.0 million;
- ✓ greater positive exchange change in 2022, considering the appreciation of the Real against the Euro for the year;
- ✓ levy of financial expenses in 2021 related to the return of tariffs determined by the regulatory agency and to labor lawsuit 102100-74.2008.5.03.0024 (see item 7.2.3 – Other Operating Revenues (Expenses));
- ✓ increase in liability interest on financing, due to higher interest rates in the economy; and
- ✓ greater real gain in interest earning bank deposits, resulting from the increase in the SELIC rate.

7.2.6. Income taxes

A table with income taxes is presented below:

Income taxes	2022	2021	2022 X 2021	2020	2021 X 2020
Income tax and CSLL	(202,592)	(116,862)	73.4%	(288,798)	-59.5%

The 73.4% increase in taxes levied on income, recorded in 2022 compared to 2021, is basically due to the higher taxable income verified for the period.

7.3. Net income

The Company recorded net earnings of R\$ 843.4 million in 2022, compared to R\$ 537.6 million in 2021, as shown in the following table:

Net income and earnings per share	2022	2021	2022 X 2021	2020	2021 X 2020
Income (loss) before financial income (loss) and taxes	1,257,513	849,031	48.1%	1,281,248	-33.7%
Net financial income (loss)	(211,559)	(194,582)	8.7%	(175,973)	10.6%
Income (loss) before income tax	1,045,954	654,449	59.8%	1,105,275	-40.8%
Income taxes	(202,592)	(116,862)	73.4%	(288,798)	-59.5%
Net income	843,362	537,587	56.9%	816,477	-34.2%
Net earnings per share (R\$)	2.22	1.42	56.9%	2.15	-34.2%

7.4. Consolidated EBITDA and EBITDA Margin

Consolidated EBITDA is a non-accounting measurement adopted by COPASA MG, calculated in accordance with CVM Resolution 156/2022, as the table below, consisting of net earnings plus taxes on net income, financial result, depreciation, and amortization.

Consolidated EBITDA reached R\$ 2.0 billion in 2022. Compared to the 2021 EBITDA adjusted by the extraordinary and non-recurring expenses (Voluntary Dismissal Incentive Program, Fee Returns provided for by

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Arsae-MG, and increase in the Provision for Labor Lawsuit 102100-74.2008.5.03.0024), there was an increase of 2.2%.

The EBITDA Margin, which is calculated by dividing EBITDA by the sum of net revenue from water and sewage and other operating revenues reached 35.7% in 2022. In 2021, the adjusted EBITDA margin reached 35.9%.

EBITDA	2022	2021	2022 X 2021	2020	2021 X 2020
Net income	843,362	537,587	56.9%	816,477	-34.2%
(+) Income taxes	202,592	116,862	73.4%	288,798	-59.5%
(+) Net financial result	211,559	194,582	8.7%	175,973	10.6%
(+) Depreciation and amortization	721,131	741,456	-2.7%	641,791	15.5%
(+) Income Taxes, Financial Income (Loss) and Depreciation/Amortization of COPANOR	3,825	4,921	-22.3%	3,527	39.5%
(=) EBITDA	1,982,469	1,595,408	24.3%	1,926,566	-17.2%
EBITDA margin	35.7%	29.5%	6.2 p.p.	36.8%	-7.3 p.p.
Adjustments - Non-Recurring Items					
(+) Voluntary Dismissal Incentive Program - PDVI	-	152,171	-	-	-
(+) Return - Arsae-MG	-	82,639	-	-	-
(+) Increase in provision - Labor lawsuit	-	110,324	-	-	-
(=) Adjusted EBITDA	1,982,469	1,940,542	2.2%	1,926,566	0.7%
EBITDA Margin (Adjusted)	35.7%	35.9%	-0.2 p.p.	36.8%	-0.9 p.p.

7.5. Indebtedness, Covenants and Ratings

7.5.1. Indebtedness

Total loans, financing and debentures, reached the amount of R\$ 4.1 billion in December 2022, representing an increase of R\$ 155 million compared to the amount recorded in December 2021.

Net debt increased from R\$ 2.7 billion in December 2021 to R\$ 3.1 billion in December 2022. The table below shows the Company's indebtedness.

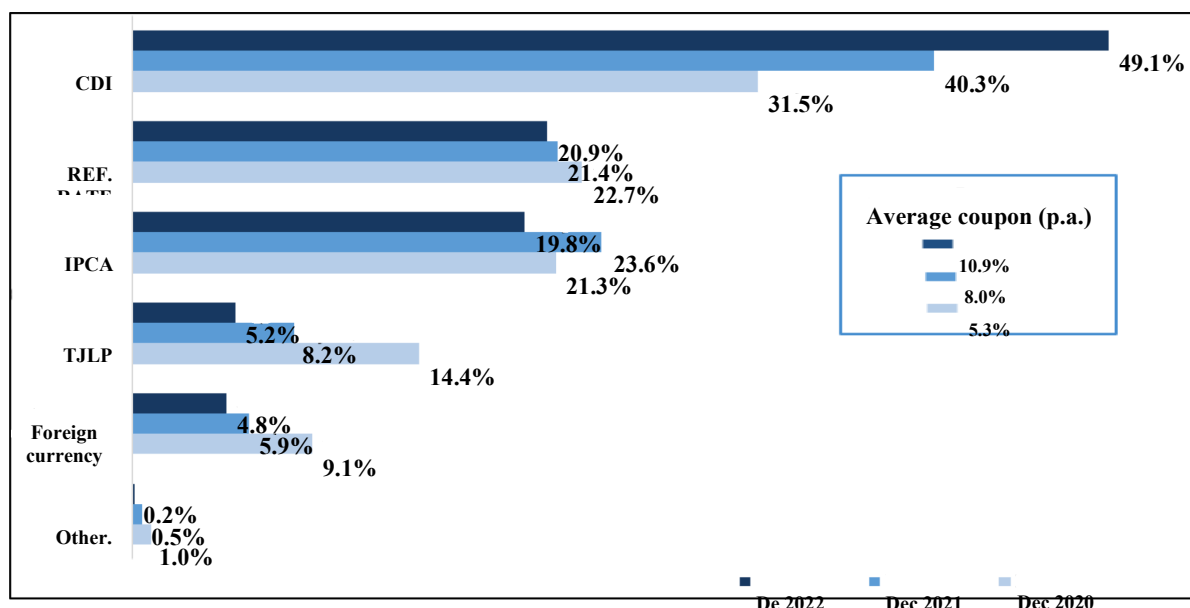
Indebtedness (Consolidated data)	2022	2021	2022 X 2021	2020	2021 X 2020
(+) Loans and financing	976,937	1,068,394	-8.6%	1,273,997	-16.1%
(+) Debentures	3,162,983	2,916,950	8.4%	2,507,144	16.3%
(+) Other Onerous Obligations (Libertas)	-	-	n.m.	4,669	n.m.
(=) Total loans, financing and debentures	4,139,920	3,985,344	3.9%	3,785,810	5.3%
(+) Lease liability	105,916	-	-	-	-
(-) Cash and cash equivalents	1,122,299	1,309,721	-14.3%	805,619	62.6%
(=) Net debt	3,123,537	2,675,623	16.7%	2,980,191	-10.2%

Foreign currency indebtedness represented 4.8% of total loans, financings and debentures in December 2022 and referred to debt with the German bank KfW and the European Investment Bank, whose balances plus short-term interest amounted to € 25.8 million (equivalent to R\$ 143.7 million in December 2022) and € 10.0 million (equivalent to R\$ 55.7 million in December 2022), respectively. There was no contracted hedging mechanism for these operations. The Company presents the evolution of the average coupon and the representativeness of the debt by contractual ratio in December 2022, 2021 and 2020, as follows:

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The CDI now represents 49% of COPASA MG's debt, and such increase can be attributed mainly to the raising of funds through the 17th Issue of Debentures, which took place in December 2022, in the amount of R\$ 750.0 million. The decrease observed in the representativeness of the Long-Term Interest Rate (TJLP) reflected the amortizations of debts indexed to this rate, carried out in 2022.

The Average Coupon increased to 10.9%, due to the increase in the CDI.

7.5.2. 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:

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

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:

- consolidated net debt may reach a maximum of 4x the Company's EBITDA; and
- total liabilities may reach a maximum of 1.2x Shareholders' Equity.

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On December 31, 2022, 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 years ended in 2022, 2021 and 2020:

Statutory covenants	2022	2021	2020
Net debt/EBITDA	1.6	1.7	1.6
EBITDA/Debt service	1.7	1.5	3.9
Total liabilities/shareholders' equity	0.8	0.9	0.8

7.5.3. Ratings

On June 27, 2022, 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 07, 2022, the Rating Agency Moody's published a report affirming the Corporate Rating at AAA.br to COPASA MG. The corporate rating outlook remained stable.

The table below summarizes the ratings:

Branch	National scale	Prospect	Date	Report link
Fitch Ratings	AA+(bra)	Stable	06/27/2022	Report
Moody's Latin America	AAA.br	Stable	10/07/2022	Report

7.6. Remuneration to shareholders

In a meeting held on December 15, 2022, the Board of Directors approved the change in the percentage of Regular Dividends for the year 2022, which currently corresponds to 50% of Net Income, adjusted by the decrease or increase of 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 three (3) first quarters of 2022, in compliance with the criteria of the Dividend Policy in force, R\$ 145.7 thousand was declared and paid as Regular Dividends, as presented in the table below:

Reference	Corporate event	Date of right	Total amount	Value per share (R\$)	Payment date
1Q22	RCA – 03/17/2022	03/22/2022	33,871	0.08932795	05/16/2022
2Q22	RCA – 06/15/2022	06/21/2022	53,137	0.14013442	08/12/2022
3Q22	RCA – 09/15/2022	09/20/2022	58,724	0.15486964	11/14/2022
Total Declared (Jan–Sep 2022)			145,732	0.38433202	

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Furthermore, on March 17, 2023, interest on own capital for the 4Q22, in the amount of R\$ 245.4 million, were declared, as presented in the table below:

Reference	Corporate event	Date of right	Total amount	Value per share (R\$)	Payment date
4Q22	RCA - 03/17/2023	03/22/2023	245,373	0.64711426	To be defined at Annual General Meeting

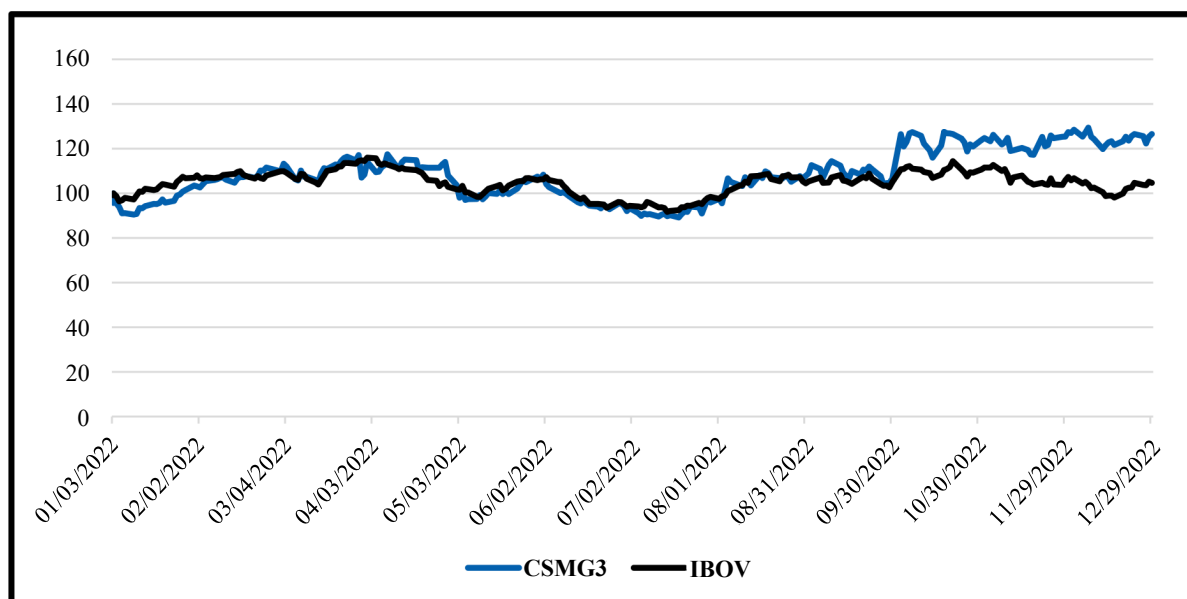
Thus, the amount of interest on own capital for 2022 totaled R\$ 391.1 million, corresponding to 50% of adjusted net income.

8. Performance of shares

The unit price of COPASA MG's shares (B3:CSMG3), adjusted by the declared income, increased 26.5% in 2022, with the price reaching R\$ 15.69 at the close of the last trading session of that year. During the same period the Ibovespa increased 4.7%.

The average daily volume traded in 2022 was R\$ 23.8 million. The average number of daily trades in 2022 was 6.3 thousand trades, accounting for a decrease of 19% from the average of 7.8 thousand daily trades in 2021.

Performance of COPASA MG shares (CSMG3) versus Ibovespa (IBOV) in 2022



At the end of 2022, the Company was part of eight B3 indices, namely: 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).

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9. The theme Environmental, Social and Governance – ESG⁵

COPASA MG is a company committed to sustainability and, within such spirit, built its ESG Agenda integrated with its Strategic Planning and aligned with the 2030 Agenda and the Sustainable Development Goals (SDGs) of the United Nations Organization.

The goal of the ESG Agenda is to reaffirm the purpose of “taking care of water and generating value for people”, expressed in the Company’s Strategic Declaration, and to exercise the leading role of COPASA MG in its performance in the topics: Protection of Springs; Customer service; Protection of the Rights of Children and Adolescents; Safe work environment; Gender Equity and Compliance.

Thus, during 2022 the Company acted in all dimensions of its ESG Agenda, seeking to promote quality of life and preserve the environment in the areas where it operates.

9.1. The Environmental Dimension

9.1.1. Investing in environmental protection and recovery projects

In order to ensure the quality and quantity of water from the springs used for public supply, the Company promotes environmental protection and recovery actions, in order to conserve the natural resources of the drainage basins subject to commercial usage for the purpose of public supply. The COPASA MG’s main programs and projects are listed below:

- **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, through partnerships with different institutions, covering, in 2022, 275 municipalities and 225 Environmental Collectives (known as “COLMEIA”).

The Pro-Mananciais Project won a trophy in the 2021 edition of the National Sanitation Quality Award (PNQS), considered the Oscar of the sector in Brazil, being the only national award to recognize excellence in basic sanitation management. The award is an important recognition of the project's relevance in the socio-environmental context.

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

Pró-Mananciais Program	2022	2017–2022
Amount invested	R\$ 14.2 million	R\$ 76,3 million
Planted seedlings	87.1 thousand	644.8 thousand
Meters of fences for APP (permanent conservation area)	232.1 thousand	1.96 million
Rainwater infiltration barrage	4.45 thousand	21.9 thousand
Adequacy of roads (meters)	280.5 thousand	1.5 million
Terracing (meters)	112.8 thousand	737.4 thousand

⁵ Environmental, Social and Governance – ESG.

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- **Maintenance of natural environments in protected areas:** COPASA MG maintains around 25,000 hectares of protected areas with the main objective of protecting water sources. 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; prohibition of fishing, hunting, and illegal collection of flora and fauna specimens; execution and maintenance of firebreaks; fighting forest fires; contracting the preparation of management plans and environmental education activities.
- **Management System for Water and Environmental Resources Information – GERHA:** tool created for the purpose of facilitating management of environmental regularization processes of the Company’s projects, water sources’ monitoring and other environmental actions. It also allows the georeferenced launch and control of environmental actions developed within the scope of the “Pró-Mananciais” Program.
- **Chuí SocioAmbiental:** environmental education program promoted with school community and comprised of sustainability activities in line with awareness of 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 MG and the community.

In 2022, through the program, visits to the systems operated by COPASA MG were resumed, fostering experiences related to the importance of basic sanitation, involving around 1,900 people linked to social and school groups of socio-environmental relevance. It is also worth highlighting the construction of eight (8) rainwater collection and catchment systems in schools in municipalities that are part of “Pró-Mananciais”.

- **AmbientAÇÃO program:** aims to develop, together with COPASA MG employees 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 Management throughout the state.

The main results achieved throughout 2022 within the scope of the Program are described below:

- ✓ I Use My Cup Campaign: 8,400 reusable cups for employees working in buildings participating in the Program, with the purpose of reducing the use of disposables;
- ✓ eight (8) agreements with Associations/Cooperatives of Recyclable Waste Collectors in several municipalities of Belo Horizonte;
- ✓ Partnership agreement with Associação Lacre do Bem, which mobilizes the campaign internally to collect aluminum seals, followed by the donation of wheelchairs. In total, 92 wheelchairs were donated; and
- ✓ organization of events, such as the Desapego Fair, the Green Fair, the Interpretive Ecological Trail at COPASA MG Headquarters, the Dumpster Blitz, and the Cine and Debate – World Recycling Day (dialogue event with outsourced employees, demonstrating the importance of their work for the environment).

9.1.2. Partnership with UFMG to define a methodology for assessing water risk in Operated Water Systems

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The vulnerability of Water Supply Systems – SAAs is directly related to natural seasonal climate variability, the use of available water resources, land use and occupation, vegetation cover, climate change from unnatural causes and prolonged effects, among others.

Therefore, the evaluation of the different intervening factors and the qualification of the SAAs regarding vulnerability and resilience strongly contribute to planning and operational decision-making. In this context, UFMG is developing a methodology for assessing the vulnerability of SAAs in relation to water scarcity, which will serve as a tool for a better understanding of the Company's operating scenario and, consequently, for decision-making, considering the challenges and demands of the source of water production against water availability, especially during the dry period, which is increasingly severe. Furthermore, the study will enable the definition of indicators, indices and benchmark parameters that will allow the monitoring of the water situation over time.

9.1.3. Dam safety

They are included in the National Dams Policy – Federal Law 12334/2010 – eight (8) units of COPASA MG, 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.

9.1.4. Management of greenhouse gas emissions – GHG

COPASA MG's operations generate and are impacted by the emission of Greenhouse Gases. Our main source of GHG emissions comes from sewage treatment systems. The operation of the Sanitary Landfill in the municipality of Varginha is our 2nd largest source of GHG, followed by electric power consumption.

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 and, thus, contributing to reducing global warming, being responsible for the annual GHG inventory of COPASA MG 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 MG Sustainability Report.

The methodology used to prepare the COPASA MG GHG emissions inventory is the one provided by the Greenhouse Gas Protocol – GHG Protocol.

Scope 1 emissions calculated and reported annually in COPASA MG's GHG inventory 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 calculated and reported annually in the Company's GHG inventory arises 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 MG 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 emission factors for trips on planes by COPASA MG

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employees working for the company were obtained from the “2013 GHG Protocol”. Air travel is classified according to the distance travelled, as short, medium, and long, with different emission factors for each class. In addition to the calculation of CO₂ emissions, CH₄ and NO₂ emissions were incorporated into the calculation.

The intensity indicator used to establish the annual comparison of emissions was kgCO₂/savings, as it is more comprehensive in relation to all gases generated. The metric used has a physical nature, which comprises the total number of units (water and sewage) of the Company’s micro measurement. The index covers our total annual net emissions (total gross emissions minus emissions offset by planting seedlings native to the Cerrado and Atlantic Forest) and includes the three (3) scopes.

It is important mentioning that since 2013, the year in which COPASA MG started reporting its information on the global CDP platform, its score has evolved from “E”, the lowest on that date, to “B” in 2022, an indicator meaning that the Company takes coordinated action on environmental issues. Such 2022 score is higher than the regional average for Latin America and the non-electric utility sector, which scores “C” in both cases.

9.1.5. Environmental Compliance

COPASA MG’s Strategic Declaration establishes sustainability as a component of its value chain, seeking to act in accordance with environmental, social and governance standards. The Company, as a signatory of the UN Global Compact since 2020, assumed the commitment to seek to contribute to the achievement of the SDGs, mainly seeking the universalization of sewage services and the expansion and improvement of the coverage of water supply services.

For this objective to be achieved, the Company establishes the legal basis as a priority, seeking authorization for interventions in the environment and in water resources, as well as the environmental licensing of its projects to minimize the environmental impacts of its operations, through compliance with the mitigating and compensatory measures provided for by the responsible environmental agencies.

In 2022, 251 water catchment approvals were obtained, 90 licenses, 302 licensing waiver certificates and 88 authorization acts for environmental intervention for water and sewage works. Additionally, the Company contracted and prepared environmental studies to assess the environmental impact of its projects.

Regarding water supply services, the Company has 600 sources granted for surface water extraction, and 973 groundwater extraction sources; the sum total of granted outflow is 63.45 cubic meters per second.

9.1.6. 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 MG participates directly in six (6) federal basin committees and 36 state basin committees, taking part in discussions related to the topic together with other users of water resources, with civil society and state representatives, to ensure the use of water in a sustainable manner.

The Company has direct participation in the State Water Resources Council and, indirectly, through the Brazilian Association of State Sanitation Companies (AESBE), in the National Water Resources Council.

9.1.7. Payment for the use of water resources

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Charging for the use of water resources is one of the water management instruments provided for in Brazil's National Water Resources Policy and in the Minas Gerais State Water Resources Policy. This charge covers, at the state level, the following basins: Piracicaba and Jaguari rivers; Araguari; Velhas; Pará; Piracicaba; Caratinga; Piranga; Suaçuí Grande; Santo Antônio; Manhuaçu, Pomba and Muriaé; Preto and Paraibuna. At the federal level, the charge covers the following basins: Rios Doce; Paraíba do Sul; São Francisco; Piracicaba, Capivari and Jundiá; and Verde Grande.

In 2022, the amount recorded as an expense was R\$ 13.7 million and, in 2021, R\$ 12.5 million. It is worth mentioning that this charge is fully passed on to the client through a specific item in the bill for water supply and sewage services.

9.1.8. Annual Plan for the Improvement of Social and Environmental Performance – PAMDA and Environmental Management System – SGA

In October 2022, COPASA MG created a working group with the objective of disseminating and consolidating the PAMDA in the Company's several Business Units, aiming to structure the process of identifying socio-environmental aspects and impacts, considering externalities based on the analysis of the lifecycle from the sources, operation, client service and final disposal, both for the Company and its clients.

The working group, made up of a multisectoral team, is carrying out a survey of the socio-environmental impacts of the Company's processes and the result of the mitigation actions developed will be monitored through indicators for mitigating socio-environmental impacts.

The PAMDA is an important component of the SGA at COPASA MG, as it will systematically contain and mitigate the socio-environmental impacts raised in the Company's operational areas.

9.1.9. Water Security

To face the impacts of extreme scarcity events or excessive rainfall, COPASA MG 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. We also highlight other 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 of conventional fluviometric monitoring stations and operation of a network of pluviometric stations. The sectorial network of quantitative monitoring is also being expanded with the installation of new conventional and automatic fluviometric stations with telemetry. In 2022, 49 conventional fluviometric stations and 8 stations with telemetry were installed, complementing our network, totaling 352 conventional fluviometric stations, 53 linimetric and 11 telemetric stations.

Qualitative monitoring consists of the study and analysis of the physical-chemical and biological variables of water, surface and underground sources, as well as receiving water bodies, to comply with legislation, conditions for grants and environmental regularization of the Company's projects. The increase in sampling points follows

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the implementation of new catchments in the water supply systems and the operation of new sanitary sewage systems. In 2022, approximately 3,600 points were monitored.

COPASA MG has a wide network to measure precipitation data in the hydrographic basins where the company has water abstractions, totaling 589 pluviometric stations.

- **Monitoring of the springs used**

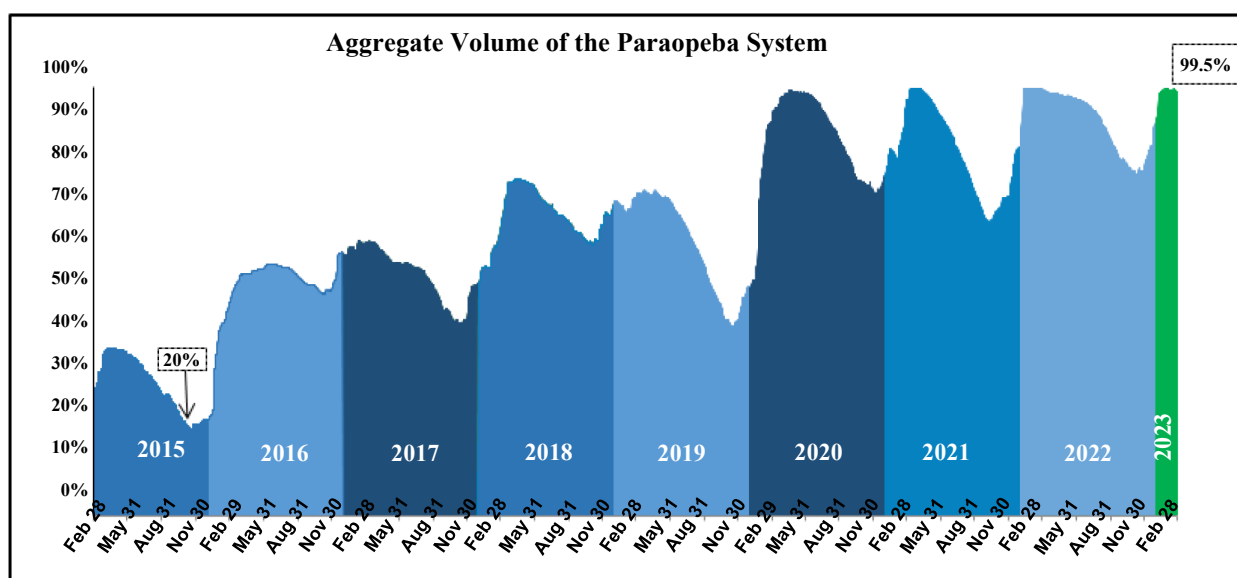
COPASA MG has eight (8) water accumulation reservoirs exclusively for water supply, whose levels are monitored daily, allowing operational planning and analysis of scenarios, aiming to assess possible impacts on water supply.

- ✓ **Belo Horizonte Metropolitan Region – RMBH**

Regarding the RMBH, 90% of the water supply is carried out through the Paraopeba System and the Rio das Velhas, as detailed below:

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

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 48% of the distributed volume of the Belo Horizonte Metropolitan Region (RMBH). Due to the rains recorded from December 2022 to February 2023, there was a significant recovery in the volumes of these reservoirs, which were practically full on February 28, 2023, as shown below:



Volume of each reservoir	02/28/2023
Rio Manso	100.0%
Vargem das Flores	96.2%
Serra Azul	100.0%

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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. For this reason, the Company stopped, on that date, collecting water and took actions to identify and mitigate the risks to its operation.

In July 2019, a Statement of Commitment was signed between the Minas Gerais State Prosecutor's Office and Vale, with COPASA MG 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. On October 11, 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.

The pumping tests for the Water Treatment Station of Rio Manso started on 03/06/2023, with variable flows, from 1,000 L/s to 5,000L/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.

Considering that the reservoirs are practically full, COPASA MG points out that regularity in the water supply of the RMBH population is assured.

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Rio das Velhas

Extraction from Rio das Velhas – responsible for roughly 42% 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)	42%
Granting of funding	8.7 m ³ /s
Average flow of Rio das Velhas in the last 15 days prior to February 28, 2023.	52.8 m ³ /s
Average flow used in 12 months of 2022	7.2 m ³ /s

✓ 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.

On February 28, 2023, the municipality of Capelinha and the locality of Bom Jesus de Cardosos (municipality of Uruçânia) were in a rationing situation, which together have around 27,000 water and sewage connections, accounting for 0.35% of the Company's total water and sewage connections. On the other hand, in February 2022, Bom Jesus de Cardosos (municipality of Uruçânia) was subject to rationing.

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.

Specifically as for Montes Claros, the Company's largest concession in the interior of the state, in the first semester of 2022 the works to implement a new intake for the São Francisco System with a capacity of 500 L/s were completed, including the construction of pipelines, elevators, pumping stations, among others, with investments of around R\$ 264 million. These works aim at providing water security to the Municipality of Montes Claros, as well as to municipalities of Coração de Jesus and Ibiaí, and can also be considered as an alternative to other locations in the region, potentially benefiting around 430,000 inhabitants.

9.2. The Social Dimension

9.2.1. Company's social responsibility policy

The Company's Social Responsibility Policy is guided by the Human Rights Protection principles, integrated to local Agendas, as well as harmonizing the Stakeholders' interests, guided by ethics and transparency.

The promotion of integrated social development, especially in the communities where COPASA MG operates, contributing to the primary social license and to guarantee the continuity of the Company's business, is only possible based on the tenacity of its guidelines, which include:

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- ✓ ensure accountability and receive feedback on social actions carried out, as well as proper management of crises or conflict situations, promoting stakeholder engagement;
- ✓ fight moral harassment, sexual harassment, corruption, any practice of discrimination, child and forced or compulsory labor;
- ✓ develop partnerships with public and private agents aimed at promoting sustainable social development;
- ✓ ensure that formal stakeholder demands and complaints are answered and managed appropriately;
- ✓ identify and assess corporate risks related to the relationship with the community, with the purpose of prioritizing initiatives to improve the positive impacts and mitigate or eliminate the negative impacts of the Company's operations on the ecosystems of the communities in which it operates;
- ✓ attend councils, committees or similar to debate local, regional, nacional or global development;
- ✓ provide adequate stakeholder engagement, especially in managing business impacts and contingency situations, as well as dialoguing and maintaining communication channels, fostering the involvement and development of society and communities located in areas impacted by the Company's activities; and
- ✓ ensure that private social investment is planned in line with public policies for sustainable development and ensure its monitoring and evaluation through indicators that seek to achieve established targets.

9.2.2. Acting for the Benefit of Communities

In the social dimension, the ongoing performance of COPASA MG is based on obtaining the social license to operate, according to the guidelines provided for in the Social Responsibility Policy and in the commitments that make up the Company's ESG Agenda, prepared based on the materiality and goals of the Sustainable Development Goals (SDGs).

Among its social responsibility actions and, in line with SDG 06, which addresses the availability of potable water and sanitary sewage, the Company provides low-income families with the benefit of the Social Residential Tariff.

For the purposes of this benefit, low-income families are those enrolled in the Single Registry of Social Programs of the federal government, called CadÚnico, who have a monthly income of up to half minimum wage per person and who reside in a residential property, as forecast by Arsae -MG.

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 (20,000 liters).

The average monthly number of households benefiting from the Social Residential Tariff was 686.9 thousand households for water supply services and 405.5 thousand households for sewage services in 2022, considering COPASA MG and COPANOR, jointly.

This category accounted for 11.3% of COPASA MG's total savings and 5.6% of its measured volume in 2022.

In the Blue Days Campaign, the Company's action aimed at negotiating overdue debts, as detailed in item 4.2.3, offering special conditions to clients in the Social Residential category.

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Still within the social dimension, COPASA MG joined the Mais Água (More Water) Movement, an initiative of Rede Brasil of the Global Compact to accelerate the universalization of sanitation and water security in the country and which has the ambition to impact the lives of over 100 million people.

The Engage to Transform Program, the main initiative in the social action agenda, is characterized by transforming the local reality, fostering the benefit of the community and the company. This Program establishes the guidelines for the relationship with society, aiming to direct and optimize institutional efforts for the engagement of the parties involved, to guarantee the appreciation of the services provided by the Company, the adherence to the services, the timely payments by clients and to improve the reputation of the Company, reinforcing the COPASA MG brand as a corporate benchmark for social responsibility.

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 policy implemented, especially when analyzing the results achieved in 2022, when 12.9 thousand adhesions were verified by local communities, resulting in an estimated revenue increase of R\$ 3.9 million.

Another important fact in 2022 involves the Corporate Volunteer Program. The Program's governance was implemented through the formalization of the Management Network and Local Volunteer Networks. All projects are based on the Sustainable Development Goals (SDGs). The "Mentorship of Professions" project was developed with the participation of 22 professionals in 112 hours of volunteer work, impacting over 350 students from institutions located in areas of social vulnerability in the Metropolitan Region of Belo Horizonte.

Moreover, COPASA MG actively participates annually in the campaign to sponsor the Christmas Action letters from the Autonomous Social Service – Servas, which, in 2022, benefited more than 390 people, including children, young people and the elderly, consolidating its social commitment through the adoption of letters.

The "Confia em 6%" Program, aimed at future generations, 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 2022, the participation of 1,111 employees allowed the allocation of R\$ 637 thousand to 116 accredited institutions, which will allow extending the benefit to over 30 thousand children and adolescents in all regions of the state of Minas Gerais.

COPASA MG can allocate up to 0.6% of its monthly revenue to the Grant Concession Program, which aims to promote the strengthening of social assistance entities. In 2022, R\$ 16.8 million were made available among the approximately 630 philanthropic entities benefited, with discounts on water and sewage tariffs up to the limit of subsidized demand. For entities registered in the Subsidy Program, the discount represents 25% in tariffs and, for philanthropic hospitals, the discount is 50%.

Moreover, to support the municipalities where it operates, the Company created 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, not allowing any outstanding debts, Municipal Governments obtain a special discount of 50% in the amount of water and sewage tariffs, and the discounts granted totaled R\$ 49.0 million in 2022, allowing the reduction of operating costs and helping them to save resources to invest in projects of social interest.

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COPASA MG is always directly taking care of the people of Minas Gerais, with the provision of basic sanitation services, but also promoting the wealth of arts, culture, dance, entertainment, sports and cultural heritage. Thus, it is with great pride that the Company sponsors, through the Culture Incentive Law, the Sports Incentive Law, the Childhood and Adolescence Fund, and the National Fund for the Elderly, several projects for the economic and social development of the State of Minas Gerais, namely:

- ✓ 47th Theater and Dance Popularization Campaign in Minas Gerais: the purpose of this project is to present more than 100 dance and theater shows for an audience of approximately 120,000 spectators, involving around 2,000 professionals;
- ✓ Artes Vertentes Festival: with the theme (IN)DEPENDENCIES, the Festival brought together more than 350 artists from 40 countries in the city of Tiradentes, being nominated for international awards;
- ✓ Companhia Candongas e Outras Firulas: in 2022, the tour visited cities in the south and southeast of Minas Gerais, Belo Horizonte and other cities in the metropolitan region, culminating in a special presentation, in the Palácio da Liberdade tent, to celebrate the Environment Week. For 2023, the circulation of three shows is expected in 45 cities, totaling around 200 presentations, in addition to the group's training actions, with which it is expected to reach around 60,000 people;
- ✓ Annual Plan of Coral das Cidades dos Profetas: this plan aims to sponsor one of the main choirs in the country that performs, disseminates and perpetuates the musical legacy of the Brazilian past, in addition to conducting musical training courses for people aged 12 to 80;
- ✓ Sant'Ana Museum – 2020/2023 Multiannual Maintenance Plan: proposes to guarantee the maintenance of the exhibition space and the public collection formed by approximately 300 sacred images of Sant'Ana;
- ✓ Redescubra Minas: history, heritage and experience: aims to publish a book, based on a thematic, temporal and geographic approach, on the heritage and valuation of 16 reference municipalities in the occupation of Minas Gerais due to gold exploration;
- ✓ Annual Plan of the Clóvis Salgado Foundation: the project aims to ensure the maintenance and performance of the Foundation's training and artistic activities, focused on the Minas Gerais Symphony Orchestra and the Center for Artistic and Technological Training (CEFART);
- ✓ Sponsorship for ongoing training projects for athletes through the Sports Incentive Law, in partnership with Esporte Clube Ginástico, Minas Tênis Clube and Mackenzie Esporte Clube;
- ✓ Professional Training Lar dos Meninos São Vicente de Paulo: project that aims to support the reception of around 400 teenagers aged between 12 and 18 from regions of extreme social vulnerability;
- ✓ Music and Citizenship Transforming the Future: the project benefits 135 children/adolescents, aged between 12 and 18, with a family income of 01 to 03 minimum wages, with the learning of string and wind instruments, flute, among other instruments;
- ✓ Playful Education: the project assists over 490 people of all ages with multiple and intellectual disabilities in situations of social vulnerability, promoting their inclusion and autonomy;

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- ✓ Empreendedorismo Turbinado: the project aims to encourage entrepreneurship and active aging among the population aged over 60, and the initiative has already trained around 12,400 people;
- ✓ Semeando Saberes Ancestrais: the project promotes workshops, shows, motivational lectures and educational projects with the purpose of emphasizing the great potential of elderly women; and
- ✓ Lar Doce Lar: it aims to acquire equipment and funding for medical specialties, as well as for the renovation and structuring of spaces for the long-term care of around 160 elderly people.

9.2.3. Spreading the ESG Agenda

The dissemination of the Company's ESG Agenda is one of the measures for addressing Social Responsibility Risk, especially regarding the Corporate Sustainability risk factor. This initiative aims to improve engagement with the topic, especially with the internal audience, to integrate the corporate culture and improve our performance in the indicators that support ESG management.

In this sense, during the year 2022, efforts were made to increase the perception, among employees, of the fundamentals, methodology, commitments and governance of the Company's ESG Agenda and its adherence to the processes and business model adopted by COPASA MG. Such approaches were incorporated into meetings, events, training and development programs with the main leaders of the Company, and their dissemination at the several hierarchical levels was the responsibility of those responsible for the Business and Services Units. Specific disclosures were also made about each commitment and details of the methodology used, with emphasis on Materiality, prioritization of the Sustainable Development Goals (SDGs) most impacted by sanitation and the Global Compact Principles and Commitments.

9.3. Personnel Management

COPASA MG ended the year 2022 with 10,185 employees, a reduction of 4.7% compared to the headcount of 2021. Such reduction was mainly due to the completion, in 2022, of all dismissals resulting from the Incentivized Voluntary Dismissal Program (PDVI), implemented in the second semester of 2021, and the fact that the Company has been terminating retired employees after the effective date of Constitutional Amendment 103, of November 12, 2019.

In 2022, COPASA MG conducted an organizational climate survey with its employees to identify information about the internal environment and which aspects impact employee satisfaction, motivation and engagement, obtaining a Favorability Index of approximately 70%. The results obtained indicated that there are still relevant points to be improved regarding the perception of the Company by its staff and were the basis for the proposal of actions to improve the organizational climate, which sought to promote and strengthen a culture of sharing best practices between the various Business Units of COPASA MG and promoting the health and well-being of its employees.

In its Strategic Declaration, the Company establishes valuing people and developing their talents as one of its guidelines. In this sense, COPASA MG understands that the qualification and training of its employees are fundamental practices that allow them to seek to reach higher limits regarding their capabilities and potential, contributing to the efficiency and improvement of the Company's processes.

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Considering this and aiming to maximize the contribution of corporate education to improving the performance and, consequently, the engagement of its employees, COPASA MG invested in the development of several initiatives throughout 2022, with emphasis on the incentive to formal education, through external and in-company technical and post-graduate courses, the expansion of content on the Company's Distance Learning platform – EAD, known as “Manancial do Saber”, the Improvement Program for Engineers and the Operational Development Program. Such actions resulted in 68.0 thousand participations in training and a total of about 532 thousand hours, average of 52.2 hours per employee in 2022.

Aiming to contribute to the training and preparation of students for the job market, COPASA MG maintains the Young Apprentice Program in partnership with SENAI-MG, and the Internship Program, in partnership with the Euvaldo Lodi Institute, which was responsible for hiring 200 interns in 2022.

Regarding the topic of promoting diversity and inclusion, COPASA MG highlights that, in its Code of Conduct and Integrity, it adopts as one of its guidelines the equal treatment of all employees, with any form of discrimination or prejudice being strictly prohibited, and which, if they occur, must be immediately communicated or reported to the appropriate channels. Furthermore, the Company adopted practices to encourage inclusion and diversity in 2022, among which we can mention the implementation of the Diversity Rounds, which are Inclusion dialogues related to several topics. In 2022, the Diversity Round was held in celebration of Black Consciousness Day and a cultural exhibition, with the protagonism of young apprentices of the Company, with the topic Racial Literacy. We can also mention the insertion of diversity topics and practices to foster inclusion in the Company's actions aimed at developing leaders and the adoption of quotas for the senior public and for people with disabilities in the Internship Program. It is also worth mentioning that the Company is in the process of consolidating its anti-discrimination practices and encouraging inclusion in a Diversity Policy.

COPASA MG has the purpose of providing opportunities for gender equity in its professional staff as a way to attract and better use its talents, making room for new ideas and valuing its employees. Within this spirit, the Company promoted the 2nd (second) edition of the Female Mentoring Program in 2022, which aims to encourage the development of female employees interested in enhancing their skills, through monitoring by more experienced professionals (also women) as mentors. COPASA MG 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 mentioning that the Company has the goal of reaching 37% of leadership positions held by women by 2025, and this percentage was 33.1% at the end of 2022.

In addition to a legal obligation, fostering a healthy and safe work environment is a fundamental value for the Company. This commitment is even included in our Strategic Declaration: “We operate with safety and respect for life” and is part of our ESG Agenda. Considering this scenario, our health and safety management system aims to protect the integrity, health and ability to work of employees so that, at the end of the day, they can return to their homes safely.

This system covers the full workforce and is based on the Zero Accident Program, the Occupational Risk Management Program, the Occupational Health Medical Control Program and the Health and Wellness Promotion Program.

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The occupational health and safety topic is sponsored by Senior Management, which continuously invests in eliminating unsafe conditions, acquiring protective equipment (collective and individual), carrying out training, promoting awareness campaigns, among others.

In 2022, Health and Safety actions continued to be systematically monitored by the Executive Board through monthly meetings, in which the main indicators, measures adopted and in progress, as well as proposals for improvement, are presented. In absolute numbers, there was a 10.1% drop in lost time accidents in 2022 compared to the previous period. The respective frequency rate ended at 5.24 accidents per million hours worked.

Several structuring initiatives have been implemented to leverage results, among them the hiring of a consulting firm that is a world benchmark, with more than 215 years of experience in complex and high-risk operations, with the objective of carrying out the diagnosis, planning, execute and monitor measures that promote the evolution of the Company's Occupational Health and Safety Culture, in a project that will last 18 months. Initially, a diagnosis will be made, which will help COPASA MG to understand how safety is present in its daily life and operation. From then on, several training actions will be implemented, as well as the implementation of new tools, the review of processes and the optimization of governance, all to improve the Company's vision of risk and safety culture.

Furthermore, an amendment was signed to the Technical Cooperation agreement with COPASS Health (Self-Management Healthcare Plan), with a view to implementing Health Promotion actions, such as: labor gymnastics, ergonomic analyses, psychological reception (mental health), among others.

COPASA MG is concerned with strengthening the pillars for a high performance culture, providing leaders with management tools and contributing to positive behavioral changes, aiming to impact the implementation of the strategies defined for the current context. In this sense, the Company has two (2) programs aimed at the development of its leaders:

- ✓ the Leadership Development Program – named CopaLider, which will train around 1,200 employees in leadership positions (superintendents, managers and middle leadership) and potential leaders in topics such as business vision, people management, client relations and management by results, in a program that will last 24 months; and
- ✓ the Program for the Development of Potential Leaders – PDPL, with a duration of four (4) months, which aims to identify and qualify around 20 potential leaders for each edition, with the inclusion, in the Succession Bank for Trust Positions, of those participants who reach at least 80% of use in the contents of the Program.

9.4. The Corporate Governance Dimension

COPASA MG is a publicly-held corporation with shares listed on B3 – Bolsa, Brasil, Balcão, in the Novo Mercado (New Market) segment, which establishes corporate governance practices in addition to those required by Brazilian law.

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. In December 2022, the shareholder base consisted of over 85,000 shareholders from 31 different countries.

We present below the breakdown of our shareholder base at the end of 2022:

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Shareholders	Shares	(%)	Number of shareholders
State of Minas Gerais	190,248,304	50.03%	1
Domestic shareholders	90,494,715	23.80%	85,069
Shareholders Foreigners	98,438,411	25.89%	279
Treasury shares	1,071,639	0.28%	1
Total	380,253,069	100.00%	85,350

COPASA MG, 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 MG adopts solid corporate governance standards and internal controls, which will be briefly discussed below.

The Company's Management

COPASA MG is managed by the Board of Directors and the Executive Board.

The Board of Directors will be composed of a minimum of seven (7) and a maximum of eleven (11) members, and the Annual General Meeting (AGM) held on 04/29/2022 defined that, for the current management period, its composition is seven (7) members, of which one (1) is the Chairman. Board members are elected for a unified term of office of two (2) years, with a maximum of three (3) consecutive reappointments being allowed.

At least 25% of the members of the Board of Directors must be independent, who will be declared as such at the General Meeting that elects them, according to the independence criteria defined in the Company's Bylaws.

The Board of Directors is assisted in its duties by the Statutory Audit Committee – COAUDI and may establish technical and advisory committees for its advisory.

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. The mandates have a unified term of two (2) years, with a maximum of three (3) consecutive reappointments being allowed.

The positions of Chairman of the Board of Directors and Chief Executive Officer are not held by the same person. Furthermore, no member of the Executive Board is part of the Board of Directors.

Tax Council

The Tax Council works on a permanent basis and is currently composed of five (5) members and an equal number of alternate members, one of whom will be its Chairman, elected by the AGM. The Tax Council will have at least one (1) member and the respective alternate member, appointed by the State of Minas Gerais, who must be civil servants with a permanent bond with the Public Administration and with another as a representative of minority shareholders, elected under the terms of Federal Law 6.404/1976. This Body is responsible for overseeing the acts of the directors and verify the performance of their legal and statutory duties.

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Statutory Audit Committee – COAUDI

The Statutory Audit Committee 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. Furthermore, at least one (1) of the members of COAUDI must have recognized experience in corporate accounting and it will be up to one (1) of the members to exercise the role of coordinator.

In addition to the Board of Directors, the Tax Council, the Executive Board and the Statutory Audit Committee, the Company also has the Compliance Superintendence and the Internal Audit.

Training and Evaluation

It is important highlighting that the 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 MG conducts the performance evaluation process of the administrators and other statutory members annually, which seeks to measure the collective performance of the Board of Directors, Audit Committee and the Executive Board, as well as the individual performance of the members that make up these Bodies. The evaluation process is coordinated by the Compliance Superintendence, and the results are presented to the Directors and serve as a subsidy for the search for opportunities to improve the Company's governance.

Ethics and Integrity

The commitment to ethics and integrity in conducting its business is a non-negotiable value for COPASA MG. Moreover, in this sense, the Company established in its Strategic Declaration, as part of its Way, that "we are in Compliance: integrity, responsibility, ethics, and transparency".

Implemented in 2018, the Company's Integrity Plan was prepared in line with its mission, vision and values and aims to promote and strengthen a culture of ethics and integrity, with emphasis on strengthening and improving the governance structure and risk management, the effective application of the Code of Conduct and Integrity, the adoption of measures to prevent illegal acts, transparency and the need for accountability. Such Plan seeks commitment to integrity by all COPASA MG employees, its administrators, members of the tax council, members of committees and shareholders, as well as its suppliers, service providers, public authorities, representatives of regulatory agencies and any other another party with whom the Company maintains a contractual relationship.

The Code of Conduct and Integrity, prepared in line with the Strategic Declaration and the Integrity Plan, is the main instrument for disclosing the ethical principles and core values of the Company and establishes the rights, guarantees and duties in the work environment, as well as conducts that are not accepted by COPASA MG and the provision for the application of ethical sanctions or penalties provided for in the Company's rules and regulations in case of violation of its provisions. The document also points out other instruments of the Company's integrity, with emphasis on the reporting channel.

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The Ethics Line Channel and the Ethics Committee

The Company has whistleblowing channel, called Ethics Line Channel, with the objective of inhibiting illegal practices and contrary to the interests of COPASA MG, such as corruption, fraud, irregularities, conflict of interests, among others, as well as favoring the communication, investigation and handling of these practices. It is available on the institutional website, accessible to any citizen, complaints can be forwarded anonymously, confidentiality and independence in the investigations are guaranteed. The progress of the full process can be monitored by the complainant, through a protocol and password registered on the website. Reports can also be forwarded by email or by phone.

Channel management is under the responsibility of Internal Audit which, as it is directly linked to the Board of Directors, guarantees independence in the handling of reports. The investigations of the most critical reports are the responsibility of the Internal Audit. Reports involving issues in interpersonal relationships are forwarded to the Ethics Committee for proper handling.

At the end of the investigations, a report is prepared with the findings and measures to be adopted, if applicable, which are monitored by the Internal Audit until its conclusion. Such measures may involve making employees or companies accountable, or even improving procedures and internal controls. The results of the investigations are forwarded, through the Ethics Line Channel, to the Chief Executive Officer and the Director of the Unit affected by the matter. Through the Channel, a response is also available to the complainant for consultation, by means of a protocol and password, as previously informed.

At the beginning of year 2022, there were 175 reports with ongoing investigations. From January to December 2022, COPASA MG's Ethics Line Channel received another 415 reports.

Of this total of 590 reports, 25 were considered more critical and, therefore, the Internal Audit was responsible for investigating them, having completed 19 of these investigations in 2022. The remaining 565 reports were forwarded to the respective Superintendencies for investigation, according to the matters reported, of which 392 had their investigations completed by December 31, 2022.

Of these 392 reports with completed investigations, in 174 the facts denounced were considered valid or partially valid, and in the others the facts denounced were not proven or were unfounded.

The Company has an Ethics Committee directly linked to the Chief Executive Officer, who is also responsible for appointing its members, in accordance with guidelines issued by the Public Ethics Council of the State of Minas Gerais – CONSET MG. This Committee is composed of six (6) full members, with a term of office of three (3) years, with one (1) reappointment being allowed for the same period.

The receipt of anonymous reports is accepted, provided they are duly substantiated. At the end of the processes (reports) handled by the Ethics Committee, the Conclusive Reports are made available on the Ethics Line Channel, making recommendations for the future conduct of the parties involved and, when necessary, within its competence, ethical sanctions (warning or censorship) are applied. The Ethics Committee, given the seriousness of the conduct, may recommend the application of disciplinary measures, as provided for in the internal rules, drawn up in the light of labor legislation.

As provided for in State Decree 46.644/2016, the investigation of reports or other matters involving the Company's Senior Management is the responsibility of CONSET MG.

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The Company undertook some relevant actions throughout the year 2022 to improve its corporate governance, among which we can emphasize:

- ✓ Definition of risk appetite: the Board of Directors approved the Company's risk appetite for the risks identified in the Corporate Risk Matrix, which are monitored using risk indicators. With the Senior Management's definition of the risk level accepted by the Company, there is input for decision-making, considering the targets and respective critical limits for the risks identified;
- ✓ Preparation of the Corporate Risk Map: the risk map is a graphical representation of the risks, which are identified by colors corresponding to their criticality level (impact assessment X probability), allowing their graphic view, considering internal controls and handling actions, based on the different risk scenarios;
- ✓ Review of risk response plans: brings the benefit of the proper treatment of corporate risks, considering the possible consequences of their materiality for the business of COPASA MG, aiming to keep them within the acceptable criticality level for the business, with the consequent reduction of the impact and/or probability of materialization of risks.
- ✓ 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.
- ✓ Implementation of the Remuneration Policy and review of the Disclosure and Trading Policies and Transactions with Related Parties, among others, as well as review of the Bylaws of the statutory bodies.

COPASA MG also held several events in 2022, with the topics of corporate governance, compliance, risk management and integrity, focusing on the development of its Integrity Plan, among which the following stand out:

- ✓ 2022 Integrity Workshop: with the topic "Who sows righteous values reaps good fruits", the Company's leaders were invited to reflect on the ongoing changes at COPASA MG, in society and in the world, emphasizing that values will always be defining choices and, if the values are ethical, the decisions will also be fair.
- ✓ Integrity Workshop – Integrity Instruments: to update employees on the Company's integrity instruments, the Integrity Workshop 2022 was made available, in the distance learning modality, on the Manancial do Saber platform. This event addressed COPASA MG's Integrity Plan and was attended by 76% of employees.
- ✓ Internal "Compliance Here and Now" campaign: several "moral reminders" were produced (mobiles, prisms, posters, leaflets, wallpapers, emails, videos, intranet, among others).
- ✓ "Integrity Drops" Campaign: every week, throughout 2022, impact phrases were made available on the intranet, created by the employees themselves, with the purpose of promoting reflections on integrity and ethics in attitudes, with a view to fostering an upstanding corporate environment. This campaign achieved an approximate total of 13 thousand accesses.

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- ✓ Integrity Caravan: the event, aimed at the administrative audience, was held in all the Company's Business Units in person, through the dynamic "The Complaint", in which participants were able to reflect on the importance of a complaint based on facts in evidence.
- ✓ International Day Against Corruption: in allusion to the International Anti-Corruption Day, on December 9, an event was held with the participation of managers, Compliance leaders and employees of the Compliance Superintendence. There was a presentation by a theatrical group that approached integrity issues in a playful manner.
- ✓ Compliance in Contract management: To involve contract managers and supervisors regarding the importance of applying integrity instruments and regulations in the execution of contracts, the event was attended by approximately 400 employees.
- ✓ Introduction to Compliance for Service Providers: the event was disclosed by the managers and contract inspectors themselves, with the aim of acculturating suppliers in compliance.

9.4.1. Risk Management and Review of the Risk Matrix

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 MG implemented the Corporate Risk Management Policy in 2014.

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 placed in the first line and risk management, internal controls and compliance in the second line. 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.

The risk management process, which is coordinated by the Service Unit linked to the Compliance Superintendence, is also submitted to the Compliance and Risks Committee, which has an Internal Regulation and meets monthly to participate in the process and application of the methodology regarding risk management.

COPASA MG has a Corporate Risk Matrix, in which it expresses the risks to which it is subject, as well as the description of the respective risk factors and the identification of risk owners with responsibility and authority to manage risks. This Matrix presents the risks according to their nature, which may be strategic, operational, financial or compliance. The risks identified in the Matrix are monitored using indicators approved by the Board of Directors

The Risk Map summarizes the risks according to their criticality, and the risk owners report their status directly to the Board of Directors.

In 2022, with the support of an external consulting firm, the Company carried out a review of its Corporate Risk Matrix, covering aspects related to the context of the new sanitation legal framework, defined in Federal Law 14.026/2020.

10. COPANOR

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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. Its scope of action covers places with a population between 200 and 5,000 inhabitants.

We present below COPANOR's operating data, with growth in the main operating lines of the subsidiary, in a movement like what had already occurred in the previous year:

Operating data	2022	2021	2022 X 2021	2020	2021 X 2020
Water					
Households (1,000 units)	115	113	1.3%	111	1.8%
Population Served (1,000 inhabitants)	225	223	1.2%	220	1.3%
Distributed Volume (x 1,000 cubic meters)	16,951	14,662	15.6%	15,472	-5.2%
Measured volume (1,000 m ³)	9,911	9,757	1.6%	9,151	6.6%
Network Extension (km)	2,751	2,701	1.8%	2,220	21.6%
Sewage					
Households (1,000 units)	55	54	2.3%	52	3.6%
Population Served (1,000 inhabitants)	107	105	1.9%	102	2.9%
Measured volume (1,000 m ³)	4,671	4,506	3.7%	4,038	11.6%
Network Extension (km)	1,576	1,572	0.2%	1,498	4.9%

The tariffs charged by COPANOR are much lower than the ones of its Parent Company (COPASA MG), as its cost structure does not consider the return on investments.

As of July 2017, Arsaé-MG created a tariff subsidy on COPASA MG's tariff to support COPANOR's investments and maintenance, consisting of a mechanism for transferring funds subsidized by users of COPASA MG to COPANOR, whose objective is to make investments and maintenance of infrastructure assets viable. The subsidy amount, at 2017 prices, was R\$ 40 million, and the inflation adjustment of that tariff cycle, was based on the change observed in the INCC.

Within the scope of the 2nd tariff review of COPASA MG, Arsaé-MG decided to continue this transfer. In 2022, the Parent Company made 2 onlendings of R\$ 27.1 million each, one in March and another in August, aiming at improving the Subsidiary's infrastructure, as defined by Regulatory Agency. In 2023, the amount of this subsidy will be R\$ 47.6 million.

In November 2022, within the scope of COPANOR's 4th Periodic Tariff Review, Arsaé-MG authorized COPANOR's tariff repositioning, with an average tariff effect of 26.99%, according to CRE Technical Note 08/2022.

In 2022, R\$ 39.6 million were invested in COPANOR, including capitalizations. For the year 2023, investments of R\$ 49.3 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 MG and its subsidiary COPANOR inform that KPMG Auditores Independentes was engaged on April 9, 2019 and the agreement was renewed to conduct the external audit services of the financial statements of the parent company and its subsidiary for the year ended December 31, 2022. During the year 2022, the external auditors, in addition to the services related to the audit of the financial statements, provided the service of issuing reports addressing Previously Agreed Procedures (PPA) required by the Regulatory Agency Arsaé-MG, as well

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as issuing a report containing the Limited Assurance Conclusion to comply with clauses provided for in a financing agreement contracted with the German bank KfW. The amounts paid that were for services provided in 2022 totaled R\$ 1.78 thousand.

In the process of engaging the Audit services, the Audit Committee is responsible for giving 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 MG 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.

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Annual Social Balance Sheet / 2022

Company: Companhia de Saneamento de Minas Gerais (COPASA MG)

1 - Calculation Basis		2022 Amount (R\$'000)			2021 Amount (in thousands of Reals)		
Net revenue from water, sewage and solid waste (RL) ¹		5,371,489			5,181,786		
Total net revenue		6,112,523			5,830,194		
Operating income (OI)		1,045,954			654,449		
Gross payroll (GP)		1,457,458			1,611,084		
2 - Internal Social Indicators		Amount ('000)	% on GP	% on NR	Amount ('000)	% on GP	% on NR
Food		209,402	14.37%	3.90%	170,608	10.59%	3.29%
Compulsory social charges		312,493	21.44%	5.82%	308,989	19.18%	5.96%
Private pension		51,024	3.50%	0.95%	55,155	3.42%	1.06%
Health		98,711	6.77%	1.84%	99,781	6.19%	1.93%
Occupational safety and security		9,067	0.62%	0.17%	9,270	0.58%	0.18%
Education		3,122	0.21%	0.06%	3,115	0.19%	0.06%
Training and professional development		5,140	0.35%	0.10%	2,593	0.16%	0.05%
Daycare or child care allowance		1,420	0.10%	0.03%	1,288	0.08%	0.02%
Profit sharing		38,004	2.61%	0.71%	33,295	2.07%	0.64%
Other		10,801	0.74%	0.20%	11,732	0.73%	0.23%
Total - Internal social indicators		739,188	50.72%	13.76%	695,826	43.19%	13.43%
3 - External Social Indicators		Amount ('000)	% on OR	% on NR	Amount ('000)	% on OR	% on NR
Education		4,329	0.41%	0.08%	2,686	0.41%	0.05%
Culture		4,530	0.43%	0.08%	4,032	0.62%	0.08%
Health and sanitation		490,100	46.86%	9.12%	437,334	66.82%	8.44%
Sports		600	0.06%	0.01%	2,835	0.43%	0.05%
Other		1,687	0.16%	0.03%	689	0.11%	0.01%
Total contributions to society		501,246	47.92%	9.33%	447,576	68.39%	8.64%
Taxes (excluding social charges)		758,867	72.55%	14.13%	650,325	99.37%	12.55%
Total - External social indicators		1,260,113	120.47%	23.46%	1,097,901	167.76%	21.19%
4 - Environmental indicators		Amount ('000)	% on OR	% on NR	Amount ('000)	% on OR	% on NR
Investments related to company's production/operation		430,493	41.16%	8.01%	263,298	40.23%	5.08%
Investments in external programs and/or projects		21,053	2.01%	0.39%	28,070	4.29%	0.54%
Total environmental investments		451,546	43.17%	8.41%	291,368	44.52%	5.62%
Regarding the establishment of "annual targets" to minimize waste, general consumption in production/operation and increase effectiveness in the use of natural resources:		(X) does not have targets () meets 51-75% () meets ≤50% () meets 76-100%					
5 - Workforce indicators		2022			2021		
Number of employees in the end of the period		10,186			10,692		
Number of professionals hired for the period		396			39		
Number of outsourced employees ²		1,120			1,219		
Number of interns		171			147		
Number of employees >45 years		5,931			5,959		
Number of women working in the company		916			951		
% of management positions held by women		33.12%			33.10%		
Number of black people working in the company		5,576			5,802		
% of management positions held by black employees		26.11%			25.52%		
Number of people with disabilities or special needs		560			532		
6 - Relevant information regarding the practice of corporate citizenship		2022			2023 target		
Total occupational accidents		149			104 ³		
Social and environmental projects developed by the company were defined by:		() executive board	(X) executive board and management	() all employees	() executive board	(X) executive board and management	() all employees
The safety and health standards in the workplace were defined by:		(X) executive board and management	() all employees	() all + Cipa	(X) executive board and management	() all employees	() all + Cipa
Regarding union freedom, the right of collective bargaining and internal representation of employees, the Company:		() does not get involved	(X) follows the ILO standards	() encourages and follows ILO	() does not get involved	(X) follows the ILO standards	() encourages and follows ILO
The private pension plan encompasses:		() executive board	() executive board and managements	(X) all employees	() executive board	() executive board and managements	(X) all employees
6 - Relevant information regarding the practice of corporate citizenship		2022			2023 target		
Profit sharing includes:		() executive board	() executive board and managements	(X) all employees	() executive board	() executive board and managements	(X) all employees
Regarding supplier selection, the same ethical and social responsibility/environmental standards adopted by the Company:		() are not considered	() are suggested	(X) are demanded	() are not considered	() are suggested	(X) are demanded
Regarding the participation of employees in volunteer work programs, the Company:		() does not get involved	() supports it	(X) organizes and promotes it	() does not get involved	() supports it	(X) organizes and promotes it
Total number of consumer complaints and criticism:		filed with the company: 1638,567	filed with PROCON: 860	filed with courts: 2,340	filed with the company: 1,093,135	filed with PROCON: 500	filed with courts: 2,000
% of complaints and criticism dealt with or solved:		filed with the company: 100%	filed with PROCON: 100%	filed with courts: 46.75%	filed with the company: 100%	filed with PROCON: 100%	filed with courts: 70.00%
Total value added to be distributed (In thousands of Reais):		In 2022: 3,644,733			In 2021: 3,348,704		
Distribution of added value (DVA):		24.43% government	36.76% employees	10.73% shareholders	23.74% government	44.05% employees	8.44% shareholders
		12.41% withheld	15.67% outsourcing	7.61% withheld	16.16% outsourcing		
7 - Other Information		EIN 17.281.106/0001-03, sector: sanitation.					
		Explanation of stated information: Sustainable Development Service Unit, phone 55 31 3250-1932, email reso@copasa.com.br .					
		Copasa does not employ child or slave labor and has no involvement with prostitution or sexual exploitation of children or teenagers, and is not involved in corruption.					
		We respect and include diversity.					
		1. For the calculation of the indicators, the amount of the Net Revenue from the services rendered by Copasa is considered.					
		2. The number of outsourced professionals is estimated considering the manpower allocated for the service contracts, as Copasa does not directly hire third parties.					
		3. Maximum allowable value. The Company has invested in improving this matter especially with the Zero Accident Program, comprised of a set of projects and actions aimed at developing a safety culture involving safe behavior, discipline and inspection and aiming at the zero accident target.					

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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

Qualified 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, 2022 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, except for the effects of the matter described in the section called “Basis for qualified 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, 2022, 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 qualified opinion

As mentioned in Note 2 and 15(c) to the individual and consolidated financial statements, in December 2021 the Company did not comply with the covenants of its debenture contracts for the year ended December 31, 2021, making the overdue liability payable at the order of the creditor. As disclosed in Note 2 (2.1), the creditors agreed not to demand the advance payment on March 10 and 21, 2022. Pursuant to paragraph 74 of CPC 26 (IAS 1), when the entity does not comply with a covenant of a long-term loan contract at the end of the period or before, at the end of the reporting date, liabilities becoming due and payable at the creditor's order, liabilities are classified as current, even if the creditor has agreed, after balance sheet date and prior to the date of authorization for the issuance of financial statements, not to require the accelerated payment due to the breach of the covenant. Liabilities must be classified as current liabilities because, at balance sheet date, the entity does not have the unconditional right to defer its dissolution for at least 12 months as of December 31, 2021. The Company did not comply with the aforementioned item and kept the liability classified as non-current. Therefore, as of December 31, 2021, current liabilities, individual and consolidated, are understated and non-current liabilities, individual and consolidated, are overstated by R\$ 1,933,212 thousand.

Our audit was conducted in accordance with Brazilian and international audit 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 of the Company and its subsidiaries, according to the significant ethical principles provided in the Accountant’s Code of Professional Ethics and the professional standards issued by the Federal Accounting Council, and we comply with the other ethical responsibilities according to such standards. In our opinion the obtained audit evidence is sufficient and appropriate as a foundation for our qualified opinion.

Other matters - Statements of added value

Individual and consolidated statement of added value (DVA) for the year ended December 31, 2022, 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 9 Technical Pronouncement - Statement of Added Value. In our opinion, except for the effects of the matter described in the section called “Basis for qualified 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.

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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 performed work, we conclude that there is material misstatement in the Management Report, we are required to report such fact. As described in the Section "Basis for qualified opinion", we concluded that other information also presents material misstatement due to the matters and other aspects described in that section.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the current year. These matters were addressed in the context of our audit of individual and consolidated financial statements as a whole and in expressing our opinion on these individual and consolidated financial statements and, therefore, do not express a separate opinion on these matters. In addition to the matter described in the section "Basis for qualified opinion", we decided that certain matters described below are the key audit matters to be disclosed in our report.

Revenue from rendering of water and sewage services

See Notes 3.14, 4 (b) and 28 of individual and consolidated financial statements

Key audit matter	How our audit addressed this matter
<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none">- 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. <p>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:</p> <ul style="list-style-type: none">- 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, 2022;- In addition, we carried out a matching test of the registration of active and inactive clients and whether they have any billing in 2022

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	<p>and evaluated the exceptions identified, if any; and</p> <p>- 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, 2022, 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.</p> <p>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, 2022.</p>
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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 matter	How our audit addressed this matter
<p>As of December 31, 2022, under contract assets, intangible assets and financial assets of concessions, the Company has individual amounts of R\$ 2,182,844 thousand, R\$ 5,400,644 thousand and R\$ 850,980 thousand, respectively, and consolidated amounts of R\$ 2,274,214 thousand, R\$ 5,503,904 thousand and R\$ 866,032 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.</p> <p>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.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> - 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. <p>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, 2022.</p>

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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

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Years ended December 31, 2022 and 2021

In thousands of reais, unless otherwise indicated

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 17, 2023

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

Companhia de Saneamento de Minas Gerais - COPASA - MG

Balance sheets as of December 31, 2022 and 2021

In thousands of reais, unless otherwise indicated

ASSETS	Note	Parent company		Consolidated	
		12/31/2022	12/31/2021	12/31/2022	12/31/2021
CURRENT ASSETS					
Cash and cash equivalents	06	1,091,080	1,279,469	1,122,299	1,309,721
Trade accounts receivable	07	1,040,394	989,272	1,051,607	1,000,456
Banks and arrangements	23	11,791	3,273	11,842	3,320
Inventories		112,118	83,322	116,395	87,349
Recoverable taxes	14	90,325	100,568	90,989	100,882
Technical cooperation agreement	18	30,170	38,271	30,185	38,289
Advances and others		31,679	26,776	26,622	22,994
Total current assets		2,407,557	2,520,951	2,449,939	2,563,011
NON-CURRENT ASSETS					
Long-term assets:					
Trade accounts receivable	07	34,678	37,092	34,963	37,092
Collaterals as guarantees of loans, financing and debentures	08	61,033	65,853	61,033	65,853
Deferred income tax and social contribution	17	312,483	409,039	312,483	409,039
Interest earning bank deposit - pledged	08	71,706	77,228	71,706	77,228
Financial assets measured at fair value through other comprehensive income	22,3	620	26,153	620	26,153
Financial assets - concession agreements	05	872,921	733,328	889,897	752,253
Receivables from subsidiaries		-	-	-	-
Technical cooperation agreement	18	2,629	5,165	2,629	5,165
Advances and others		50,472	59,087	50,522	59,098
Contract asset	10	2,057,435	1,424,870	2,123,821	1,488,995
Right-of-use from lease		94,275	72,699	94,284	72,703
Investments	09	245,457	202,441	260	260
Intangible assets	11	5,497,318	5,592,762	5,623,627	5,691,267
Property, plant and equipment	12	1,467,396	1,470,124	1,473,823	1,473,533
Total non-current assets		10,768,423	10,175,841	10,739,668	10,158,639
TOTAL ASSETS		13,175,980	12,696,792	13,189,607	12,721,650

See the accompanying notes to the financial statements.

Companhia de Saneamento de Minas Gerais - COPASA - MG

Balance sheets as of December 31, 2022 and 2021

In thousands of reais, unless otherwise indicated

LIABILITIES	Note	Parent company		Consolidated	
		12/31/2022	12/31/2021	12/31/2022	12/31/2021
CURRENT LIABILITIES					
Loans and financing	15	150,328	190,315	150,328	190,315
Debentures	15	790,543	609,822	790,543	609,822
Public-Private Partnership	13	36,792	52,331	36,792	52,331
Suppliers		289,620	287,977	298,595	307,967
Obligations – leases		35,112	26,308	35,119	26,311
Taxes, rates, contributions and social and labor charges	14	98,125	75,100	98,976	77,078
Other tax liabilities		-	6,623	1,576	6,623
Provision for vacation		135,235	119,302	136,614	120,472
Technical cooperation agreement	18	7,978	1,214	7,978	1,214
Employee gain sharing		55,237	125,178	55,237	125,178
Obligations with retirement benefits	19	9,627	16,614	9,627	16,614
Interest on own capital	20	231,653	265	231,653	265
Sundry liabilities	14	84,001	375,390	84,348	376,349
Total current liabilities		1,924,251	1,886,439	1,937,386	1,910,539
NON-CURRENT LIABILITIES					
Loans and financing	15	826,609	878,079	826,609	878,079
Debentures	15	2,372,440	2,307,128	2,372,440	2,307,128
Obligations – leases		70,797	49,331	70,797	49,331
Public-Private Partnership	13	206,811	208,654	206,811	208,654
Provision for legal disputes	16	396,748	377,363	397,240	378,121
Obligations with retirement benefits	19	44,296	112,764	44,296	112,764
Technical cooperation agreement	18	-	1,977	-	1,977
Sundry liabilities	14	79,514	115,099	79,514	115,099
Total non-current liabilities		3,997,215	4,050,395	3,997,707	4,051,153
SHAREHOLDERS' EQUITY					
Realized capital	20	3,402,385	3,402,385	3,402,385	3,402,385
Treasury shares		(8,576)	(8,576)	(8,576)	(8,576)
Profit reserves		3,856,580	3,402,583	3,856,580	3,402,583
Equity valuation adjustments		4,125	(36,434)	4,125	(36,434)
Total shareholders' equity		7,254,514	6,759,958	7,254,514	6,759,958
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		13,175,980	12,696,792	13,189,607	12,721,650

See the accompanying notes to the financial statements.

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Statement of income for years ended December 31, 2022 and 2021

In thousands of reais, unless otherwise indicated

	Note	Parent company		Consolidated	
		2022	2021	2022	2021
Cost of Net revenue from sales and services rendered	28	6,112,523	5,830,194	6,176,855	5,894,710
Cost of sales and services rendered	29	(3,791,492)	(3,677,378)	(3,861,339)	(3,745,491)
GROSS INCOME		2,321,031	2,152,816	2,315,516	2,149,219
Sales expenses	29	(260,751)	(228,213)	(262,728)	(229,970)
Expected credit losses on trade accounts receivable	29	(201,935)	(221,416)	(206,215)	(226,153)
Administrative expenses	29	(573,374)	(622,214)	(576,962)	(625,802)
Other operating revenues	31	135,017	177,380	136,868	179,185
Other operating expenses	31	(151,312)	(396,631)	(154,143)	(399,723)
Equity in the net income of subsidiary	09	(11,163)	(12,691)	-	-
INCOME (LOSS) BEFORE NET FINANCIAL EXPENSES AND TAXES		1,063,518	(1,303,785)	(1,063,180)	(1,302,463)
		1,257,513	849,031	1,252,336	846,756
Financial revenues	32	272,601	285,167	277,875	287,553
Financial expenses	32	(484,160)	(479,749)	(484,257)	(479,860)
Financial expenses, net	32	(211,559)	(194,582)	(206,382)	(192,307)
INCOME (LOSS) BEFORE TAXES		1,045,954	654,449	1,045,954	654,449
Current income tax and social contribution	17	(126,952)	(257,505)	(126,952)	(257,505)
Deferred income tax and social contribution	17	(75,640)	140,643	(75,640)	140,643
	17	(202,592)	(116,862)	(202,592)	(116,862)
NET INCOME FOR THE YEAR		843,362	537,587	843,362	537,587
Basic and diluted earnings for the year attributable to shareholders of common shares of the Parent Company	20	2.22	1.42	2.22	1.42

See the accompanying notes to the financial statements.

Companhia de Saneamento de Minas Gerais - COPASA - MG

Statement of comprehensive income for years ended December 31, 2022 and 2021

In thousands of reais, unless otherwise indicated

	Note	Parent company		Consolidated	
		2022	2021	2022	2021
NET INCOME FOR THE YEAR		843,362	537,587	843,362	537,587
OTHER COMPONENTS OF THE COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX EFFECTS		40,603	48,439	40,603	48,439
Items that will not be reclassified to income (loss)					
Actuarial gain (loss) from retirement benefits	19	43,476	81,735	43,476	81,735
Change in financial asset at fair value through other comprehensive income		(2,873)	(33,296)	(2,873)	(33,296)
COMPREHENSIVE INCOME FOR THE YEAR		883,965	586,026	883,965	586,026

See the accompanying notes to the financial statements.

Companhia de Saneamento de Minas Gerais - COPASA - MG

Statement of changes in shareholders' equity for the years ended December 31, 2022 and 2021

In thousands of reais, unless otherwise indicated

	Capital	Treasury shares	Profit reserves			Retained earnings	Equity valuation adjustments	Total
			Legal	Tax incentives	Profit retention			
BALANCE AT DECEMBER 31, 2021	3,402,385	(8,576)	415,440	61,042	2,926,101	-	(36,434)	6,759,958
Comprehensive income for the year								
Net income for the year	-	-	-	-	-	843,362	-	843,362
Actuarial loss from retirement benefits (Note 19)	-	-	-	-	-	-	43,476	43,476
Change in financial asset at fair value through other comprehensive income	-	-	-	-	-	-	(2,873)	(2,873)
Total comprehensive income for the year	-	-	-	-	-	843,362	40,603	883,965
Proposed distribution/allocation:								
• Legal reserve (Note 20)	-	-	42,168	-	-	(42,168)	-	-
• Tax incentive reserve (Note 20)	-	-	-	20,680	-	(18,984)	-	1,696
• Profit retention (Note 20)	-	-	-	-	391,149	(391,149)	-	-
• Interest on own capital (Note 20)	-	-	-	-	-	(391,105)	-	(391,105)
Amortization of inflation adjustment on restated assets	-	-	-	-	-	66	(66)	-
Deferred income tax and social contribution on restated assets	-	-	-	-	-	(22)	22	-
BALANCE AT DECEMBER 31, 2022	3,402,385	(8,576)	457,608	81,722	3,317,250	-	4,125	7,254,514

See the accompanying notes to the financial statements.

Companhia de Saneamento de Minas Gerais - COPASA - MG

Statement of changes in shareholders' equity for the years ended December 31, 2022 and 2021

In thousands of reais, unless otherwise indicated

	Profit reserves						Equity valuation adjustments	Total
	Capital	Treasury shares	Legal	Tax incentives	Profit retention	Retained earnings		
Balance at December 31, 2020	3,402,385	(8,576)	388,560	48,203	2,710,828	-	(84,788)	6,456,612
Comprehensive income for the year								
Net income for the year	-	-	-	-	-	537,587	-	537,587
Actuarial gain from retirement benefits (Note 19)	-	-	-	-	-	-	81,735	81,735
Change in financial asset at fair value through other comprehensive income	-	-	-	-	-	-	(33,296)	(33,296)
Total comprehensive income for the year	-	-	-	-	-	537,587	48,439	586,026
Proposed distribution/allocation:								
• Legal reserve (Note 20)	-	-	26,880	-	-	(26,880)	-	-
• Tax incentive reserve (Note 20)	-	-	-	12,839	-	(12,839)	-	-
• Profit retention (Note 20)	-	-	-	-	215,273	(215,273)	-	-
• Interest on own capital (Note 20)	-	-	-	-	-	(225,300)	-	(225,300)
• Declared dividends (Note 20)	-	-	-	-	-	(57,380)	-	(57,380)
Amortization of inflation adjustment on restated assets	-	-	-	-	-	129	(129)	-
Deferred income tax and social contribution on restated assets	-	-	-	-	-	(44)	44	-
BALANCE AT DECEMBER 31, 2021	3,402,385	(8,576)	415,440	61,042	2,926,101	-	(36,434)	6,759,958

See the accompanying notes to the financial statements.

Companhia de Saneamento de Minas Gerais - COPASA - MG

Statement of cash flows for the years ended December 31, 2022 and 2021

In thousands of reais, unless otherwise indicated

	Parent company		Consolidated	
	2022	2021	2022	2021
Cash flow used in operating activities:				
Net income for the year	843,362	537,587	843,362	537,587
Adjustments to reconcile net income with net cash				
Expected credit losses on trade accounts receivable	201,935	221,416	206,215	226,153
Charges and inflation adjustments and exchange-rate changes, net	33,317	94,035	33,317	94,035
Interest revenues and expenses, net	231,542	294,323	230,852	293,676
Deferred income tax and social contribution	75,640	(140,643)	75,640	(140,643)
Equity in income of subsidiaries and associated companies (Gain) loss in the write-off of intangible assets and property, plant and equipment	11,163	12,691	-	-
Depreciation and amortization	13,215	11,505	13,250	12,585
Recording (reversals) of provisions	721,131	741,457	730,133	748,651
Provision from retirement benefits	(39,751)	151,130	(38,400)	151,361
Financial assets	54,945	63,961	54,945	63,961
Provision for inventory losses	(55,924)	(101,836)	(56,336)	(102,187)
Other	(402)	253	(349)	220
	(4,581)	(1,182)	(4,601)	(1,182)
	2,085,592	1,884,697	2,088,028	1,884,217
Changes in asset				
Trade accounts receivable	(200,809)	(165,122)	(204,710)	(169,665)
Inventories	(28,774)	(20,940)	(29,077)	(22,645)
Recoverable taxes	10,243	(82,187)	9,893	(82,373)
Advance of tariff on lending	7,471	6,318	7,471	6,318
Technical cooperation agreement	10,637	(1,096)	10,640	(1,096)
Other	11,217	1,370	12,490	419
Changes in liabilities				
Suppliers	1,643	81,800	(9,373)	94,679
Taxes, rates, contributions and social and labor charges	203,039	288,147	201,911	289,575
Accrued vacation pay	15,933	(5,892)	16,142	(5,882)
Employee gain sharing	(69,941)	33,842	(69,941)	33,842
Technical cooperation agreement	4,787	(356)	4,787	(356)
Contingencies	2,145	(8,178)	2,065	(8,196)
Obligations with retirement benefits	(64,527)	(56,632)	(64,527)	(56,632)
Salaries payable - Collective agreement	(178,835)	106,164	(178,835)	106,164
Voluntary Dismissal Incentive Program - PDVI	(80,734)	86,705	(80,734)	86,705
Other	(37,184)	45,229	(37,796)	45,644
Cash generated by operations	1,691,903	2,193,869	1,678,434	2,200,718
Interest paid	(341,871)	(212,325)	(341,874)	(212,326)
Interest paid for the Public-Private Partnership	(15,655)	(6,194)	(15,655)	(6,194)
Payment of IRPJ/CSLL	(203,590)	(307,293)	(203,590)	(307,293)
Net cash generated in operating activities	1,130,787	1,668,057	1,117,315	1,674,905

See the accompanying notes to the financial statements.

Companhia de Saneamento de Minas Gerais - COPASA - MG

Statement of cash flows for the years ended December 31, 2022 and 2021

In thousands of reais, unless otherwise indicated

	Parent company		Consolidated	
	2022	2021	2022	2021
Cash flow in investment activities:				
Payment to Public-Private Partnership	(25,464)	(54,028)	(25,464)	(54,028)
Capital increase in subsidiary (COPANOR)	(54,179)	(49,740)	-	-
Amount received for sale of property, plant and equipment	3,476	5,006	3,476	5,006
Acquisition of contract assets	(949,336)	(794,724)	(976,920)	(829,787)
Acquisition of intangible assets	(203,056)	(147,956)	(211,393)	(156,151)
Acquisition of property, plant and equipment	(75,131)	(28,897)	(78,882)	(31,183)
Collateral for financing	37,776	143,067	37,776	143,067
Banks and arrangements	(8,518)	21,179	(8,522)	21,180
Receipt of financial assets	21,180	-	21,180	-
Net cash used in investment activities	(1,253,252)	(906,093)	(1,238,749)	(901,896)
Cash flow from financing activities:				
Inflows of loans, financing and debentures	876,002	895,164	876,002	895,164
Amortization of loans, financing and debentures	(762,550)	(779,594)	(762,550)	(779,594)
Interest on own capital paid	(136,141)	(282,747)	(136,141)	(282,747)
Dividends paid	-	(57,373)	-	(57,373)
Funding cost	(3,443)	(11,659)	(3,443)	(11,659)
Payment of lease liabilities	(39,792)	(32,663)	(39,856)	(32,698)
Net cash used in financing activities	(65,924)	(268,872)	(65,988)	(268,907)
(Decrease) increase in cash and cash equivalents in the year	(188,389)	493,092	(187,422)	504,102
Cash and cash equivalents at the beginning of the year	1,279,469	786,377	1,309,721	805,619
Cash and cash equivalents at the end of the year	1,091,080	1,279,469	1,122,299	1,309,721

See the accompanying notes to the financial statements.

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Statement of added value for the years ended December 31, 2022 and 2021

In thousands of reais, unless otherwise indicated

	Parent company		Consolidated	
	2022	2021	2022	2021
REVENUES	6,593,674	6,314,631	6,660,397	6,380,433
Rendering of water and sewage services	5,917,152	5,707,678	5,969,264	5,753,278
Solid waste	2,406	2,581	2,406	2,581
Other revenues:	135,017	177,380	136,868	179,185
Other operating revenues	92,219	112,752	92,286	113,331
Recovery of written-off accounts	42,798	64,628	44,582	65,854
Revenues related to formation of own assets	741,034	648,408	758,074	671,542
Provision for expected credit losses on trade accounts receivable	(201,935)	(221,416)	(206,215)	(226,153)
INPUTS ACQUIRED FROM THIRD PARTIES	(2,496,857)	(2,506,432)	(2,544,515)	(2,556,118)
Cost of sales and services rendered	(2,192,982)	(1,978,075)	(2,235,222)	(2,022,592)
Materials, energy, outsourced services and other	(222,265)	(182,359)	(226,147)	(186,285)
Other operating expenses	(81,610)	(345,998)	(83,146)	(347,241)
GROSS ADDED VALUE	4,096,817	3,808,199	4,115,882	3,824,315
DEPRECIATION AND AMORTIZATION	(721,131)	(741,456)	(730,133)	(748,652)
NET ADDED VALUE PRODUCED	3,375,686	3,066,743	3,385,749	3,075,663
ADDED VALUE RECEIVED AS TRANSFER	269,047	281,961	285,721	297,149
Profit sharing in subsidiary	(11,163)	(12,691)	-	-
Financial revenues	280,210	294,652	285,721	297,149
Other	-	-	-	-
TOTAL ADDED VALUE PAYABLE	3,644,733	3,348,704	3,671,470	3,372,812
DISTRIBUTION OF ADDED VALUE	3,644,733	3,348,704	3,671,470	3,372,812
Personnel	1,340,001	1,475,076	1,357,814	1,490,654
Direct remuneration	872,887	1,011,588	885,118	1,023,127
Benefits	363,241	365,052	367,989	368,258
FGTS	65,869	65,141	66,703	65,974
Employee gain sharing	38,004	33,295	38,004	33,295
Taxes, duties and contributions	890,372	794,875	899,194	803,284
Federal	828,135	744,507	835,836	752,048
State	59,228	47,533	60,344	48,393
Municipal	3,009	2,835	3,014	2,843
Third-party capital remuneration	570,998	541,166	571,100	541,287
Interest and inflation adjustment	561,523	522,842	561,597	522,843
Rentals	9,475	18,324	9,503	18,444
Remuneration of own capital	843,362	537,587	843,362	537,587
Interest on own capital and dividends	391,105	282,680	391,105	282,680
Retained earnings	452,257	254,907	452,257	254,907

See the accompanying notes to the financial statements.

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01. Operations

Companhia de Saneamento de Minas Gerais ("COPASA MG", "COPASA", "Parent Company", or "Company") is a publicly-traded corporation with state and private capital, controlled by the State of Minas Gerais, with registered head office 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 MG 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.

COVID-19 impacts on the Company's financial and equity conditions

Since the beginning of the pandemic, COPASA MG has been carrying out several actions based on the recommendations of the Ministry of Health and the World Health Organization to preserve the integrity and health of its employees. The Company has been adopting commercial measures and other preventive actions to minimize the impacts of the pandemic on clients.

No impacts have been identified that would require adjustments to the Individual and Consolidated financial statements as of December 31, 2022 regarding the recoverability of its assets, fair value of financial instruments, provisions for lawsuits and revenue recognition.

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, 2022 and of the Individual and Consolidated Financial Statements as of March 17, 2023.

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

2.1 Comparative financial statements - December 31, 2021

The Financial Statements for the year ended December 31, 2021, presented for comparative purposes, were prepared on the same basis and practices described in the previous paragraph, except for the non-application of item 74 of Technical Pronouncement CPC 26 – "Presentation of Financial Statements, as explained below.

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As of December 31, 2021, due to the non-compliance with covenants based on certain non-financial indicators (See Note 15.c) and in compliance with item 74 of CPC 26, the Company should reclassify its debts from non-current liabilities to current liabilities. However, considering the obtaining of the waiver from the creditors in March 2022 (see Note 15.c) and that such Company's debts do not constitute a short term liability, said reclassification, according to item 74 of CPC 26, would constitute a serious misstatement of the Company's Balance Sheet.

Item 19 of CPC 26 mentions that if Management comes to the conclusion that compliance with a requirement of a technical pronouncement, interpretation or guidance of the CPC would lead to a presentation so misleading that it would conflict with the objective of the financial statements provided for in the CPC 00 – “Conceptual Framework for Financial Reporting” (CPC 00), the Company shall not apply this requirement. Management understood that said reclassification as of December 31, 2021 would be misleading information for users of the Financial Statements, harming the purpose of fair presentation of these financial statements, as provided for in CPC 00 and, therefore, did not carry out said reclassification.

In compliance with item 20 of said CPC 26, the Company informs that if the requirement of item 74 of CPC 26 had been fulfilled in the Financial Statements for the year ended December 31, 2021, carrying out said reclassification, current liabilities would be increased and non-current liabilities reduced by R\$ 1,933,212 on such date.

The Brazilian Securities and Exchange Commission (CVM), through a Official Letter, requested the Company to express its opinion on the modified opinion indicated in the independent auditor's report on the financial statements for the year ended December 31, 2021. On September 23, 2022, in a new Official Letter, the CVM communicated that, considering the information provided by the Company's Management, the open process requesting said manifestation was filed.

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 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 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.

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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 subsequent to their initial recognition unless the Company changes its business model for the management financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following 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

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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 amount 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. The amortized cost is reduced by impairment losses. 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.

3.4.2 Evaluation of recoverable value of financial assets (impairment)

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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 this study, 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 revisited 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 continues to analyze its receivables' behavior so that provisioned amounts reflect loss expectations in accounts receivable from clients.

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 disclosed by the credit rating agencies Fitch and S&P.

Lifetime expected credit losses are expected 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.

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;

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- 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 MG 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.

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

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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.

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

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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 its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms 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 of five years.

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

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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 under "Proposed additional dividends" caption 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

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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.

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 and social contribution tax 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 and social contribution tax 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

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ISSQN – Service tax (*)

Sundry

(*) 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.

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' interest in income (loss).

In 2008, the Board of Directors approved the Rules for the Employee Profit Sharing Program, defining the procedures to be adopted.

The profit sharing amount to be paid will be approved on an annual basis by the Board of Directors, equivalent to 25% of the minimum mandatory dividends paid to shareholders, corresponding, therefore, to

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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.

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.

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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.

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 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);

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- IFRS 17: Insurance Contracts and amendments to IFRS 17;
- Deferred tax related to assets and liabilities arising from a single transaction (amendments to CPC 32/IAS 12);
- 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).

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:

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, 2022 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 agreements, 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.

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- (f) Impairment loss of non-financial assets - Note 3.8: Definition of main assumptions in relation to recoverable values.
- (g) Provisions for tax, civil, labor and environmental risks - 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.

The Company and its subsidiary COPANOR were parties to 640 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, 2022 (640 and 310 as of December 31, 2021, respectively).

As at December 31, 2022, 19 concessions were expired and two with contracts judicially declared null and void, representing, together, 3.8% 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 MG'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 18.309/2009.

ARSAE-MG, through Resolution ARSAE-MG173/2022, of November 24, 2022, authorized the Company to apply new tariffs to public water supply and sewage services provided, as of January 1, 2023. The average tariff effect applied to the current tariffs is 15.70%, as it also considers offsetting related to the previous year and other financial components. ARSAE MG maintained the charge for the sanitary sewage service without any tariff differentiation due to the existence or not of sewage treatment collected for each user.

As of December 31, 2022, the Company presented the amount of R\$ 872,921 in the parent company (R\$ 733,328 as of December 31, 2021) and R\$ 889,897 in the Consolidated (R\$ 752,253 as of December 31,

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2021) 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	
	2022	2021	2022	2021
Opening balance	733,328	685,561	752,253	709,052
Transfer from (to) intangible assets and property, plant and equipment	83,661	(54,069)	81,301	(58,986)
Capitalization	56,624	102,298	57,035	102,649
Write-offs	(700)	(509)	(700)	(509)
Other	8	47	8	47
Closing balance	872,921	733,328	889,897	752,253

The new Legal Framework

Law 14.026, of July 15, 2020, encouraged a market opening as, with the termination of concession and program contracts, bidding is currently required by the Concession Grantor. In addition to the inclusion of the competition factor, we can say that other main pillars introduced by the New Legal Framework were:

- The establishment of targets for universal sanitation by December 31, 2033;
- Nationalization of Regulation - competence for ANA to establish reference standards;
- Regionalized provision of services.

Thus, Law 14026/2020 brought several obligations linked to the fulfillment of the sanitation universalization, based on specific indices, with market opening and final date as of December 31, 2033 for all sanitation companies in the country and their respective contracts.

Work to update contracts to include legal targets was carried out within the deadline defined by law. The proof of the Company's economic and financial capacity was recognized, as required by Decree 10.710/2021.

In this sense, the Company's Management states that the Legal Framework does not constitute a material impact factor on the financial statements for the year ended December 31, 2022.

06. Cash and cash equivalents

(a) Cash and cash equivalents

	Parent company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Cash and banks	19,679	29,789	19,949	30,056
Short-term bank deposit certificates and debentures subject to repurchase and resale agreements	1,071,401	1,249,680	1,102,350	1,279,665
Total	1,091,080	1,279,469	1,122,299	1,309,721

The Company's own funds arising from its business activity 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

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bank deposits were remunerated at the average rate of 104.65% of CDI in the year ended December 31, 2022 (103.35% of CDI as of December, 31, 2021).

As of December 31, 2022, Interbank Deposit Certificate (CDI) was 13.65% p.a. (9.15% p.a. as of December 31, 2021). 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	
	2022	2021	2022	2021
As of January 1	1,249,680	759,912	1,279,665	778,665
New investments	4,657,431	5,624,768	4,711,334	5,695,214
Earnings	86,368	47,839	90,626	49,279
Redemptions	(4,922,078)	(5,182,839)	(4,979,275)	(5,243,493)
As of December 31	1,071,401	1,249,680	1,102,350	1,279,665

07. Trade accounts receivable

Amounts of trade accounts receivable are broken down by maturity:

	Parent company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Overdue				
ε30	204,338	213,006	206,949	215,626
31–60	88,975	92,251	90,340	93,549
61–90	48,403	55,783	49,196	56,952
91–180	87,408	97,620	88,723	99,337
181–360	131,990	136,266	132,032	136,315
>360	11,562	8,464	11,572	8,469
Total overdue	572,676	603,390	578,812	610,248
Falling due	312,557	274,905	316,015	277,820
Billed	885,233	878,295	894,827	888,068
To be billed	408,253	387,246	411,899	390,626
Trade accounts receivable⁽¹⁾	1,293,486	1,265,541	1,306,726	1,278,694
(-) Provision for expected credit losses on trade accounts receivable	(218,414)	(239,177)	(220,156)	(241,146)
Trade accounts receivable, net	1,075,072	1,026,364	1,086,570	1,037,548
Trade accounts receivable - Current	1,040,394	989,272	1,051,607	1,000,456
Trade accounts receivable - Non-current	34,678	37,092	34,963	37,092

(1) This includes accounts receivable from State of Minas Gerais, as detailed below.

Amounts	Parent company/Consolidated	
	12/31/2022	12/31/2021
Billed	19,870	20,232
To be billed	11,192	10,248
Accounts receivable from the State of Minas Gerais ⁽¹⁾	31,062	30,480

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

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

	Parent company		Consolidated	
	2022	2021	2022	2021
Opening balance	239,177	195,999	241,146	197,495
Addition to provision for expected credit losses on trade accounts receivable	201,935	221,416	206,215	226,153
Trade accounts receivable written-off in the year as Non-collectible	(222,698)	(178,238)	(227,205)	(182,502)
Closing balance	218,414	239,177	220,156	241,146

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.

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	
	12/31/2022	12/31/2021
Collaterals as guarantees of loans, financing and debentures - non-current (i)	61,033	65,853
Restricted interest earning bank deposit - non-current (ii)	71,706	77,228

(i) (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(d). Both guarantees occur within the term or grace period of the contracted debts. As of December 31, 2022 and 2021, 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 MG 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.

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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 (03) installments up to 2020, totaling R\$ 931, and one (01) installment in June 2022 in the amount of R\$ 347, with the remaining balance of R\$ 2,923;
- Patos de Minas - two (2) installments in May 2021, in the amount of R\$ 1,182 and in February 2022 in the amount of R\$ 1,239, and the remaining balance of R\$12,111; and
- Ibitité – one (1) installment in December 2022, in the amount of R\$ 821, with the remaining balance of R\$ 9,006.

09. Investments

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

	Opening balances	Profit sharing in the subsidiary	Capital increase ⁽ⁱ⁾	Closing balances
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
Year ended December 31, 2021				
COPANOR	165,132	(12,691)	49,740	202,181
Other	260	-	-	260
Total	165,392	(12,691)	49,740	202,441

- (i) The Parent Company paid up the amount of R\$ 54,179 in 2022, of which R\$ 27,090 was paid in the 1st quarter and R\$ 27,089 in the 3rd quarter (R\$ 49,740 in 2021, of which R\$ 25,945 was paid in the 1st quarter and R\$ 23,795 in the 3rd quarter of 2021) 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	Shareholders' equity	Net loss
2022	100%	47,723	216,393	18,476	443	245,197	(11,163)
2021	100%	46,127	184,968	28,168	746	202,181	(12,691)

10. Contract asset

Changes during the year ended December 31, 2022, may be shown as follows:

	Systems of			Inventories for works	Total
	Water	Sewage treatment	Common use		
Parent company:					
Balances at January 1, 2022	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

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	Systems of			Inventories for works	Total
	Water	Sewage treatment	Common use		
Consolidated:					
Balances at January 1, 2022	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

Changes in year ended December 31, 2021 were as follows:

	Systems of			Inventories for works	Total
	Water	Sewage treatment	Common use		
Parent company:					
Balances at January 1, 2021	163,154	338,838	164,889	89,664	756,545
Additions	363,513	249,519	151,150	30,510	794,692
Write-offs	(2,168)	(7,723)	(1,672)	(1,182)	(12,745)
Compound interest	10,690	27,510	5,713	-	43,913
Transfers to intangible assets	(30,156)	(90,047)	(27,961)	-	(148,164)
Transfers to property, plant and equipment	-	-	(9,371)	-	(9,371)
Balances at December 31, 2021	505,033	518,097	282,748	118,992	1,424,870
Consolidated:					
Balances at January 1, 2021	169,035	354,638	165,662	97,898	787,233
Additions	374,284	264,680	156,422	34,398	829,784
Write-offs	(2,168)	(7,723)	(1,672)	(2,232)	(13,795)
Compound interest	10,690	27,510	5,713	-	43,913
Transfers to intangible assets	(30,395)	(90,047)	(28,303)	-	(148,745)
Transfers to property, plant and equipment	-	-	(9,395)	-	(9,395)
Balances at December 31, 2021	521,446	549,058	288,427	130,064	1,488,995

In the year ended December 31, 2022, the additions, in the amount of R\$ 949,336 in the parent company (R\$ 794,692 as of December 31, 2021) and of R\$ 976,920 in the consolidated (R\$ 829,784 as of December 31, 2021) refer mainly to the implementation of water supply systems in the cities of Juatuba, Montes Claros, Paracatu, and Santa Luzia, and implementation of sewage systems in the cities of Conselheiro Lafaiete, Januária, Nova Lima, Ribeirão das Neves, Sabará, Sistema Integrado Coronel Fabriciano/Timóteo, Sarzedo, Três Marias and Ubá.

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11. Intangible assets

The breakdown of balances is as follows:

	12/31/2022			12/31/2021		
	Cost	Accumulated amortization	Intangible assets, net	Cost	Accumulated amortization	Intangible assets, net
Parent company:						
In operation						
Water systems	4,142,742	(2,661,099)	1,481,643	4,052,841	(2,523,726)	1,529,115
Sewage treatment	6,347,712	(2,977,932)	3,369,780	6,178,869	(2,688,220)	3,490,649
Common use systems	1,126,596	(917,516)	209,080	1,028,145	(852,874)	175,271
Usage rights	649,105	(317,097)	332,008	610,228	(287,791)	322,437
Other intangible assets	136,580	(31,773)	104,807	101,996	(26,706)	75,290
Total intangible assets	12,402,735	(6,905,417)	5,497,318	11,972,079	(6,379,317)	5,592,762
Consolidated:						
In operation						
Water systems	4,196,048	(2,667,334)	1,528,714	4,096,321	(2,527,730)	1,568,591
Sewage treatment	6,423,565	(2,986,089)	3,437,476	6,232,932	(2,693,578)	3,539,354
Common use systems	1,144,469	(924,699)	219,770	1,042,101	(857,083)	185,018
Usage rights	649,266	(317,232)	332,034	610,377	(287,896)	322,481
Other intangible assets	137,497	(31,864)	105,633	102,573	(26,750)	75,823
Total intangible assets	12,550,845	(6,927,218)	5,623,627	12,084,304	(6,393,037)	5,691,267

Changes during the year ended December 31, 2022, may be shown 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 among 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)
Transfers among intangible asset and property, plant and equipment	(1,363)	(473)	337	11	(932)	(2,420)
Transfer 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'.

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Changes in the year ended December 31, 2021 were as follows:

	Systems of				Other	Total
	Water	Sewage treatment	Common use ⁽¹⁾	Rights-of-use		
Parent company:						
Balances at December 31, 2020	1,626,089	3,646,795	165,590	324,883	104,127	5,867,484
Additions	26,652	49,338	45,353	25,613	1,000	147,956
Write-offs	(2,742)	(471)	(117)	-	(15)	(3,345)
Amortization	(181,987)	(309,726)	(57,715)	(28,172)	(8,685)	(586,285)
Transfers of financial assets ⁽²⁾	34,024	15,873	3,225	40	590	53,752
Transfer among intangible asset and property, plant and equipment	(3,732)	(176)	2,394	68	(33,461)	(34,907)
Transfers of contract assets	30,830	89,018	16,578	2	11,736	148,164
Other	(19)	(2)	(37)	3	(2)	(57)
Balances at December 31, 2021	1,529,115	3,490,649	175,271	322,437	75,290	5,592,762
Consolidated:						
Balances at December 31, 2020	1,664,038	3,692,654	172,738	324,958	104,526	5,958,914
Additions	28,488	50,577	50,115	25,613	1,358	156,151
Write-offs	(2,742)	(471)	(147)	-	(15)	(3,375)
Amortization	(184,038)	(312,302)	(59,812)	(28,201)	(8,708)	(593,061)
Transfers of financial assets ⁽²⁾	35,029	20,056	3,157	40	387	58,669
Transfers among intangible asset and property, plant and equipment	(3,544)	(176)	2,394	68	(33,461)	(34,719)
Transfer of contract assets	31,380	89,018	16,609	2	11,736	148,745
Other	(20)	(2)	(36)	1	-	(57)
Balances at December 31, 2021	1,568,591	3,539,354	185,018	322,481	75,823	5,691,267

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

(2) Transfers of financial assets basically refer to incorporation of construction work completed in the year.

Amortization was allocated to income for the year as follows:

	Parent company		Consolidated	
	2022	2021	2022	2021
Cost of services rendered	537,440	581,197	545,492	587,943
Sales expenses	525	540	525	540
Administrative expenses	4,210	4,548	4,242	4,578
Total	542,175	586,285	550,259	593,061

Average amortization rate calculated for Parent Company and Consolidated:

	Parent company		Consolidated	
	2022	2021	2022	2021
Water systems	4.97%	5.14%	5.17%	5.13%
Sewage treatment	5.08%	5.28%	5.21%	5.27%
Common use systems	19.39%	19.32%	21.62%	19.23%
Usage rights	5.79%	6.36%	5.82%	6.36%
Other intangible assets	4.98%	3.80%	5.09%	3.80%

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 2022, 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.

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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 8% per annum until 2027 was obtained, mainly reflecting the effect of investments from 2022 to 2025 in the Regulatory Asset Base (BAR) to be remunerated in the next Tariff Revision cycle. In other years, the projected growth was only due to natural growth to meet the organic population growth of the municipalities operated.
- Costs and expenses: estimated treatment material and electric power costs with a proportional change in the growth rates of the economies served for expansion of coverage from the projected investments – 2027 and vegetative growth in the other years.
- 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.

12. Property, plant and equipment

The breakdown of balances is as follows:

	Average rate	12/31/2022			12/31/2021		
		Cost	Accumulated depreciation	Net property, plant and equipment	Cost	Accumulated depreciation	Net property, plant and equipment
Parent company:							
In operation							
Machinery and equipment	13.84%	684,904	(541,141)	143,763	594,208	(516,287)	77,921
Vehicles	24.02%	82,553	(80,223)	2,330	85,009	(78,933)	6,076
Other	-	31,490	(231)	31,259	31,485	(210)	31,275
		798,947	(621,595)	177,352	710,702	(595,430)	115,272
Land and buildings	4.52%	3,417,153	(2,127,109)	1,290,044	3,371,917	(2,017,065)	1,354,852
Total property, plant and equipment - in operation		4,216,100	(2,748,704)	1,467,396	4,082,619	(2,612,495)	1,470,124
Consolidated:							
In operation							
Machinery and equipment	14.72%	689,775	(542,450)	147,325	598,218	(516,972)	81,246
Vehicles	24.74%	85,648	(80,453)	5,195	85,104	(78,943)	6,161
Other	-	31,490	(231)	31,259	31,485	(211)	31,274
		806,913	(623,134)	183,779	714,807	(596,126)	118,681
Land and buildings	4.52%	3,417,153	(2,127,109)	1,290,044	3,371,917	(2,017,065)	1,354,852
Total property, plant and equipment - in operation		4,224,066	(2,750,243)	1,473,823	4,086,724	(2,613,191)	1,473,533

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Changes during the year ended December 31, 2022, may be shown 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
Transfers among intangible asset and property, plant and equipment	2,346	-	-	58	2,404
Transfers to financial assets	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
Transfers among intangible asset and property, plant and equipment	2,362	-	-	58	2,420
Transfers to financial assets	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

Changes in year ended December 31, 2021 were as follows:

	Machinery and equipment	Vehicles	Other	Land and buildings	Total
Parent company:					
Balances at December 31, 2020	62,216	9,611	31,186	1,415,966	1,518,979
Additions	28,876	21	-	-	28,897
Write-offs	(395)	(26)	-	-	(421)
Depreciation	(20,367)	(3,798)	(18)	(97,804)	(121,987)
Transfer of contract assets	6,015	215	107	3,034	9,371
Transfers among intangible asset and property, plant and equipment	1,331	44	-	33,532	34,907
Transfers to financial assets	243	9	-	65	317
Other	2	-	-	59	61
Balances at December 31, 2021	77,921	6,076	31,275	1,354,852	1,470,124
Consolidated:					
Balances at December 31, 2020	63,688	9,618	31,187	1,416,159	1,520,652
Additions	31,080	103	-	-	31,183
Write-offs	(395)	(26)	-	-	(421)
Depreciation	(20,742)	(3,802)	(18)	(97,809)	(122,371)
Transfer of contract assets	6,038	215	107	3,035	9,395
Transfers among intangible asset and property, plant and equipment	1,331	44	-	33,344	34,719
Transfers to financial assets	243	9	-	65	317
Other	3	-	(2)	58	59
Balances at December 31, 2021	81,246	6,161	31,274	1,354,852	1,473,533

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Depreciation was allocated to income for the year as follows:

	Parent company		Consolidated	
	2022	2021	2022	2021
Cost of services rendered	113,891	108,783	114,719	109,165
Sales expenses	4,090	3,603	4,096	3,605
Administrative expenses	10,602	9,601	10,608	9,601
Total	128,583	121,987	129,423	122,371

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

COPASA MG 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, 2022 were R\$ 96,779 (R\$ 86,058 in the year ended December 31, 2021).

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	
	2022	2021
Opening balance	260,985	306,226
Restatement	23,737	14,981
Amortization	(25,464)	(54,028)
Interest paid	(15,655)	(6,194)
Closing balance	243,603	260,985
Current liabilities	36,792	52,331
Non-current liabilities	206,811	208,654

14. Taxes, rates, contributions, social and labor charges and sundry obligations

(a) Current assets:

The recoverable taxes are shown as follows:

	Parent company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
IRPF recoverable	2,463	3,759	3,109	3,943
IRPJ to be offset/negative balance	61,041	33,536	61,044	33,538
CSLL to be offset/negative balance	20,973	5,505	20,973	5,505
Recovery of PIS/COFINS credits	5,707	57,206	5,707	57,302
Other taxes recoverable	141	562	156	594
Total	90,325	100,568	90,989	100,882

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Recoverable taxes refer to the higher negative balance of Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) in 2022, mainly caused by the change in the percentage of distribution of Interest on Own Capital in December 2022 to 50%. In 2021, this percentage change was approved in September. Furthermore, the recovery of tax credits (PIS and COFINS), recognized in 2021, was carried out throughout 2022.

(b) Current liabilities:

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

	Parent company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
INSS	27,267	24,236	27,772	24,879
COFINS	25,548	25,241	25,634	26,168
PIS	5,505	5,360	5,522	5,561
IR	28,437	10,454	28,470	10,482
FGTS	5,513	4,680	5,634	4,809
Other	5,855	5,129	5,944	5,179
Current liabilities	98,125	75,100	98,976	77,078

The sundry obligations are as follows:

	Parent company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Sundry liabilities				
Deposit for works (i)	55,429	60,814	55,429	60,814
Salaries payable (ii)	1,629	180,170	1,639	180,655
Voluntary Dismissal Incentive Program - PDVI (iii)	-	86,705	-	86,705
Return of Tariffs – ARSAE (iv)	51,567	99,558	51,567	99,558
Other	54,890	63,242	55,227	63,716
Total	163,515	490,489	163,862	491,448
Current liabilities	84,001	375,390	84,348	376,349
Non-current liabilities	79,514	115,099	79,514	115,099

- (i) Refers to ANA's funds related to the Hydrographic Basins Depollution Program (PRODES) (See Note 8).
- (ii) The change in salaries payable presented is due to the payment of amounts arising from the Collective Bargaining Agreement – ACT 2019/2022.
- (iii) The Company instituted the Voluntary Dismissal Incentive Program – PDVI in June 2021, duly regulated and widely publicized to its employees. A total of 1,098 employees joined the program, and dismissals took place as of October 2021, as follows:

Parent Company Consolidated					
PDVI	Provision in September 2021	Payments up to 12/31/2021	Balance at 12/31/2021	Payments / reversals in 2022 ⁽¹⁾	Balance at 12/31/2022
Amount	152,171	65,466	86,705	86,705	-
Number of employees	1,098	492	606	603	-
Current liabilities			86,705		-

⁽¹⁾ R\$ 80,734 was paid, R\$ 5,971 was reversed and three (3) subscriptions were cancelled.

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- (iv) 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:
- In September 2019, ARSAE MG initiated Administrative Proceeding 005/2019 to investigate evidence of amounts improperly charged in the Municipality of Belo Horizonte, referring to Dynamic Sewage with Collection and Treatment (EDT). COPASA MG filed an appeal in the proceeding, but without success. In July 2021, Decision ARSAE 066/21 was issued, determining the return of amounts to clients, according to the Material Fact released on July 26, 2021. In August 2021, the Company’s Management authorized the beginning of returns, in a simple and corrected manner, pursuant to the Notice to the Market released on September 8, 2021. After identifying the users with the right to return, the Company found that the total value of returns is R\$ 125,817. Returns started in September 2021.
 - In 2021, ARSAE MG started Administrative Proceeding 028/21 to investigate possible adjustments regarding the system adopted by COPASA to calculate the invoiced amount, in a month after the average billing, in the period from January to July 2020. COPASA MG filed an appeal in the proceeding, but without success. ARSAE MG decided to return amounts to clients. The Company’s Management authorized the return of the amounts indicated, simply and inflation adjusted, in the total amount of R\$ 12,028, whose reimbursement started in October 2021.
 - In 2021, ARSAE MG initiated Administrative Proceeding 041/2021 to investigate evidence of amounts improperly charged for sanitary sewer system services in the Onça Basin and surrounding areas, in the municipalities of Belo Horizonte and Contagem. COPASA MG filed an appeal in the proceedings regarding the double return, plus interest. In May 2021, the Company’s Management authorized the beginning of returns, in a simple and corrected manner. After identifying the users with the right to return, the Company found that the total value of returns is R\$ 6,153. R\$ 5,002 was recorded as principal under “Other Operating Expenses” and R\$ 1,151 as interest and inflation adjustment under “Financial Expenses”.

The Company identified all clients involved in the aforementioned proceedings and recorded the exact amount to be returned to each one, through a credit (discount) on invoices, and, in the year ended December 31, 2022, returns amounted to R\$ 62,030. Changes in the amounts involved in the proceedings were as follows:

Parent Company Consolidated						
Processes	Initial balance to be reimbursed	Increase in provision	Returns made			Final balance to be reimbursed
			Principal value	Interest and inflation adjustment	Total returned	
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
Year ended December 31, 2021						
005/2019	125,817	-	19,804	11,940	31,744	94,073
028/2021	12,028	-	4,082	2,461	6,543	5,485
	<u>137,845</u>	<u>-</u>	<u>23,886</u>	<u>14,401</u>	<u>38,287</u>	<u>99,558</u>
			Current liabilities			71,442
			Non-current liabilities			28,116

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15. Loans, financing and debentures

Loans, financing, and debentures, totaling R\$ 4,139,920 as of March 31, 2022 (R\$ 3,985,344 as of December 31, 2021), mature until 2043, and average coupons of 10.85% p.a. for the Parent Company and Consolidated (8.0% p.a. as of December 31, 2021 for the Parent Company and Consolidated).

	Parent company	Consolidated
	12/31/2022	12/31/2021
Current		
Financings – FGTS	43,266	38,120
Loans	41,047	69,601
Finame	4,198	12,500
Financing in foreign currency ⁽ⁱ⁾	61,817	70,094
Bank loans and financing	150,328	190,315
Debentures	790,543	609,822
Total current	940,871	800,137
Non-current		
Financings – FGTS	671,489	648,923
Loans	16,962	57,393
Finame	3,315	7,496
Financing in foreign currency ⁽ⁱ⁾	134,843	164,267
Bank loans and financing	826,609	878,079
Debentures	2,372,440	2,307,128
Total non-current	3,199,049	3,185,207
Total current and non-current	4,139,920	3,985,344

⁽ⁱ⁾ Includes cost of loans made available to COPASA MG.

(a) Loans and financing

Changes in loans and financing are as follows:

	Parent company	Consolidated
	2022	2021
Opening balance	1,068,394	1,273,997
Additions of loans and financing	103,456	145,164
Provisioned charges	66,383	71,470
Inflation adjustment and exchange rate change	(15,706)	3,837
Amortization of charges	(66,565)	(73,001)
Amortization of principal	(179,282)	(353,330)
Amortization of fund raising costs	257	257
Closing balance	976,937	1,068,394
Current liabilities	150,328	190,315
Non-current liabilities	826,609	878,079

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
	12/31/2022	12/31/2021
2023	-	154,247
2024	107,258	96,534
2025	96,965	55,789
2026	55,410	53,316
2027–2042	569,471	520,945
Funding cost	(2,495)	(2,752)
Total	826,609	878,079

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As of December 31, 2022, the book values of the Company's loans in foreign currency total R\$ 196,660 in euros, excluding funding costs (R\$ 234,361, in euro, as of December 31, 2021).

	Parent Company Consolidated			
	Index + Interest (p.a.)	Year of maturity	Book value 12/31/2022	Book value 12/31/2021
In local currency:				
Financing - FGTS	Ref.Rate+8.50%	01/16/2043	714,755	687,043
Loan	TJLP + 1.55–1.73%	05/15/2025	58,009	126,994
Finame	2.5–8.7%	01/15/2025	7,513	19,996
			780,277	834,033
In foreign currency (euro):				
Financing	2.07%	12/20/2023	-	140,567
Financing	1.41%	05/15/2034	143,695	33,588
Financing	Euribor + 0.55%	09/20/2033	55,717	63,214
			199,412	237,369
Funding cost			(2,752)	(3,008)
			196,660	234,361
Loans and financing			976,937	1,068,394

(b) Debentures

The breakdown of debentures is presented below:

	Parent Company Consolidated			
	Index + Interest (p.a.)	Year of maturity	Book value 12/31/2022	Book value 12/31/2021
Subscription 4th issue				
1 st	TJLP + 1.55%	07/15/2022	-	15,497
2 nd	IPCA + 9.05%	08/15/2022	-	54,147
3 rd	TJLP + 1.55%	07/15/2022	-	20,519
Total 4 th issue			-	90,163
Subscription 5th issue				
Single series	Ref.Rate+9.00%	09/01/2031	154,146	171,559
Total 5 th issue			154,146	171,559
Subscription 8th issue				
1 st	TJLP + 1.87%	06/15/2028	45,298	53,125
2 nd	IPCA + 8.18%	06/15/2028	27,008	30,154
Total 8 th issue			72,306	83,279
Subscription 11th issue				
1 st	TJLP + 2.62%	01/15/2031	114,292	110,517
2 nd	IPCA + 8.85%	01/15/2031	63,446	59,714
Total 11 th issue			177,738	170,231
Subscription 12th issue				
1 st	IPCA + 5.06%	01/15/2024	125,126	196,961
2 nd	IPCA + 5.27%	01/15/2026	94,289	101,775
Total 12 th issue			219,415	298,736
Subscription 13th issue				
2 nd	110% of CDI	07/15/2023	287,994	557,276
3 rd	IPCA + 6.50%	07/15/2025	88,392	83,487
Total 13 th issue			376,386	640,763
Subscription 14th issue				
1 st	106.15% CDI	06/15/2024	28,532	47,330
2 nd	IPCA + 4.30%	06/15/2026	154,153	166,386
Total 14 th issue			182,685	213,716
Subscription 15th issue				
Single series	CDI + 1.75%	12/16/2025	464,207	502,295

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	Parent Company Consolidated			
	Index + Interest (p.a.)	Year of maturity	Book value 12/31/2022	Book value 12/31/2021
Total 15 th issue			464,207	502,295
Subscription 16th issue				
1 st	IPCA + 5.23%	09/15/2031	269,454	253,977
2 nd	CDI + 1.30%	09/15/2026	509,315	508,621
Total 16 th issue			778,769	762,598
Subscription - 17th issue				
1 st	CDI + 1.30%	12/16/2029	753,362	-
Total 17 th issue			753,362	-
Total debentures			3,179,014	2,933,340
Funding cost			(16,031)	(16,390)
Total			3,162,983	2,916,950

In September 2021 and December 2022, the Company contracted long-term loan operations, through the 16th and 17th Issue of Debentures respectively, non-convertible into shares, of the unsecured type, under a firm guarantee based on CVM Instruction 476/2009, in the amount of R\$ 750,000 each.

The forecast is that these funds will be allocated to the execution of part of the Company's investment program.

Changes in debentures are as follows:

	Parent Company Consolidated	
	12/31/2022	12/31/2021
Opening balance	2,916,950	2,507,144
Inflows of debentures	772,546	750,000
Provisioned charges	267,756	148,461
Inflation adjustment	54,182	81,314
Amortization of charges	(265,542)	(134,631)
Amortization of principal	(583,268)	(426,264)
Funding cost	(3,443)	(11,659)
Amortization of fund raising costs	3,802	2,585
Closing balance	3,162,983	2,916,950
Current liabilities	790,543	609,822
Non-current liabilities	2,372,440	2,307,128

The Company maintains collateral in monetary amounts, as mentioned in Note 08, 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	
	12/31/2022	12/31/2021
2023	-	739,763
2024	544,525	531,327
2025	538,249	483,206
2026	414,071	230,227
2027-2031	887,389	335,026
Funding cost	(11,794)	(12,421)
Total	2,372,440	2,307,128

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(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.

Non-financial covenants - December 31, 2021:

In addition to the financial guarantees provided to creditors, within the scope of their constituted debts, the Company has been complying with specific and particular non-financial obligations for each of the contracts.

Debenture deeds provide for that an Event of Default may lead to the early maturity of the obligations arising from the unfavorable decision in the appellate court in lawsuits whose value exceeds R\$ 50 million for 12th, 13th, 14th and 15th issues and R\$ 75 million for 16th issue (non-financial covenants).

As reported in a Material Fact dated December 27, 2021, due to decisions in relation to Labor Lawsuit filed in 2008 by the main Union of the Company's employees, regarding the termination of employment contracts due to the application of the extinct termination policy, COPASA MG decided to review the amount of the provision, and increased the provision for this lawsuit by approximately R\$ 217,356 as of December 31, 2021 (see Note 16.a.ii).

Aiming to obtain the waiver of creditors from their contractual rights, in December 2021, the process of requesting a waiver was initiated with the financial agents, presenting proposals for equalization, so that the Company could continue implementing its investment, business development and operational plan, as well as full compliance with the commitments for the coming years.

Thus, the Company, at the General Debentureholders' Meetings held on March 10, 2022 for the 13th, 14th, 15th and 16th issues and on March 21, 2022 for the 12th issue, obtained a waiver of compliance with the contractual default, assuming the payment of a waiver fee to debentureholders of 0.10% per annum, on the outstanding balance, calculated on the payment date. Considering the actions taken by the Company, which resulted in the effective obtaining of waivers, the debts as of December 31, 2021 were not enforceable in the short term, so that said debts remain classified as non-current liabilities (see Note 2.1).

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16. Provision for lawsuits

(a) Lawsuits provisioned

Following is the breakdown of provisions for legal proceedings:

	12/31/2022			12/31/2021		
	Contingencies	Judicial deposits	Net balance	Contingencies	Judicial deposits	Net balance
Controlling shareholder:						
Civil	120,546	(6,065)	114,481	96,435	(5,710)	90,725
Labor	297,104	(13,225)	283,879	304,087	(14,045)	290,042
Tax	1,848	(3,460)	(1,612)	1,736	(5,140)	(3,404)
Total	419,498	(22,750)	396,748	402,258	(24,895)	377,363
Consolidated:						
Civil	120,999	(6,065)	114,934	97,164	(5,710)	91,454
Labor	297,219	(13,301)	283,918	304,152	(14,081)	290,071
Tax	1,848	(3,460)	(1,612)	1,736	(5,140)	(3,404)
Total	420,066	(22,826)	397,240	403,052	(24,931)	378,121

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 ⁽¹⁾	55,927	56,532
Restatements	44,740	44,843
Reversals	(37,420)	(38,102)
Write-offs	(46,007)	(46,258)
Total provisions	419,498	420,067
Offset of judicial deposits	(22,750)	(22,827)
Balance at December 31, 2022	396,748	397,240

⁽¹⁾ Interest and inflation adjustment on legal provisions are included, in the amount of R\$ 44,397 recorded in financial expenses.

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 MG Contingency Board. Restatements refer to the inflation adjustment of the provision balance.

Changes are summarized as follows:

1. Additions in the amount of R\$ 55,927, referring to the recording of a provision for labor, civil and tax claims, with an increase in labor provisions of R\$ 11,874, civil provisions of R\$ 44,045 and tax provisions in the amount of R\$ 8, detailing the main proceedings in items (i) Civil Provisions and (ii) Labor Provisions, below.
2. Updates of proceedings, in the amount of R\$ 44,740, of which R\$ 19,818 are labor, R\$ 24,818 are civil and R\$ 104 are tax claims.
3. Reversals in the amount of R\$ 37,420, with R\$ 27,026 referring to labor lawsuit and R\$ 10,395 referring to civil lawsuits.
4. Write-offs in the amount of R\$ 46,007, pulverized in labor and civil proceedings.

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Changes for the year 2021 are demonstrated as follows:

	Parent company	Consolidated
Balance at December 31, 2020 before offset of judicial deposits	150,719	151,281
Additions	265,535	266,028
Restatements	13,600	13,680
Reversals	(14,532)	(14,862)
Write-offs	(13,064)	(13,075)
Total provisions	402,258	403,052
Offset of judicial deposits	(24,895)	(24,931)
Balance at December 31, 2021	377,363	378,121

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

1. In 2005, the Prosecution Office of the State of Minas Gerais filed an indemnity claim for environmental damage caused to Lagoa Central in the municipality of Lagoa Santa, and COPASA MG was ordered to pay the indemnity. A legal settlement was entered into for payment of the indemnity in installments and termination of compliance with the decision. The sum provisioned as of December 31, 2022 is R\$ 18,837 (R\$ 10,923 as of December 31, 2021).

2. In 2003, the Prosecution Office of the State of Minas Gerais filed a collective civil action for return to users of the amounts related to the March 2003 adjustment on the grounds that the said amounts were charged in the same month in which the adjustment was authorized, and they should have been applied 30 days after the authorized period. The lawsuit had an unfavorable decision for COPASA MG and is in the process of settlement of the sentence, awaiting the completion of a judicial analysis. The Company set up provision in order to propose a legal agreement to settle the claim. The sum provisioned as of December 31, 2022 is R\$ 20,012 (R\$ 18,883 as of December 31, 2021).

(ii) Labor provisions

Most of the suits in which the Company has direct responsibility are related to moral and material damages due to occupational illness or accident at work, overtime, unhealthy and hazardous hours, warning, salary differences arising from the equality of function and questions of dismissal for just cause. 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.

There is a collective labor action, filed in 2008 by 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. The Public Ministry of Labor of the state of Minas Gerais (MPT-MG) filed the lawsuit questioning the legality of the aforementioned program.

As of December 19, 2008, the lawsuit filed by Sindágua was dismissed in the lower courts. The MPT-MG filed a motion for clarification against this decision. In the judgment of the motions for clarification, the combination of the two lawsuits for joint judgment and processing was determined, and the motions for clarification were rejected. Sindágua and MPT-MG appealed against this decision. The Regional Labor Court of Minas Gerais (TRT-MG) partially accepted the appeals to condemn the Company regarding the obligation

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to reinstate all employees dismissed based on the aforementioned policy, as well as to pay overdue and falling due salaries, under penalty of paying a daily fine of R\$ 500.00. COPASA MG filed an appeal against said decision, which was rejected by the Superior Labor Court (TST). Objecting to such decision, the Company filed an extraordinary appeal, which was denied by the TST. To proceed with the extraordinary appeal, it filed an Internal Appeal, which was also denied.

As of June 18, 2019, the Company presented a Constitutional Claim to the Federal Supreme Court (STF), and a favorable decision was handed down to COPASA MG on November 21, 2019. However, the Federal Supreme Court (STF) revised its decision, resulting in the validity of the decision of the TRT-MG, which condemned COPASA MG. The Company filed an Interlocutory Appeal in the Complaint, it was rejected, with a decision published on December 01, 2021.

On December 7, 2021, the Company filed a Motion for Clarification on the decision, as it understood it to be omissive. Therefore, the Regional Labor Court of Minas Gerais (TRT-MG) determined the return of the labor lawsuit to the 24th Labor Court of Belo Horizonte to start the execution phase, on December 10, 2021.

Considering the court decisions, the Company decided to review the amount of the provision, even though the amount of conviction in the aforementioned action has not been settled. To this end, it carried out preliminary calculations, under the guidelines and legal grounds laid down by the lawyers hired to conduct the process, and in compliance with the best accounting practices. In 2022, the accrued amount was increased by R\$ 18,263, with R\$ 1,579 being recorded in “other operating expenses” and R\$ 16,684 of interest on arrears and inflation adjustment in “financial expenses” (R\$ 217,356 in 2021, with the principal amount of R\$ 110,324 recorded under “other operating expenses” and interest on arrears and inflation adjustment in the total amount of R\$ 107,032 recorded under “financial expenses”).

On February 21, 2022, with the return of the main lawsuit, the Court of the 24th Labor Court of Belo Horizonte started the liquidation procedure, determining the collection of documents.

Meanwhile, in the STF, motion for clarification was denied on March 3, 2022, by 2nd Panel of the Federal Supreme Court (STF); on the same date, the Company added the pre-execution exception to the main proceedings and is awaiting judgment.

On February 25, 2022, the Company filed the motion for new trial, aiming to invalidate the judgment of the 5th Panel of TRT-MG, with a request for an injunction to suspend the processing of the main proceedings, until the judgment on the merits of the motion for a new trial. As of May 3, 2022, the 2nd Section of Individual Agreements of the TRT-MG granted the motion for an injunction for the motion for a new trial, and determined the suspension of the main proceedings. The execution of the main proceedings was suspended on May 4, 2022. The rescission action is pending judgment.

(b) Lawsuits not provisioned

COPASA MG 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:

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Type	Parent company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Civil (i)	483,090	379,276	491,494	386,444
Labor (ii)	58,462	54,255	58,896	54,503
Tax (iii)	91,371	13,612	91,395	13,611
Environmental	2,490	1,029	2,490	1,029
Total	635,413	448,172	644,275	455,587

(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.

The main individual lawsuit with a relevant amount is the Indemnity lawsuit filed by Mecnorte Construções e Empreendimentos Ltda. In 2021, claiming economic and financial imbalance in works contracts signed with COPASA MG, which had as their object the expansion of the Water Supply System and the Sanitary Sewage System of Teófilo Otoni. The lawsuit was preceded by a technical expert assessment that determined the value assigned to the case. Judicial expert approval is pending. The value of lawsuit as of December 31, 2022 is R\$ 46,467 and its current likelihood of loss is classified as “possible”.

Collective proceedings

1. The Company is a party to public civil actions and public lawsuits seeking the annulment, suspension or challenge of 36 of our concession agreements, signed with the municipalities of Alpinópolis, Andradas, Araçuaí, Barbacena, Betim, Bom Despacho, Cabo Verde, Campina Verde, Cataguases, Confins, Congonhas, Curvelo, Delfinópolis, Divinópolis, Extrema, Fronteira, Guaxupé, Guidoal, Igaratinga, João Pinheiro, Lagoa Santa, Luz, Mirabela, Mirai, Nanuque, Nova Serrana, Paracatu, Patos de Minas, Pirapetinga, Ribeirão das Neves, Sabará, São Roque de Minas, São Sebastião do Paraíso, Três Marias, Vazante and Visconde do Rio Branco. 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 of Coronel Fabriciano for alleged non-compliance with Concession Agreement clauses; to return to users amounts charged as sewage tariff; to implement total sewage

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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 its defense, COPASA MG filed a challenge adding, within other arguments, that there was no breach of contract as sewage treatment service covers more than 108 thousand inhabitants and interconnection works to the Integrated System with the Municipality of Timóteo are already underway, with half of the population already served by this System. The amount of the lawsuit as of December 31, 2022, is R\$ 6,110 (R\$ 5,766 as of December 31, 2021).

(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.

All 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 2022 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	
	2022	2021	2022	2021
Income for the year before taxes and contributions	1,045,954	654,449	1,045,954	654,449
Nominal rate	34%	34%	34%	34%
Expected expense at nominal rate	(355,624)	(222,513)	(355,624)	(222,513)
IRPJ and CSLL on:				
(Additions) /exclusions -				
Equity in net income of subsidiaries	(3,795)	(4,315)	-	-
Donations and grants	818	402	818	402
Other (additions) / exclusions	(1,819)	8,898	(5,614)	4,583
Other reconciliation items -				
Interest on own capital	132,976	76,602	132,976	76,602
Tax incentives	24,852	24,064	24,852	24,064
IRPJ and CSLL	(202,592)	(116,862)	(202,592)	(116,862)
Current IRPJ and CSLL	(126,952)	(257,505)	(126,952)	(257,505)
Deferred income tax and social contribution	(75,640)	140,643	(75,640)	140,643
IRPJ and CSLL	(202,592)	(116,862)	(202,592)	(116,862)
Effective rate	19.37%	17.86%	19.37%	17.86%

Temporary differences of R\$ 75,662 (R\$ 140,599 of credits in 2021) for the year refer to expenses with deferred IRPJ and CSLL recognized in income (loss), in the amount of R\$ 75,640 (R\$ 140,643 of credits in 2021), and to deferred IRPJ and CSLL debits on the amortization of inflation adjustment on restated assets recognized in shareholders' equity, under equity valuation adjustments, in the amount of R\$ 22 (R\$ 44 in 2021).

In 2022, the Company recognized, 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\$ 16,577 (R\$ 11,657 in 2021). (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.

The bases of deferred income tax and social contribution on temporary differences are as follows:

Parent Company Consolidated

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	12/31/2021	Comprehensive income	Recognized in income (loss)	12/31/2022
Year ended December 31, 2022				
Assets (Liabilities)				
Allowance for doubtful accounts	81,320	-	(7,059)	74,261
Provision for legal disputes	136,767	-	5,862	142,629
Provision for actuarial liability gains (losses) - 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
Income tax and social contribution				
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
Year ended December 31, 2021				
Assets (Liabilities)				
Allowance for doubtful accounts	66,640	-	14,680	81,320
Provision for legal disputes	50,925	-	85,842	136,767
Provision for actuarial liability gains (losses) - comprehensive income	67,256	(42,106)	-	25,150
CPC adjustment - Balance of assigned assets to depreciate	45,670	-	(2,727)	42,943
Amortization difference by the discount of financial asset	144,947	-	42,426	187,373
Provision of ISSQN – PBH account matching				
Exchange-rate change on loans	22,759	-	(7,405)	15,354
Other sundry temporary provisions	45,718	-	43,800	89,518
Deferred construction revenue margin	(31,376)	-	1,793	(29,583)
Capitalization of discounted financial asset	(92,022)	-	(34,812)	(126,834)
Funding cost due to issue of debentures	(2,488)	-	(3,085)	(5,573)
Funding cost of loans	(1,110)	-	87	(1,023)
Provision for CPC adjustments - comprehensive income	(23,570)	17,197	-	(6,373)
Total net assets	293,349	(24,909)	140,599	409,039

In compliance with CVM Resolution 109, dated May 20, 2022 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, 2022 is R\$ 497,025 (R\$ 578,425 on December 31, 2021).

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:

Expected realization of deferred tax assets	Parent Company / Consolidated
in 2023	33,373
in 2024	107,613
in 2025	32,785
in 2026	32,785
in 2027	32,785
in 2028	3,469
in 2029	3,469
in 2030	3,469
in 2031	3,469
in 2032	3,469
>2032	240,339
Total	497,025

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18. Technical cooperation agreement

The balance of covenants in assets is as follows:

	Parent company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Current assets	30,170	38,271	30,185	38,289
Non-current assets	2,629	5,165	2,629	5,165
Total	32,799	43,436	32,814	43,454

	Parent company			Consolidated		
	Receivable	Advance	Net	Receivable	Advance	Net
December 31, 2022						
State funds	4,653	(4,287)	366	563,417	(563,035)	381
Federal funds	174,148	(141,715)	32,433	174,148	(141,715)	32,433
Total	178,801	(146,002)	32,799	737,565	(704,750)	32,814
December 31, 2021						
State funds	4,154	(3,905)	249	562,918	(562,651)	267
Federal funds	170,527	(127,340)	43,187	170,527	(127,340)	43,187
Total	174,681	(131,245)	43,436	733,445	(689,991)	43,454

The balance of agreements in liabilities is as follows:

	Parent Company Consolidated	
	12/31/2022	12/31/2021
Current liabilities	7,978	1,214
Non-current liabilities	-	1,977
Total	7,978	3,191

	Parent company / Consolidated		
	Advance	Receivable	Net
December 31, 2022			
State funds	5,122	-	5,122
Federal funds	42,519	(39,663)	2,856
Total	47,641	(39,663)	7,978
December 31, 2021			
State funds	521	-	521
Federal funds	42,333	(39,663)	2,670
Total	42,854	(39,663)	3,191

19. Obligations with retirement benefits

The amounts and information of the retirement benefit obligations are presented below:

	Parent Company Consolidated	
	12/31/2022	12/31/2021
Normal contributions – current	9,627	16,614
Long-term obligations – non-current	44,296	112,764
Total liabilities recorded in the balance sheet	53,923	129,378

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(Expenses) revenues with pension plan benefits recognized in the statement of income:

	Parent Company Consolidated	
	2022	2021
RP1 Plan - Defined Benefit (BD)	(116)	95
COPASA Settled Plan - Defined Benefit (BD)	(10,314)	(15,585)
New COPASA Plan – Defined Contribution (CD)	(536)	(13)
	(10,966)	(15,503)
Actuarial remeasurements recognized in comprehensive income for the year	43,476	81,735
Actuarial gains (losses) accumulated in comprehensive income up to the year	(5,343)	(48,820)

Amounts recognized in other comprehensive income are:

Year ended December 31, 2022	Gross gain	Tax	Gain Net
RP1 Plan - Defined Benefit (BD)	(231)	78	(153)
COPASA Settled Plan - Defined Benefit (BD)	66,339	(22,555)	43,784
New COPASA Plan – Defined Contribution (CD)	(235)	80	(155)
	65,873	(22,397)	43,476
Year ended December 31, 2021			
RP1 Plan - Defined Benefit (BD)	(744)	253	(491)
COPASA Settled Plan - Defined Benefit (BD)	125,505	(42,672)	82,833
New COPASA Plan – Defined Contribution (CD)	(920)	313	(607)
	123,841	(42,106)	81,735

	2022	2021
	Gross gain	Gross gain
Actuarial (losses) gains ⁽¹⁾	102,280	235,538
Return on the plan's assets, not including interest	(35,431)	(100,075)
Change in the effect of the asset ceiling	(976)	8,660
Change in the effect of the restriction of the actuarial obligation	-	(20,282)
Total cost recognized in other comprehensive income	65,873	123,841

⁽¹⁾ Gain is mainly due to the higher discount rate and expected return on assets for 2022 compared to 2021 (see actuarial assumptions below).

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.

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On December 31, 2022, the descriptive statistics of the population mass linked to the RP1-BD, COPASA Settled-DB and COPASA New Plan-DB is:

	RP1-BD	COPASA Settled-DB	COPASA New Plan-DC
Active Participants	74	690	9,063
Redeemed participants	14	7	-
Participants	158	2,207	1,217
Pensioners	148	658	73

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-DB 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.

a) Consolidated liability amounts

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

	12/31/2022	12/31/2021
Present value of the obligations financed	(1,233,610)	(1,292,965)
Fair value of the plan assets	1,251,249	1,235,203
Asset ceiling effect	(60,977)	(55,002)
Plan's net liabilities	(43,338)	(112,764)

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

	2022				2021
	RP1-BD	COPASA Settled-DB	COPASA New Plan-DC	Total	Total
As of January 1	(57,120)	(1,229,434)	(6,411)	(1,292,965)	(1,503,950)
Cost of current service	(116)	-	(536)	(652)	(113)
Financial cost	(5,224)	(112,445)	(582)	(118,251)	(102,589)
Contributions from plan participants	(356)	-	(771)	(1,127)	(1,205)
Actuarial remeasurements ⁽¹⁾	2,727	100,946	(1,393)	102,280	235,538
Benefits paid by the plan	3,208	75,982	130	79,320	80,528
Extraordinary contributions (active participants)	-	(1,173)	-	(1,173)	(264)
Extraordinary contributions (assisted participants)	-	(1,041)	-	(1,041)	(910)
Present value of obligations financed as of December 31st	(56,881)	(1,167,165)	(9,563)	(1,233,609)	(1,292,965)

⁽¹⁾ Gain is mainly due to the higher discount rate and expected return on assets for 2022 compared to 2021 (see actuarial assumptions below).

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

	2022				2021
	RP1-BD	COPASA Settled-BD	COPASA New Plan-DC	Total	Total
As of January 1	70,149	1,116,670	48,384	1,235,203	1,316,486
Actual return on plan's assets	2,178	67,525	7,803	77,506	(10,594)
Employer contributions	348	-	770	1,118	6,263
Contributions from employees	356	-	771	1,127	1,205
Benefits paid	(3,208)	(75,981)	(130)	(79,319)	(80,528)
Extraordinary contributions (active participants)	-	1,173	-	1,173	264
Extraordinary contributions (assisted participants)	-	1,041	-	1,041	910
Sponsor's extraordinary contributions	-	13,399	-	13,399	1,197
Fair value as of December 31	69,823	1,123,827	57,598	1,251,248	1,235,203

Amounts recognized in statement of income are:

	2022				2021
	RP1-BD	COPASA Settled-BD	COPASA New Plan-DC	Total	Total
Cost of current services	(116)	-	(536)	(652)	(113)
Financial cost	(5,224)	(112,445)	(582)	(118,251)	(102,589)
Expected return on the plan assets	6,415	102,132	4,390	112,937	89,481
Interest on the effect of asset ceiling	(1,192)	-	(3,808)	(5,000)	(2,282)
Total	(117)	(10,313)	(536)	(10,966)	(15,503)

b) Segregated values per benefit plan:

1) Benefit plan RP1-BD

	12/31/2022	12/31/2021
Present value of the obligations financed	(56,881)	(57,120)
Fair value of the plan assets	69,823	70,149
Asset ceiling effect	(12,942)	(13,029)
Plan's net liabilities	-	-

Changes in defined benefit obligation during the years are as follows:

	2022	2021
As of January 1	(57,120)	(67,483)
Cost of current service	(116)	(100)
Financial cost	(5,224)	(4,856)
Contributions from plan participants	(356)	(356)
Actuarial remeasurements	2,727	12,144
Benefits paid by the plan	3,208	3,531
Obligation's present value on December 31	(56,881)	(57,120)

Changes in fair value of benefit plan assets in the years presented is as follows:

	2022	2021
As of January 1	70,149	68,031
Actual return on plan's assets	2,178	(36)
Employer contributions	348	5,329
Contributions from employees	356	356
Benefits paid	(3,208)	(3,531)
Fair value as of December 31	69,823	70,149

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The estimated payment of contributions to the post-employment pension plan with defined benefits during the next year is R\$ 375.

Amounts recognized in statement of income are:

	2022	2021
Cost of current services	(116)	(100)
Financial cost	(5,224)	(4,856)
Expected return on the plan assets	6,415	5,091
Interest on the effect of asset ceiling	(1,192)	(40)
Provision for benefit plan	(117)	95

Expenses in the year ended December 31, 2022 were R\$ 117 (R\$ 95 of revenues in the year ended December 31, 2021) were recognized in income (loss) under “other operating expenses” (debt balance of R\$ 322 in “financial expenses” and credit balance of R\$ 417 in “other operating expenses” in the year ended December 31, 2021).

The actual return on plan assets for the year ended December 31, 2022 was R\$ 2,178 (negative R\$ 36 in the year ended December 31, 2021).

The main actuarial assumptions used:

	Projected unit credit	
	12/31/2022	12/31/2021
Annual discount rate	11.68% p.a.	9.15% p.a.
Expected annual return on plan assets	11.68% p.a.	9.15% p.a.
Annual salary increase	1.60% p.a.	1.60% p.a.
Projected inflation rate	5.08% p.a.	3.83% p.a.
General mortality table	AT 2000 Basic M&Foreign	AT 2000 Basic M&Foreign
Table of new disability benefit vested	Light Average	Light Average
Mortality table of individuals with permanent disability	MI 2006	MI 2006
Turnover	0.00% p.a.	0.00% p.a.

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 2022 investment policy.

Sensitivity analysis of main hypotheses

Mortality assumption	AT-2000 Basic M&F	Age +1	Age -1
Actuarial liability	(67,483)	(56,044)	(57,695)
Fair asset	69,823	69,823	69,823
Surplus (deficit)	2,340	13,779	12,128
Changes			
Salary growth	1.60%	0.25%	-0.25%
Actuarial liability	(67,483)	(56,971)	(56,793)
Fair asset	69,823	69,823	69,823
Surplus (deficit)	2,340	12,852	13,030
Changes			
Actual interest rate	6.28%	0.25%	-0.25%
Actuarial liability	(67,483)	(52,127)	(62,476)
Fair asset	69,823	69,823	69,823
Surplus (deficit)	2,340	17,696	7,347
Changes	-	12.73%	10.63%

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2) COPASA Settled-BD Plan

	<u>12/31/2022</u>	<u>12/31/2021</u>
Present value of the obligations financed	(1,167,165)	(1,229,434)
Fair value of the plan assets	1,123,827	1,116,670
Plan's net liabilities	<u>(43,338)</u>	<u>(112,764)</u>

Changes in value of benefit plan assets and defined benefit obligation during the years are as follows:

	<u>2022</u>	<u>2021</u>
As of January 1	<u>(1,229,434)</u>	<u>(1,426,043)</u>
Financial cost	(112,445)	(97,105)
Actuarial remeasurements ⁽¹⁾	100,946	218,178
Benefits paid by the plan	75,982	76,710
Extraordinary contributions (active participants)	(1,173)	(264)
Extraordinary contributions (assisted participants)	(1,041)	(910)
Obligation's present value on December 31	<u>(1,167,165)</u>	<u>(1,229,434)</u>

⁽¹⁾ Gain is mainly due to the higher discount rate and expected return on assets for 2022 compared to 2021 (see actuarial assumptions below).

Changes in fair value of benefit plan assets in the years presented is as follows:

	<u>2022</u>	<u>2021</u>
As of January 1	<u>1,116,670</u>	<u>1,202,163</u>
Actual return on plan's assets	67,525	(11,154)
Benefits paid	(75,981)	(76,710)
Extraordinary contributions (active participants)	1,173	264
Extraordinary contributions (assisted participants)	1,041	910
Sponsor's extraordinary contributions	13,399	1,197
Fair value as of December 31	<u>1,123,827</u>	<u>1,116,670</u>

The estimated payment of contributions to the defined benefit pension plan during the next year is R\$ 3,289.

Amounts recognized in statement of income are:

	<u>2022</u>	<u>2021</u>
Financial cost	(112,445)	(97,105)
Expected return on the plan assets	102,132	81,520
Provision for benefit plan	<u>(10,313)</u>	<u>(15,585)</u>

Expenses for the year ended December 31, 2022 totaled R\$ 10,313 (R\$ 15,585 for the year ended December 31, 2021), recognized in income (loss) under "Other operating expenses".

The actual return on plan assets for the year ended December 31, 2022 was R\$ 67,525 (negative R\$ 11,154 for the year ended December 31, 2021).

The main actuarial assumptions used:

	<u>Projected unit credit</u>	
	<u>12/31/2022</u>	<u>12/31/2021</u>
(Nominal) discount rate	9.15% p.a.	9.15% p.a.
Expected annual return on plan assets	9.15% p.a.	9.15% p.a.
Projected inflation rate	5.08% p.a.	3.83% p.a.
General mortality table	BR-EMSsb 2015 (M&F)	BR-EMSsb 2015 (M&F)
Mortality table of individuals with permanent disability	AT 49 M	AT 49 M
Table of new disability benefit vested	TASA 1927	TASA 1927

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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 2022 investment policy.

Sensitivity analysis of main hypotheses

Mortality Assumption	BR-EMSsb 2015		
	(M&F)	Age +1	Age -1
Actuarial liability	(1,167,165)	(1,147,483)	(1,186,261)
Fair asset	1,123,827	1,123,827	1,123,827
Surplus (deficit)	(43,338)	(23,656)	(62,434)
Changes			
Actual interest rate	6.30%	0.25%	-0.25%
Actuarial liability	(1,167,165)	(1,071,561)	(1,279,153)
Fair asset	1,123,827	1,123,827	1,123,827
Surplus (deficit)	(43,338)	52,266	(155,326)
Changes	-	12.75%	10.65%

3) COPASA New Plan-DC

	12/31/2022	12/31/2021
Present value of the obligations financed	(9,563)	(6,411)
Fair value of the plan assets	57,598	48,384
Asset ceiling effect	(48,035)	(41,973)
Plan's assets/liabilities, net	-	-

Changes in obligation during the years are as follows:

	2022	2021
As of January 1	(6,411)	(10,424)
Cost of current service	(536)	(13)
Financial cost	(582)	(628)
Contributions from employees	(771)	(849)
Actuarial losses (gains)	(1,393)	5,216
Benefits paid by the plan	130	287
Obligation's present value on December 31	(9,563)	(6,411)

Changes in fair value of benefit plan assets in the years presented is as follows:

	2022	2021
As of January 1	48,384	46,292
Actual return on plan's assets	7,803	596
Employer contributions	770	934
Contributions from employees	771	849
Benefits paid	(130)	(287)
Fair value as of December 31	57,598	48,384

The estimated payment of contributions to the post-employment pension plan with defined benefits during next year is R\$ 1,173.

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Amounts recognized in statement of income are:

	2022	2021
Cost of current services	(536)	(13)
Financial cost	(582)	(628)
Expected return on the plan assets	4,390	2,870
Interest on the effect of asset ceiling	(3,808)	(2,242)
Provision for benefit plan	(536)	(13)

Expenses for the year ended December 31, 2022 were R\$ 536 (R\$ 13 for the year ended December 31, 2021), recognized in income (loss) under “Other operating expenses”.

The actual return on plan assets as of December 31, 2022 was R\$ 7,803 (R\$ 596 as of December 31, 2021).

The main actuarial assumptions used were:

	Projected unit credit	
	12/31/2022	12/31/2021
(Nominal) discount rate	11.71% p.a.	9.07% p.a.
Expected annual return on plan assets	11.71% p.a.	9.07% p.a.
Projected inflation rate	5.08% p.a.	3.83% p.a.
General mortality table	BR-EMSsb 2015 (M&F)	BR-EMSsb 2015 (M&F)
Table of new disability benefit vested	Weak light D50%	Weak light D50%
Mortality table of individuals with permanent disability	AT 49 M (A80%)	AT 49 M (A80%)

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 2022 investment policy.

Sensitivity analysis of main hypotheses

Mortality Assumption	BR-EMSsb 2015		
	(M&F)	Age +1	Age -1
Actuarial liability	(9,563)	(9,077)	(10,004)
Fair asset	57,599	57,599	57,599
Surplus (deficit)	48,036	48,522	47,595
Changes	-	-0.82%	0.74%
Actual interest rate	6.30%	0.25%	-0.25%
Actuarial liability	(9,563)	(8,937)	(10,266)
Fair asset	57,599	57,599	57,599
Surplus (deficit)	48,036	48,662	47,333
Changes	-	12.76%	10.66%

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.

The methods and types of assumptions used in the preparation of the sensitivity analysis have not changed in comparison with the previous year.

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20. Shareholders' equity and dividends

(a) Capital

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, 2022 and 2021, 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 50.04% 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 MG 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 bonus 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.

(b) 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.

(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 2022, the amount of R\$ 2,407 (R\$ 1,182 in 2021) 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).

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Companhia de Saneamento de Minas Gerais – COPASA MG is present in 640 municipalities in Minas Gerais. Among the municipalities served by COPASA MG, 168 municipalities are included in SUDENE’s area of operation, as established by Complementary Law 125/2007.

On December 23, 2021, through the Constitutive Report 227/2021 and in response to the Company’s claim formalized during 2021, SUDENE approved the 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.

On December 29, 2021, in compliance with the provisions of art. 60 of SRF Normative Instruction 267/2002, the Company submitted to the Brazilian Federal Revenue Service (RFB) the request for recognition of the incentive corresponding to Constitutive Report 227/2021 and as of 09/26/2022, the Brazilian Federal Revenue Service published in the Official Gazette the Executive Declaratory 103/2022 declaring the reduction of corporate income tax and non-refundable additional taxes.

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 2022, the Company recognized, in accordance with the Constitutive Report issued by SUDENE, the right to use the tax incentive of a 75% reduction in income tax and non-refundable surcharges, in the amount of R\$ 16,577 (R\$ 11,657 in 2021). Additionally, in 2022, after reviewing the procedures adopted in 2021, an adjustment was made to the SUDENE tax incentive reserve, in the amount of R\$ 1,696, as a contra entry to the Tax Incentive Reserve, in Shareholders’ Equity.

(iii) Profit retention

Management proposes profit retention in the amount of R\$ 391,149 (R\$ 215,273 in 2021) for future investments by the Company, in line with the “Pluriannual Investment Program”.

The accumulated balance of profit reserves on December 31, 2022, except for tax incentive reserves, considering the management’s proposal for the allocation of net income for said year, is greater than the share capital. After the Annual General Meeting (AGM), and whenever possible, with a view to bringing the Company within the limits of Article 199 of Law 6.404/1976 and the statutory provisions, the Company’s Management will propose the holding of a new General Meeting to resolve on this matter.

(c) Equity valuation adjustments

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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, 2022, this account totals a credit balance of R\$ 5,343 (R\$ 48,820 debt as of December 31, 2021).
- (ii) Measurement of assets at fair value through other comprehensive income: corresponds to the fair value of the investment without significant influence on the company GS Inima Industrial Jeceaba S/A. As of December 31, 2022, the balance of this account totals zero (R\$ 2,873 as of December 31, 2021), with the company's operating activities having been terminated and the process of return of the capital invested by the Company having started (Note 22.3).
- (iii) Inflation adjustment on 96/97 assets, net of IRPJ and CSLL, of R\$ 9,468 for the year ended December 31, 2022 (R\$ 9,512 for the year ended December 31, 2021).
- (d) 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's Dividend Policy, approved by the Extraordinary General Meeting on May 7, 2018, establishes the following regarding the declaration of Regular Dividends.

The Board of Directors will define, up to March 31 of each 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.

In a meeting held on December 15, 2022, the Board of Directors approved the change in the percentage of Regular Dividends for the year 2022, which currently corresponds 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.

As of December 31, 2022 and 2021, minimum mandatory dividends are as follows:

	<u>2022</u>	<u>2021</u>
Net income for the year	843,362	537,587
Legal reserve – (5%)	(42,168)	(26,879)
Tax incentive reserve - government grant	(2,407)	(1,182)
Tax incentive reserve - SUDENE	(16,577)	(11,657)
Profit available for distribution	<u>782,210</u>	<u>497,869</u>
Minimum mandatory dividends – 25%	<u>195,553</u>	<u>124,467</u>

For the three (3) first quarters of 2022, in compliance with the criteria of the Dividend Policy in force, R\$ 145,732 was declared and paid as Regular Dividends, as presented in the table below:

Reference	Corporate event	Date of right	Amounts	Payment date
JCP 1Q22	RCA - 03/17/2022	03/22/2022	33,871	05/16/2022
JCP 2T22	RCA 06/15/2022	06/21/2022	53,137	08/12/2022
JCP 3T22	RCA 09/15/2022	09/20/2022	58,724	11/14/2022
Total			<u>145,732</u>	

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Furthermore, on March 17, 2023, interest on own capital for the 4th quarter of 2022, in the amount of R\$ 245,373, was declared, as shown in the following table:

Reference	Corporate event	Date of right	Amounts	Payment date
JCP 4Q22	RCA 03/17/2023	03/22/2023	245,373	To be defined at Annual General Meeting

Thus, the value of interest on own capital for 2022 totaled R\$ 391,105, corresponding to 50% of Net Income, adjusted by the decrease or increase of the amounts specified in items I, II and III of Article 202 of Federal Law 6.404/1976.

Changes in balance of “dividends and interest on own capital payable” account are as follows:

	Parent company	Consolidated
	2022	2021
Dividends and interest on own capital payable at the end of the year	265	72,270
Interest on own capital, proposed	391,105	225,300
Withholding income tax on interest on own capital	(23,576)	(14,565)
Interest on own capital paid in the year	(136,141)	(282,747)
Proposed dividends	-	57,380
Dividends paid	-	(57,373)
Dividends and interest on own capital payable at the end of the year	231,653	265

(e) 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
	2022
Legal reserve	42,168
Tax incentive reserve - government grant	2,407
Tax incentive reserve - SUDENE	16,577
Monetary updating of assets	(44)
Remuneration to shareholders	391,105
Reserve of retained earnings	391,149
Net income	843,362

(f) 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 bought by the Company and held as treasury shares (letter “a” of this Note).

	Parent company	Consolidated
	2022	2021
Earnings attributable to Company's shareholders	843,362	537,587
Weighted average number of common shares issued - thousands	379,181	379,181
Basic earnings per share (in R\$)	2.22	1.42

• Diluted

As of December 31, 2022 and 2021, the diluted earnings per share is the same as the basic earnings since there are no dilutive instruments.

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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				Balances as per financial statements
	Water services	Sewage services	Solid waste	Reconciliation to financial statements	
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, selling and administrative expenses	(2,755,781)	(1,393,389)	-	(758,074)	(4,907,244)
Other income before other net operating expenses	841,852	425,660	2,099	-	1,269,611
Other operating revenues (expenses), net					(17,275)
Net financial income (loss)					(206,382)
Operating income before taxes					1,045,954
Year ended December 31, 2021					
Gross operating revenue	3,732,258	2,021,020	2,581	671,542	6,427,401
Sales taxes	(345,408)	(186,967)	(316)	-	(532,691)
Net operating revenue	3,386,850	1,834,053	2,265	671,542	5,894,710
Costs, selling and administrative expenses	(2,695,955)	(1,459,919)	-	(671,542)	(4,827,416)
Other income before other net operating expenses	690,895	374,134	2,265	-	1,067,294
Other operating revenues (expenses), net					(220,538)
Net financial income (loss)					(192,307)
Operating income before taxes					654,449

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

Year ended December 31:	Consolidated			2021 Total
	2022		Total	
	Amortization	Depreciation		
Water services	153,212	69,869	223,081	255,904
Sewage services	292,111	27,829	319,940	340,772
Other fixed assets	155,387	31,725	187,112	151,976
Total	600,710	129,423	730,133	748,652

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

	12/31/2022	12/31/2021
Gross construction revenue referring to ICPC 1 (R1)	758,074	671,542
Construction cost referring to ICPC 1 (R1)	(758,074)	(671,542)
Construction margin	-	-

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

	Consolidated	
	12/31/2022	12/31/2021
Intangible assets:		
Water services	1,490,363	1,568,591
Sewage services	3,400,753	3,539,354
Other intangible assets	612,788	583,322
Total intangible assets	5,503,904	5,691,267
Property, plant and equipment:		
Water services	928,182	966,461
Sewage services	251,488	279,287
Other fixed assets	287,348	227,785
Total intangible assets	1,467,018	1,473,533

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.

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, currency risk, commodity price risk and other price risks, such as equity risk. Financial instruments affected by market risk include loans, financing and debentures, CDBs, financial investments and Investment in Specific Purpose Company - SPE GS Inima Industrial Jeceaba S/A, accounted for as financial assets measured at fair value through other comprehensive income.

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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, 2022 and 2021.

(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, 2022, 95.25% of COPASA MG'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 4.75% 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)	Agreement end date	Debit balance	Debt balance (including provision for interest)	% of total debit balance
In domestic currency:							
Financings – FGTS	- ⁽¹⁾	8.50%	Ref. rate	08/16/2042	713,095	714,755	17.2%
Loans	01/15/2008	1.55–1.73%	TJLP	05/15/2025	57,819	58,009	1.4%
Finame	03/28/2011	2.5–8.7%	-	01/15/2025	7,496	7,513	0.2%
Debentures – 5 th issue							
Single series	09/20/2011	9.00%	Ref. rate	09/01/2031	152,741	154,146	3.7%
Debentures – 8 th issue							
Series 1	06/15/2015	1.87%	TJLP	06/15/2028	45,146	45,298	1.1%
Series 2	06/15/2015	8.18%	IPCA	06/15/2028	26,915	27,008	0.6%
Debentures 11 th issue							
Series 1	01/15/2017	2.62%	TJLP	01/15/2031	113,873	114,292	2.7%
Series 2	01/15/2017	8.85%	IPCA	01/15/2031	63,212	63,446	1.5%
Market debentures – 12 th issue							
Series 1	02/08/2018	5.06%	IPCA	01/15/2024	122,312	125,126	3.0%
Series 2	02/08/2018	5.27%	IPCA	01/15/2026	92,085	94,289	2.3%
Market Debentures - 13 th issue							
Series 2	07/15/2018	110%	CDI	07/15/2023	270,000	287,994	6.9%
Series 3	07/15/2018	6.50%	IPCA	07/15/2025	85,866	88,392	2.1%
Market debentures – 14 th issue							
Series 1	06/15/2019	106.15%	CDI	06/15/2024	28,363	28,532	0.7%
Series 2	06/15/2019	4.30%	IPCA	06/15/2026	153,870	154,153	3.7%
Market debentures – 15 th issue							
Single series	12/16/2020	1.75%	CDI	12/16/2025	461,539	464,207	11.2%
Market debentures – 16 th issue							
Series 1	09/15/2021	5.23%	IPCA	09/15/2031	265,503	269,454	6.5%
Series 2	09/15/2021	1.3%	CDI	09/15/2026	506,193	509,315	12.2%
Market Debentures - 17 th issue							
Single series	12/16/2022	1.30%	CDI	12/16/2029	750,000	753,362	18.1%
Total						3,959,291	

(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.

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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 (i)	Scenario I Probable (ii)	Scenario II +25%	Scenario III -25%	Scenario IV +50%	Scenario V -50%
TJLP	216,838	6.95%	8.69%	5.21%	10.43%	3.48%
Changes in principal		15,070	18,838	11,302	22,605	7,535
IPCA	809,763	5.31%	6.64%	3.98%	7.97%	2.66%
Changes in principal		42,999	53,748	32,249	64,498	21,499
CDI	2,016,095	12.25%	15.31%	9.19%	18.38%	6.13%
Changes in principal		246,972	308,714	185,229	370,457	123,486
Ref. rate	865,836	1.63%	2.03%	1.22%	2.44%	0.81%
Changes in principal		14,078	17,598	10,559	21,117	7,039
Fixed spread - Euribor	55,694	1.67%	2.09%	1.25%	2.51%	0.84%
Changes in principal		931	1,164	698	1,397	466
Fixed spread	151,027	-	-	-	-	-
No impact		-	-	-	-	-
Total	4,115,253	320,050	400,062	240,037	480,074	160,025

(i) Principal as of December 31, 2022.

(ii) Sources of indexes:

TJLP projected according to the website Economia em Dia – Bradesco – December 2022.

IPCA and CDI projected according to the Focus Bulletin of the Central Bank of Brazil – December 30, 2022.

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

For exchange rate change, see item “Exchange rate sensitivity” below.

(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 I rate (annual)	Variable rate (annual)	Agreement end date	Debit balance (Principal)	Debt balance (interest included)	%
Financing	12/13/2019	0.55%	€ + Euribor	09/20/2033	55,694	55,717	1.3%
Financing	11/29/2011	2.07%	€	12/20/2023	61,887	61,923	1.5%
Financing	12/13/2018	1.41%	€	05/15/2034	81,645	81,772	2.0%
Total					199,226	199,412	

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 operations with KfW Bank, a German development bank, and the European Investment Bank, EIB, whose principal debit balances were € 25,772 million (equivalent to R\$ 143,532 million) and € €10,000 million (equivalent to R\$ 55,694 million), respectively, there is no hedging mechanism in place as of December 31, 2022.

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Sensitivity to foreign exchange rate

The sensitivity analysis, prepared by the Company, is determined by the estimated changes in the € exchange rates, of $\pm 25\%$ and $\pm 50\%$, 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 12/31/2022	Financing
Principal Balance (in thousand euros)	€35,772
Principal Balance	199,226
Scenarios regarding the debt balance	Gain (loss)
Likely (Projection)	(1,810)
25% decrease in € FX	49,807
50% decrease in € FX	99,613
25% increase in € FX	(49,807)
50% increase in € FX	(99,613)

Source of projected indexes: Bradesco Euro Projection – 12/21/2022.

<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.

(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	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Bank deposits and short-term interest earning bank deposits and collaterals (risk agencies, Fitch and S&P)				
AAA	885,358	461,937	893,356	462,022
AA	7	478,667	118	478,706
A	318,774	247,274	341,614	265,625
BBB	1	204,870	1	216,381
Total	1,204,140	1,392,748	1,235,089	1,422,734

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	Parent company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Short-term bank deposit certificates - (Note 06 (a))	1,071,401	1,249,680	1,102,350	1,279,665
Restricted interest earning bank deposit (Note 08)	71,706	77,228	71,706	77,228
Collaterals as guarantees of loans, financing and debentures (Note 8)	61,033	65,853	61,033	65.853

(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 MG 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 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, 2022			
	Up to 01 year	01–03 years	03–05 years	>05 years
Amortization	901,915	1,286,997	790,086	1,136,255
Interest	399,978	555,081	309,257	302,197
Loans, financing and debentures	1,301,893	1,842,078	1,099,343	1,438,452
Public-private partnership ⁽¹⁾	36,792	121,433	85,378	-
Obligations – leases	35,112	28,352	42,445	-
Suppliers	289,620	-	-	-

⁽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.

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, 2022				
	Contract	Collateral (committed revenue)	Amount	Agreement end date
Financing and debentures	2007/2008 financing	Committed revenue amounting to three times the monthly debt service of the 2007 and 2008 agreements.	R\$5,660	September 2031
	PAC 2009	Committed revenue amounting to three times the monthly debt service of the agreements.	R\$2,010	November 2032
	5 th Issue of debentures (R\$ 288 Million)	Committed revenue amounting to at least 4.5% of the debentures' outstanding balance in the last business day of each year.	R\$7,823	September 2031
	2011 financing (Normative Instructions 33, 25 and 24)	Committed revenue amounting to three times the monthly debt service of the agreements.	R\$4,268	June 2035
	2012 Financing (Normative Instruction 24)	Committed revenue amounting to three times the monthly debt service of the agreements.	R\$558	May 2036
	2013 Financing (Normative Instruction 27)	Committed revenue amounting to three times the monthly debt service of the agreements.	R\$3,835	October 2037

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Restricted revenues as of December 31, 2022				
	Contract	Collateral (committed revenue)	Amount	Agreement end date
	2014 Financing (Normative Instruction 02)	Committed revenue amounting to three times the monthly debt service of the agreements.	R\$2,676	February 2038
	2015 Financing (Normative Instruction 02)	Committed revenue amounting to three times the monthly debt service of the agreements.	R\$1,585	March 2039
	2017 Financing (Normative Instruction 29)	Committed revenue amounting to three times the monthly debt service of the agreements.	R\$2,895	August 2041
	Financing (PAC 2007 - R\$ 48 million)/(PAC 2008 - R\$ 578 million)	Committed revenue of R\$ 26 million, annually adjusted by the IPCA since May 2008.	R\$63,181	June 2023
	Financings (R\$ 181 million)	Committed revenue of R\$ 7.0 million, annually adjusted by the IPCA, since April 2010.	R\$17,226	May 2025
	8 th Issue of debentures (R\$ 140 million)	Committed revenue of R\$ 16.9 million, annually adjusted by the IPCA, since September 2015.	R\$31,135	June 2028
	11 th Issue of Debentures (R\$ 226 million)	Committed revenue of R\$ 5.5 million, annually adjusted by the IPCA, since April 2017.	R\$5,500	January 2031
Financing and debentures	€ 100 million	Committed revenue amounting to one (1) time the monthly debt service of the agreement.	R\$31,456	December 2023
Public-Private Partnership	Rio Manso PPP	1/12 of the annual installment of the Consideration payable for each effective year.	R\$10,399	December 2028
Financing and debentures	Finame	Binding of 130% of the PMT of the contracts.	R\$1,174	January 2025
Total committed revenue			R\$191,381	

22.2 Capital risk management

The Company manages its capital structure in accordance with its Indebtedness Policy, which establishes in its bylaws that the total liabilities of the Company shall not exceed its shareholders' equity. The Company also monitors its economic and financial indicators in connection with what is provided for in the Bylaws, where:

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

Objectives, policies and procedures were not changed during years ended December 31, 2022 and 2021.

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) Financial instruments measured at fair value

Refers to the investment balance in the company GS Inima Industrial Jeceaba S/A (formerly BRK Ambiental - Jeceaba S/A), measured at fair value through other comprehensive income.

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The following table presents assets measured at fair value at December 31, 2022 and 2021:

	Parent Company Consolidated	
	Assets	
	12/31/2022	12/31/2021
Investment GS Inima Industrial Jeceaba S/A	620	26,153

Since January 11, 2011, the Company has held a 15.5% equity interest in the company GS Inima Industrial Jeceaba S/A as of December 31, 2022 in the amount of R\$ 620. The other 84.5% are held by GS Inima Industrial.

The termination of the aforementioned Entity (SPE) was scheduled for January 2026. However, the company Vallourec & Sumitomo Tubos do Brasil - VSB, in September 2021, exercised its contractual right to purchase the assets of GS Inima Industrial Jeceaba S/A (unreasonable termination), in the amount of R\$ 448,255.

Thus, the company GS Inima Industrial Jeceaba S/A ended its operations, and the investment amount was adjusted considering the expected future cash flow in December 2022. COPASA MG is studying its withdrawal from the company and will make the due recognition in its financial statements upon the actual receipt of its shareholding, in compliance with the accounting rules.

In the period from 2011 to 2022, the Company received R\$ 121,699 as profit distribution, and in the year ended December 31, 2022, R\$ 5,239 (R\$ 52,614 in the year ended December 31, 2021) was received, recorded under "Financial revenues" in the income (loss). In the year ended December 31, 2022, the amount of the investment was reduced by a change in the financial asset at fair value in the amount of R\$ 4,353, of which R\$ 2,873 is recognized in equity valuation adjustments under shareholders' equity, and R\$ 1,480 as a reduction in Deferred IRPJ and CSLL liabilities. Furthermore, R\$ 21,180 was received as a capital reduction in the investee, as resolved in October 2022 by the General Meeting of GS Inima Industrial Jeceaba S/A.

(b) Fair value of loans, financing and debentures

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

	Parent company Consolidated			
	12/31/2022		12/31/2021	
	Book	Justo	Book	
Loans and financing	976,937	953,664	1,068,394	1,040,412
Simple debentures	3,162,983	3,159,675	2,916,950	2,900,441
Total	4,139,920	4,113,339	3,985,344	3,940,853

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				Observations
	Contractual rate	Period in months	Market rate		
Financing	7.74%	157	8.50%		Rate quote – December 2022
Financing	7.64%	17	8.70%		Rate quote – December 2022
FINAME	5.53%	25	12.93%		FINAME rate quote – December 2022
Simple debentures	12.20%	57	12.58%		Debenture rate quotes in December 2022
Financing	1.69%	138	1.41%		Rate quote in December 2022
Financing	2.22%	131	2.22%		Rate quote in December 2022

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23. Financial instruments by category

(a) Assets

	12/31/2022			12/31/2021		
	Financial assets at amortized cost	Fair value in other comprehensive income	Total	Financial assets at amortized cost	Fair value in other comprehensive income	Total
Parent company:						
Cash and cash equivalents	1,091,080	-	1,091,080	1,279,469	-	1,279,469
Trade accounts receivable	1,075,072	-	1,075,072	1,026,364	-	1,026,364
Banks and investments of the agreements	11,791	-	11,791	3,273	-	3,273
Restricted interest earning bank deposits	71,706	-	71,706	77,228	-	77,228
Concession financial assets	850,980	-	850,980	733,328	-	733,328
Financial assets at fair value through other comprehensive income	-	620	620	-	26,153	26,153
Other accounts receivable	136,153	-	136,153	144,679	-	144,679
Total	3,236,782	620	3,237,402	3,264,341	26,153	3,290,494
Consolidated:						
Cash and cash equivalents	1,122,299	-	1,122,299	1,309,721	-	1,309,721
Trade accounts receivable	1,086,570	-	1,086,570	1,037,548	-	1,037,548
Banks and investments of the agreements	11,842	-	11,842	3,320	-	3,320
Restricted interest earning bank deposits	71,706	-	71,706	77,228	-	77,228
Concession financial assets	866,032	-	866,032	752,253	-	752,253
Financial assets at fair value through other comprehensive income	-	620	620	-	26,153	26,153
Other accounts receivable	131,096	-	131,096	140,897	-	140,897
Total	3,289,545	620	3,290,165	3,320,967	26,153	3,347,120

(b) Liabilities

	12/31/2022		12/31/2021	
	Financial liabilities at amortized cost	Total	Financial liabilities at amortized cost	Total
Parent company:				
Loans, financing and debentures	4,139,920	4,139,920	3,985,344	3,985,344
Suppliers	289,620	289,620	287,977	287,977
Leases	105,909	105,909	75,639	75,639
Public-Private Partnership	243,603	243,603	260,985	260,985
Total	4,779,052	4,779,052	4,609,945	4,609,945
Consolidated:				
Loans, financing and debentures	4,139,920	4,139,920	3,985,344	3,985,344
Suppliers	298,595	298,595	307,967	307,967
Lease ⁽¹⁾	105,916	105,916	75,642	75,642
Public-Private Partnership	243,603	243,603	260,985	260,985
Total	4,788,034	4,788,034	4,629,938	4,629,938

⁽¹⁾ Regarding the consolidated lease, in the year ended December 31, 2022, amortization and interest totaled R\$ 39,856 and R\$ 9,767, respectively (R\$ 32,699 and R\$ 4,693, respectively, in the year ended December 31, 2021). In the three-month period ended December 31, 2022, amortization and interest totaled R\$ 11,445 and R\$ 2,112, respectively (R\$ 7,313 and R\$ 1,115, respectively, in the three-month period ended December 31, 2021).

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	Parent company			
	12/31/2021			
	Subsidiary COPANOR	Other		
STATE OF MG		COPASS	LIBERTAS	
Credit with subsidiary	4,067	-	-	-
Total assets	4,067	30,729	2	21
Liabilities				
Current liabilities				
Agreements	-	521	-	-
Obligations with retirement benefits	-	-	-	16,614
Health program	-	-	10,479	-
Non-current liabilities				
Obligations with retirement benefits	-	-	-	112,764
Total liabilities	-	521	10,479	129,378
Income (loss)				
Revenues from water and sewage treatment services	-	122,306	6	158
Security program	-	-	-	(55,155)
Health program	-	-	(103,747)	-

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

	<u>2022</u>	<u>2021</u>
Remuneration	5,944	6,017
Benefits:		
Food	87	75
Health	85	92
Post-employment benefit	303	281
Total	<u>6,419</u>	<u>6,465</u>

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

In the year ended December 31, 2022, the Company allocated to the State of Minas Gerais the amount of R\$ 196,183 referring to Interest on Own Capital (JCP) (R\$ 113,055 referring to Interest on Own Capital (JCP) and R\$ 28,794 of dividends in the year ended December 31, 2021).

(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.

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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 MG, 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, 2022, the outstanding balance of this contract is R\$ 143,685 (R\$ 174,155 as of December 31, 2021).

(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) Law 23830/2021

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, through the State Attorney's Office (AGE) 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. Regarding this matter, refer to Note 34(c) - Subsequent Events.

- **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).

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.

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(i) Cooperation Agreement for staff assignment

In 2019, a cooperation agreement was signed aiming at the assignment of 01 employee from the Company's staff to exercise the position of administrative director with the Executive Board of Fundação Libertas, and in October 2021 the said employee was discharged from COPASA, through the Voluntary Dismissal Incentive Program - PDVI, with no expenses for the year ended December 31, 2022 (R\$ 291 for the year ended December 31, 2021).

• 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 signed on March 23, 2022 and July 20, 2022, assigned 02 employees to exercise, respectively, the positions of Executive Superintendent and Administrative and Financial Manager at Copass Saúde. Expenses for COPASA MG related to this assignment in 2022 were R\$ 1,355 (R\$ 1,304 in 2021).

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, 2022 are listed below:

	Amount	Average contract 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	436,621	15
Contractual obligations - Lease agreements within the scope of IFRS 16, which corresponds to the expected disbursement	5,959	13

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 August 04, 2022, the Company contracted insurance coverage for damages to its buildings or facilities, in the locations called Regional, Cercadinho, Mutuca, and Barreiro.

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27. Transactions that do not involve cash or cash equivalents

During 2022 and 2021, 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	
	2022	2021	2022	2021
Capitalized interest (Note 10)	77,627	43,913	77,627	43,913
Leases additions	41,854	40,018	41,936	40,053

28. Revenues

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

	Parent company		Consolidated	
	2022	2021	2022	2021
Revenue from rendering of water services	3,925,082	3,697,410	3,964,647	3,732,258
Revenue from rendering of sewage services	1,992,070	2,010,268	2,004,617	2,021,020
Solid waste	2,406	2,581	2,406	2,581
Revenue from construction	741,034	648,408	758,074	671,542
Total gross revenue	6,660,592	6,358,667	6,729,744	6,427,401
Sales taxes	(548,069)	(528,473)	(552,889)	(532,691)
Net revenue	6,112,523	5,830,194	6,176,855	5,894,710

	Parent company		Consolidated	
	2022	2021	2022	2021
Breakdown of Net Revenue:				
Direct revenue from water	3,473,639	3,276,054	3,508,496	3,306,865
Direct revenue from sewage	1,800,694	1,815,534	1,812,079	1,825,291
Solid waste	2,099	2,265	2,099	2,265
Total direct revenue	5,276,432	5,093,853	5,322,674	5,134,421
Indirect revenue from water	88,088	79,171	89,137	79,985
Indirect revenue from sewage	6,969	8,762	6,970	8,762
Total indirect revenue	95,057	87,933	96,107	88,747
Construction revenue	741,034	648,408	758,074	671,542
Total net revenue	6,112,523	5,830,194	6,176,855	5,894,710

29. Costs and expenses by nature

	Parent company		Consolidated	
	2022	2021	2022	2021
Operating costs				
Personnel	784,853	873,523	801,287	887,934
Social security costs	169,572	165,181	172,702	168,394
Construction costs	741,034	648,408	758,074	671,542
General material	114,937	98,391	120,138	101,744
Treatment materials	114,667	82,308	117,969	84,079
Outsourced services	544,068	428,413	548,186	431,870
Electric power	517,971	554,521	528,952	566,533
General expenses	219,305	191,518	220,927	192,425
Depreciation and amortization	653,960	692,599	662,918	699,762
(-) Tax credits	(68,875)	(57,484)	(69,733)	(58,792)
Provision for losses of obsolete materials	-	-	(81)	-
	3,791,492	3,677,378	3,861,339	3,745,491

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Sales expenses

Personnel	183,212	164,715	183,593	164,987
Social security costs	34,044	27,662	34,115	27,719
General material	4,895	4,830	4,908	4,843
Treatment materials	30	43	30	43
Outsourced services	28,685	20,655	30,168	22,061
Electric power	2,214	2,361	2,214	2,361
General expenses	727	1,293	750	1,300
Depreciation and amortization	6,944	6,654	6,950	6,656
	260,751	228,213	262,728	229,970
Provision for expected credit losses on trade accounts receivable	201,935	221,416	206,215	226,153

Administrative expenses

Personnel	280,773	362,294	281,772	363,190
Social security costs	43,008	51,004	43,185	51,092
General material	5,774	4,875	5,987	4,915
Treatment materials	35	70	35	70
Outsourced services	146,782	125,261	148,528	127,306
Electric power	3,049	3,482	3,284	3,716
General expenses	34,129	31,481	34,302	31,662
Depreciation and amortization	60,227	42,203	60,265	42,234
Provision for losses of obsolete materials	(403)	1,544	(396)	1,617
	573,374	622,214	576,962	625,802

	Parent company		Consolidated	
	2022	2021	2022	2021
Costs and expenses				
Personnel (Note 30)	1,248,838	1,400,532	1,266,652	1,416,111
Social security costs (Note 30)	246,624	243,847	250,002	247,205
Construction costs	741,034	648,408	758,074	671,542
General material	125,606	108,096	131,033	111,502
Treatment materials	114,732	82,421	118,034	84,192
Outsourced services	719,535	574,329	726,882	581,237
Electric power	523,234	560,364	534,450	572,610
General expenses	254,161	224,292	255,979	225,387
Depreciation and amortization	721,131	741,456	730,133	748,652
(-) Tax credits	(68,875)	(57,484)	(69,733)	(58,792)
Provision for losses of obsolete materials	(403)	1,544	(477)	1,617
Provision for expected credit losses on trade accounts receivable	201,935	221,416	206,215	226,153
Total	4,827,552	4,749,221	4,907,244	4,827,416

Details of construction costs:

Salaries and payroll charges	40,624	43,697	40,624	43,697
Material	52,657	69,949	54,705	71,375
Equipment	21,538	16,072	23,947	24,810
Outsourced services	568,514	479,846	581,096	492,816
Financing costs	55,170	38,134	55,171	38,134
Other	2,531	710	2,531	710
Total construction costs	741,034	648,408	758,074	671,542

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30. Personnel expenses

	Parent company		Consolidated	
	2022	2021	2022	2021
Salaries	781,724	784,873	793,955	796,412
Voluntary Dismissal Incentive Program - PDVI	-	152,171	-	152,171
Social security costs	246,624	243,847	250,002	247,205
FGTS	65,869	65,142	66,703	65,974
Contribution to pension plan	51,025	55,155	51,025	55,155
Meal program	186,397	184,337	190,121	186,678
Health program	101,555	103,747	102,385	104,452
Employee gain sharing	38,003	33,295	38,004	33,295
Other benefits	24,265	21,812	24,459	21,974
Total (Note 29)	1,495,462	1,644,379	1,516,654	1,663,316
Personnel (Note 29)	1,248,838	1,400,532	1,266,652	1,416,111
Social security costs (Note 29)	246,624	243,847	250,002	247,205

31. Other operating revenues and expenses

Other operating revenues accrued by the Company as of December 31, 2022 and December 31, 2021 are presented as follows:

	Parent company		Consolidated	
	2022	2021	2022	2021
Reversal of non-deductible provision	62,031	33,650	62,031	34,097
Recovery of written-off accounts	42,798	64,628	44,582	65,854
Disposal of property, plant and equipment	4,481	5,006	4,481	5,006
Other revenues	25,707	74,096	25,774	74,228
Total other operating revenues	135,017	177,380	136,868	179,185

Other operating expenses of the Company as of December 31, 2022 and 2021 are presented as follows:

	Parent company		Consolidated	
	2022	2021	2022	2021
Provision for lawsuits (Note 16)	12,226	287,245	11,054	288,191
ARSAE fee	53,060	42,949	54,019	43,725
Expenses with environment preservation	20,686	26,184	20,686	26,184
Taxes and duties	15,553	8,382	15,781	9,551
Actuarial liability	10,806	12,713	10,806	12,713
Other	38,981	19,158	41,797	19,359
Total other operating expenses	151,312	396,631	154,143	399,723

32. Financial revenues and expenses

Financial revenues (expenses) can be summarized as follows:

	Parent company		Consolidated	
	2022	2021	2022	2021
Asset interest	47,783	46,507	48,423	47,128
Yields from interest earning bank deposits	86,368	47,839	90,626	49,279
Revenue from inflation adjustment and exchange rate change	78,858	42,416	78,915	42,459
Revenues from financial assets/other	67,201	157,890	67,757	158,283
Taxes on financial revenue	(7,609)	(9,485)	(7,846)	(9,596)
Total revenue	272,601	285,167	277,875	287,553
Charges on financing and legal provisions ⁽¹⁾	(326,687)	(306,599)	(326,761)	(306,600)

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	Parent company		Consolidated	
	2022	2021	2022	2021
Inflation adjustment and exchange rate change expense ⁽²⁾	(157,209)	(172,330)	(157,209)	(172,330)
Other expenses	(264)	(820)	(287)	(930)
Total expense	(484,160)	(479,749)	(484,257)	(479,860)
Financial income (loss)	(211,559)	(194,582)	(206,382)	(192,307)

⁽¹⁾ As of December 31, 2022, there were no charges on Libertas financing (R\$ 122 as of December 31, 2021). Interest on lawsuits in the amount of R\$ 16,684 is also included.

⁽²⁾ As of December 31, 2022, there are no Libertas inflation adjustment and expenses (R\$ 200 as of December 31, 2021). Inflation adjustment on labor lawsuits is included, as per Note 16 (a) ii.

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 MG informs that the operational and financial data regarding the activities related to the achievement of the collective interest purposes are informed in Management report.

34. Subsequent events

a) Decision of the Federal Supreme Court (STF) on tax matters

On February 8, 2023, the Federal Supreme Court (STF) ruled on Items 881 and 885, regarding the limit of *res judicata* in the tax level if the taxpayer has, in its favor, a final and unappealable decision declaring the non-existence of legal-tax relationship. At the time, the Plenary Session of the STF unanimously concluded that judicial decisions taken definitively *res judicata* lose their effects if, subsequently, the STF defines a different understanding on the matter.

The Company's Management evaluated the content and possible impacts of this STF decision and concluded that it does not result in impacts on the financial statements for the year ended December 31, 2022. There are no tax collection procedures in violation of the Law, nor related tax proceedings in progress. Therefore, the Company is not affected by the decision of the STF.

b) Review of Dividend Policy

On February 24, 2023, pursuant to the Material Fact disclosed, the Company's Board of Directors decided to change the Company's Dividend Policy, which will be submitted to the appreciation of an Extraordinary General Meeting, to be called in due course.

For Regular Dividends, the proposal is to maintain the form of distribution currently adopted, as follows:

- Regular Dividends will be in the form of Dividends and/or Interest on Own Capital.
- Declared Interest on Own Capital will be considered as mandatory legal minimum dividend.
- The percentage of Adjusted Net Income (Net Income after decreasing or increasing the amounts specified in items I, II and III of Article 202 of Federal Law 6.404/1976) to be distributed in the form of Regular Dividends will be defined upon approval, by the Board of Directors, of the business budget for the year, always observing the following parameters: i) the mandatory legal minimum; ii) the maximum limit of 50%.
- The declaration of Regular Dividends, for which the Board of Directors is responsible, must occur quarterly, and the payment will be made within sixty (60) days, counting as of the date of declaration,

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except for the amounts referring to the fourth quarter, which will be defined at the Annual General Meeting (AGM) that approves the Financial Statements for the year.

For Extraordinary Dividends, there may be distributions according to the analysis of the Board of Directors, and observing the following:

- The general guidelines comprising (i) compliance with the public interest that justified the creation of COPASA MG; and (ii) the guarantee of resources, in its Investment Plan, to comply with the provisions of Federal Law 11.445/2007 and Federal Law 14.026/2020, concerning the universalization of basic sanitation services and the other established qualitative and quantitative targets.
- Legal, regulatory, statutory, financial restrictions, as well as covenants.

c) **Transfer of value for execution of works – water resilience**

On February 28, 2023, pursuant to the Material Fact disclosed, and in continuity with the Material Fact disclosed on July 14, 2021, the Company communicated that it received on said date, from its controlling shareholder, the State of Minas Gerais, through the Secretary of State of Economic Development, a letter informing that, regarding the works planned for carrying out interventions and works that will enhance the water resilience of the Paraopeba and Rio das Velhas Basins, contained in State Law 23.830 of July 28, 2021, the controlling shareholder decided that the transfer of the amounts intended for the execution of the works will be carried out in a non-onerous way and, consequently, no capital contribution will be made to the Company.

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Executive Board, Boards and Accountant

EXECUTIVE BOARD

Guilherme Augusto Duarte de Faria	<i>CEO</i>
Carlos Augusto Botrel Berto	<i>Chief Financial and Investor Relations Officer</i>
Cleyson Jacomini de Sousa	<i>Chief Client Relationship and Regulation Officer</i>
Guilherme Frasson Neto	<i>Chief Operating Officer</i>
Márcia Fragoso Soares	<i>Chief Technological Development, Environment and Project Officer</i>

BOARD OF DIRECTORS

Hamilton Amadeo	<i>President</i>
Hélio Marcos Coutinho Beltrão	<i>Board Member</i>
Jaime Leôncio Singer	<i>Board Member</i>
Marcelo Souza Monteiro	<i>Board Member</i>
Robson Guedes Campos	<i>Board Member</i>

FISCAL COUNCIL

Kathleen Garcia Nascimento	<i>President</i>
Juliano Fisicaro Borges	<i>Board Member</i>
Sérgio Tuffly Sayeg	<i>Board Member</i>
Thales Almeida Pereira Fernandes	<i>Board Member</i>

ACCOUNTANT IN CHARGE

Gabriel Estellita Lins Costa	Ítalo José Cabral Guerra
<i>Accountant – CRC/ES – 009433/0-4 T-MG</i>	<i>Superintendent of Controllership</i>

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CAPITAL BUDGET

In view of the projections for business growth in 2023, 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 2023, the investments foreseen by COPASA in water, sewage and business and operational development, for deliberation of the Annual General Meeting (AGM), total R\$ 1,597 million. The Company also plans to capitalize R\$ 160 million in 2023.

Furthermore, an investment proposal of R\$ 49.3 million will be submitted to the same Annual 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 clients, as provided for in the COPASA Tariff Review.

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ANNUAL SUMMARIZED REPORT FROM AUDIT COMMITTEE - COAUDI 2022

To the members of the Board of Directors of Companhia de Saneamento de Minas Gerais - COPASA MG:

Introduction

The Statutory Audit Committee - COAUDI of Companhia de Saneamento de Minas Gerais - COPASA MG 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, as COAUDI Coordinator, 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, with a term of office until April 2024. Mr. Artemio Bertholini works as a member specialized in corporate accounting, in compliance with Art. 25, of Law 13303/2016 and Art. 37 of State Decree 47154/17.

COAUDI is a 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 verify their effectiveness 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, 2022 and for the special review of its quarterly information. As a normal part of its duties, it also carried out assessments regarding the quality and adequacy of the internal control systems and compliance with applicable legal and regulatory provisions.

Main activities of COAUDI for the year

COVID-19 pandemic

Throughout 2022, COAUDI maintained a monitoring of the main developments of the pandemic applicable to the internal and external environment in which the Company operates. Several meetings took place with its executives, where potential effects and consequences related to the following were discussed:

- ✓ Impacts on relationship with employees and their different effects on those who continued to act in person and those involved in administrative and support activities that are amenable to remote action;
- ✓ Potential developments in revenues and delinquency levels; and

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✓ Monitoring of extensive process of communication and disclosure of data and information to capital market, clients and suppliers, consultants and external auditors, regulatory agents, etc., involving measures taken and other preventive actions to preserve the Company's brand, image, and reputation.

Water Security

Accident with barrage of Córrego do Feijão mine - owned by Vale - in Brumadinho generated several consequences to COPASA MG'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 MG 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 MG and its controlling shareholder, the Government of the State of Minas Gerais, which culminated in the recent 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 MG, 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 2022, monthly meetings were maintained with the Company's Administrators, especially with those responsible for the areas of Governance, Controllershship and Accounting, Internal Audit 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.

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Other activities developed by COAUDI consisted of monitoring the eligibility requirements of 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 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, 2022 were carried out with those responsible for their preparation and with the independent auditors.

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 2022 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. During 2022, a work plan was implemented, aimed at improving the functional training and operational structure of the area.

Regarding the External Audit, KPMG Auditores Independentes, COAUDI reiterates its disagreement with the qualified opinion contained in its audit report on the financial statements for the year ended December 31, 2021, and which are repeated in the audit report of December 31 2022, based on the following main reasons:

- As mentioned in the Notes to the financial statements for the year ended December 31, 2021, the Company's Management decided to supplement the provision to cover labor contingencies, previously considered as having a "possible" negative outcome, which started to be treated as "likely". As a result of this situation, some covenants of specific series of debentures were affected, which could result in immediate enforceability for liabilities originally expected to be settled in the long term;
- During the current month of March, several debenture holders' meetings, whose series had their covenants affected, were held, through which the necessary waivers were obtained to maintain the original long-term maturity terms (non-current liabilities); that is, re-establishing the conditions provided for upon issuance of debentures;
- Despite the situation being fully normalized on this date, KPMG Auditores Independentes expressed its understanding that the "long-term liabilities" (non-current liabilities) for said debentures should be reclassified as current liabilities (therefore payable within a year) in the balance sheet for the year ended December 31, 2021, on the grounds that there is an express provision in Pronouncement CPC 26, in its Article 74, that this would be the treatment to be adopted in such circumstances;
- The Company's Management expressed its interpretation that Articles 19 and 20 of the same CPC 26 Pronouncement contemplate a different treatment, fully in line with other regulatory provisions that permeate the Conceptual Framework for Financial Reports, therefore deciding to maintain the classification of said debentures as "non-current liabilities". Such Management's understanding is

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fully in line with the opinion of Prof. Jorge Andrade Costa, independent opinion issuer with a clear knowledge of the matter;

- COAUDI, under the terms of Law 13.303/2016, in its Article 24, VII, expresses its understanding that the reclassification from “non-current liabilities” to “current liabilities”, as required by KPMG Auditores Independentes, does not meet the core precepts of the Conceptual Framework for Financial Reporting, which recommends that the financial statements must be prepared following the concept of true and fair override that permeates the international standards issued by the IASB - the IFRS - which are followed by Brazil through the CPCs). In other words, classification as “current liabilities”, as required by the independent auditors, would represent, by Management, a false representation of the Company’s financial position on that base date, given that the debt will definitely not be required in the short term. In conclusion, COAUDI, in its report dated March 24, 2022, expressed its agreement with the Management's position and disagreement with the position of KPMG Auditores Independentes regarding the accounting practice adopted. During the year 2022, the Brazilian Securities and Exchange Commission (CVM) requested clarification from the Management of COPASA MG on the matter and accepted the Company’s arguments for the treatment adopted;

Consistent with the previous procedure, COAUDI reiterates its disagreement with the form and maintenance of the qualified opinion by KPMG in the financial statements for the year ended December 31, 2022.

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, 2022. In this sense, it has no restrictions on its approval by the Board of Directors, highlighting its disagreement with the qualified opinion expressed by the independent auditors.

Belo Horizonte, March 17, 2023.

Artemio Bertholini
COAUDI's Coordinator

Brenda Felicia Vieira da Silveira
COAUDI's Member

Marcelo Souza Monteiro
COAUDI's Member

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TAX COUNCIL' OPINION

The Tax Council of Companhia de Saneamento de Minas Gerais - COPASA MG, 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, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity, Statement of Cash Flows, Statement of Added Value and Notes for the year 2022.

Based on the examinations and clarifications provided by Management and Statutory Audit Committee throughout the fiscal year and in view of the qualified report of KPMG Auditores Independentes for comparison purposes, only for 2021, issued on March 17, 2023, 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, 2022, 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 Annual Shareholders' Meeting of COPASA MG.

Belo Horizonte, March 17, 2023.

Kathleen Garcia Nascimento
Chairman of the Board of Directors

Thales Almeida Pereira Fernandes
Vice Chairman

Juliano Fisicaro Borges
Board Member

Sérgio Tuffy Sayeg
Board Member

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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 (hereinafter referred to as "Executive Board"), 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 and discussed 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, 2022.

The Executive Board declares its disagreement with the position of the independent auditors expressed in the form of a Qualification contained in their opinion, where they report the need to reclassify debts in the balance sheet of December 31, 2021, presented for comparative purposes, in the amount of R\$ 1,933 million from non-current liabilities to current liabilities, a matter disclosed by the Company in item 12.2 of the Management Report and in Notes 2 and 16(c) of the aforementioned Financial Statements, where clarification regarding the facts and reasons for our position are required.

On December 27, 2021, the Company released a Material Fact describing the unfolding of labor lawsuit 102100-74.2008.5.03.0024, which was filed in 2008 by the main Union of the Company's employees, questioning the legality of the termination policy adopted at that time, for using the age of the employees as a criterion for terminating the employment contract. Therefore, the Company decided to review the provisioning amount and increased the provision for this lawsuit by approximately R\$ 217.5 million, which was accounted for on December 31, 2021.

As a result of this situation, some covenants of certain series of issued debentures were affected, which could result in immediate enforceability for liabilities whose enforceability was originally expected to be in the long-term.

During March 2022, after the due procedures with the creditors involved, several debentureholders' meetings, whose series had their covenants affected, were held, through which the necessary waivers were obtained to maintain the original long-term maturity terms (non-current liabilities); that is, re-establishing the conditions provided for upon issue of said debentures;

Despite the fact that the waivers were granted by the creditors involved, KPMG Auditores Independentes expressed its understanding that the non-current liabilities corresponding to the amount of said debentures should be reclassified as current liabilities in the balance sheet for the year ended December 31, 2021, alleging that there is an express provision in the CPC 26 Pronouncement of the Accounting Pronouncements Committee (CPC), in its article 74, that this would be the treatment to be adopted in such circumstances.

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Regarding the proposed reclassification, it is worth highlighting that the position of the technicians and the Company's Management is that the presentation of the debt as due in the short term would not correspond to the reality of the debt payment schedule and would constitute a serious misstatement in the Balance Sheet. Considering that we obtained all waivers before the issuance and approval of the financial statements for that year (and, consequently, before the date of issuance of the auditors' report), Management understands that the aforementioned reclassification would result in misleading information in our financial statements, notably in the Balance Sheet, leading the reader to an incorrect interpretation of the financial position of COPASA MG on December 31, 2021, mainly regarding its solvency and cash generation capacity and, therefore, it did not carry out said reclassification.

The CPC 26 Pronouncement itself, in its items 19 and 20 (exert below), indicates how Management should treat the application of a certain accounting rule when, in its judgment, such application leads to a misleading presentation – in which case it conflicts with Pronouncement CPC 00:

“19. In extremely rare circumstances, in which Management comes to the conclusion that compliance with a requirement of a technical pronouncement, interpretation or guidance of the CPC would lead to a presentation so misleading that it would conflict with the objective of the financial statements provided for in the CPC 00, the entity must not apply this requirement and shall follow the provisions of item 20, unless this procedure is strictly prohibited from a legal and regulatory perspective.

20. When an entity does not apply a requirement of a technical pronouncement, interpretation or guidance from the CPC or in accordance with paragraph 19, it must disclose:

(a) that the Management concluded that the financial statements adequately present the Entity's financial position, performance and cash flows;

(b) that it has adopted the applicable CPC technical pronouncements, interpretations and guidance, except for not applying a specific requirement for the purpose of obtaining fair representation;

(c) the title of the CPC technical pronouncement, interpretation or guidance that the entity did not apply, the nature of that exception, including the treatment that the CPC Technical Pronouncement, Interpretation or Guidance would require; the reason why this treatment would be so misleading that it would conflict with the objective of the financial statements, established in CPC 00; and the treatment actually adopted; and

(d) for each period presented, the financial impact of the non-application of the technical pronouncement, interpretation or guidance of the CPC in force in each item in the financial statements that would have been reported, had the non-applied requirement been adopted.”

Such Management's understanding is fully in line with the opinion of Prof. Jorge Andrade Costa, independent opinion issuer with a clear knowledge of the matter, contained in its Technical Opinion issued on March 23, 2022.

The Brazilian Securities and Exchange Commission (CVM), through a Official Letter, requested the Company to express its opinion on the modified opinion indicated in the independent auditor's report on the financial statements for the year ended December 31, 2021. As of September 23, 2022, in a new Official Letter, the CVM communicated that, considering the information provided by the Company's Management, the open process requesting this manifestation was filed.

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2. The Executive Board also declares that reviewed, discussed and agrees with the 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, 2022.

In Belo Horizonte-MG, March 17, 2023.

Guilherme Augusto Duarte de Faria
CEO

Carlos Augusto Botrel Berto
Chief Financial and Investor Relations Officer

Cleyson Jacomini de Sousa
Chief Client Relationship and Regulation Officer

Guilherme Frasson Neto
Chief Operating Officer

Márcia Fragoso Soares
Chief Technological Development, Environment and Project Officer