

Notice

Extraordinary Executive Board's Meeting

Date: 03/28/2022

[NTF-0012-2022](#)

ARSESP Process 126/2021

Subject: Analysis of SABESP's Economic-Financial Proven Capacity for purposes of Law 11,445/2007, amended by Law 14,026/2020, and Decree 10,70/2021

With reports by the Economic-Financial and Market Regulation Board and the Basic Sanitation Technical Regulation and Inspection Board. After giving the floor to Jefferson Meirelles, Economic-Financial Regulation Superintendent, and Rodolfo Herreras, Basic Sanitation Inspection Superintendent, they started to present the process. They explained that: (i) Sabesp sent the proof of Economic-Financial Capacity on December 30, 2021, including stages 1 and 2, within the deadline provided for by article 10 of Decree 10,710/2021; (ii) the entire material was subject to thorough analyses by the competent technical areas, whose opinions issued were consolidated in Technical Note NT.F-0012-2022;

(iii) as pointed out in the aforementioned Technical Note, the documents presented by Sabesp met the requirements of item I of article 11 of Decree 10,710/2021, which conditions the financial capacity study on the presentation of a copy of regular contracts of drinking water supply and/or sewage services operated by the company, in effect, including the respective exhibits and addenda; (iv) of all SABESP's current contracts (370 contracts), six (6) still require the presentation of the respective terms of consent by the service holders; (v) of those six (6) contracts, two (2) have not yet received a statement by the respective municipalities (Laranjal Paulista and Santo André) and four (4) had amendments not agreed to by their holders (Agudos, Hortolândia, Igarapava, and Quintana); (vi) with or without those six (6) contracts, regardless of the scenario, the analyses performed showed that the service provider's economic-financial capacity was duly proven, and SABESP is responsible for presenting the respective terms of consent for these six (6) contracts; (vii) regarding the first stage of analysis, not only the independent auditor's report presented by SABESP, but also the calculations performed by ARSESP, confirmed, as pointed out in Technical Note NT.F- 0012-2022, that its economic-financial indicators fully met the minimum benchmark indexes defined for this stage by Decree 10,710/2021, namely: 1- net margin excluding depreciation and amortization rate higher than zero; 2 - debt ratio lower than or equal to one; 3 - return on equity rate higher than zero; and 4 - cash flow adequacy ratio higher than one; (viii) once SABESP's economic-financial capacity was proven for the first stage, the requirements defined for the second stage were analyzed and, according to the conclusions released in Technical Note NT.F-0012-2022, SABESP's economic-financial capacity was also proven, as the Company presented a positive present value of global cash flow in all the scenarios analyzed. The Company also showed the compatibility of its fundraising plan with the feasibility studies, with fundraising terms, conditions, and strategies adherent to the investment plan to meet the universalization goals, as provided for in article 6, II of Decree 10,710/2021.

Following, given the above, the Superintendents recommended that the Executive Board recognized SABESP's PROOF of Economic-Financial Capacity, for purposes of the universalization goals defined by Law 11,445/2007, amended by Law 14,026/2020, and Federal Decree 10,710/2021, also based on the set of analyses performed by the technical areas, as well as on the conclusions and remarks provided for in Technical Note NT.F-0012-2022. No opinions were provided after the matter was discussed. After the matter was voted, ARSESP's Executive Board, accompanying the vote of the rapporteurs, based on Technical Note NT.F-0012-2022, considering the remarks thereon, the proof of the provider's economic capacity, unanimously recognized SABESP's PROVEN Economic-Financial Capacity, under Law 11,445/2007, amended by Law 14,026/2020, and Federal Decree 10,710/2021.