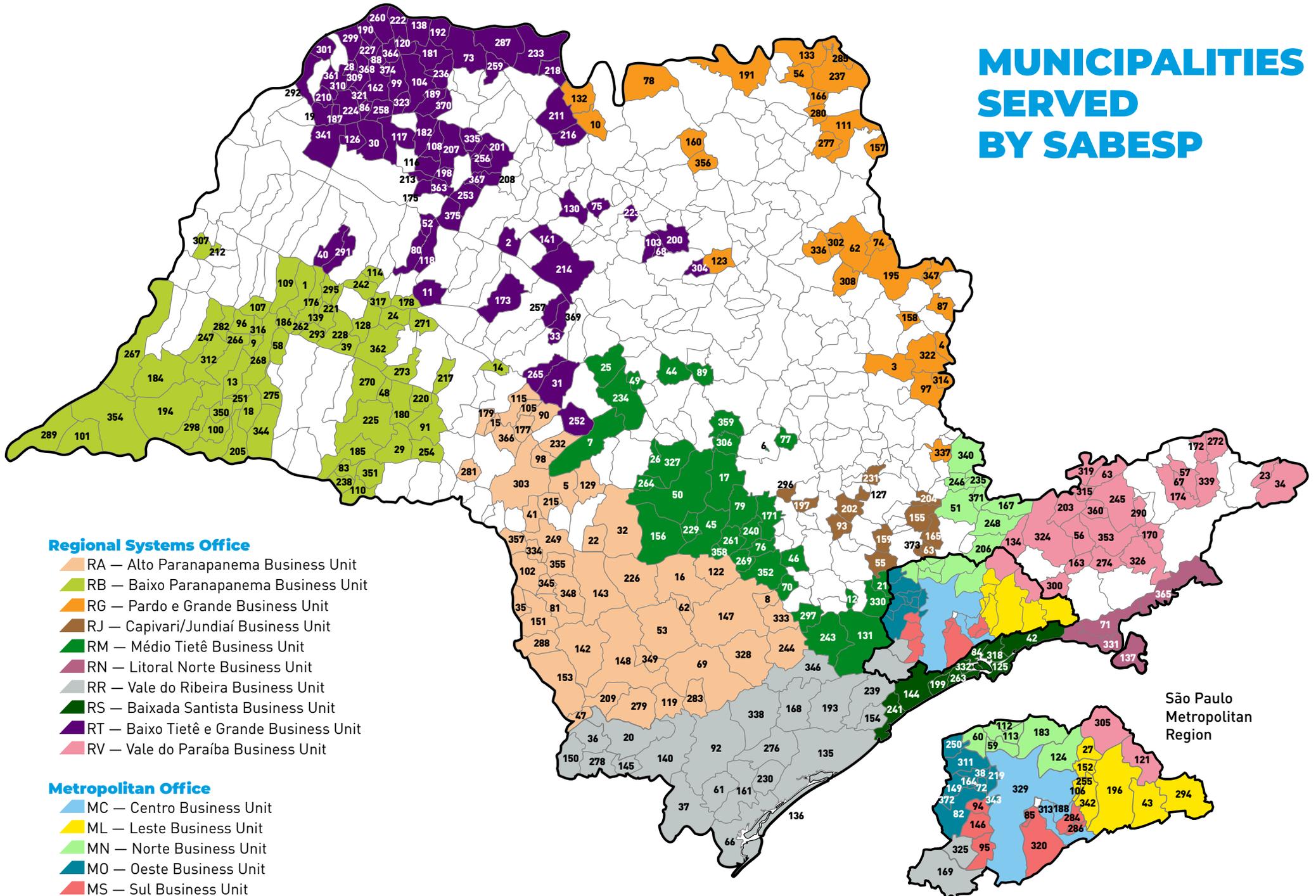


SUSTAINABILITY REPORT



MUNICIPALITIES SERVED BY SABESP



MUNICIPALITIES SERVED BY SABESP

1	RB	Adamantina	63	RA	Campina do Monte Alegre	124	MN	Guarulhos	187	RT	Marinópolis	250	MO	Pirapora do Bom Jesus	313	MC	Santo André
2	RT	Adolfo	64	RJ	Campo Limpo Paulista	125	RS	Guarujá	188	MC	Mauá	251	RB	Pirapozinho	314	RG	Santo Antônio do Jardim
3	RG	Aguaí	65	RV	Campos do Jordão	126	RT	Guzolândia	189	RT	Meridiano	252	RT	Piratininga	315	RV	Santo Antônio do Pinhal
4	RG	Águas da Prata	66	RR	Cananéia	127	RJ	Hortolândia	190	RT	Mesópolis	253	RT	Planalto	316	RB	Santo Expedito
5	RA	Águas de Santa Bárbara	67	RV	Canas	128	RB	Iacri	191	RG	Miguelópolis	254	RB	Platina	317	RB	Santópolis do Aguapeí
6	RM	Águas de São Pedro	68	RT	Cândido Rodrigues	129	RA	Iaras	192	RT	Mira Estrela	255	ML	Poá	318	RS	Santos
7	RM	Agudos	69	RA	Capão Bonito	130	RT	Ibirá	193	RR	Miracatu	256	RT	Poloni	319	RV	São Bento do Sapucaí
8	RA	Alambari	70	RM	Capela do Alto	131	RM	Ibiúna	194	RB	Mirante do Paranapanema	257	RT	Pongaí	320	MS	São Bernardo do Campo
9	RB	Alfredo Marcondes	71	RN	Caraguatatuba	132	RG	Icém	195	RG	Mococa	258	RT	Pontalinda	321	RT	São Francisco
10	RG	Altair	72	MO	Carapicuíba	133	RG	Igarapava	196	ML	Mogi das Cruzes*	259	RT	Pontes Gestal	322	RG	São João da Boa Vista
11	RT	Alto Alegre	73	RR	Cardoso	134	RV	Igaratá	197	RJ	Mombuca	260	RT	Populina	323	RT	São João das Duas Pontes
12	RM	Alumínio	74	RG	Cássia dos Coqueiros	135	RR	Iguape	198	RT	Monções	261	RM	Porangaba	324	RV	São José dos Campos
13	RB	Álvares Machado	75	RT	Catiguá	136	RR	Ilha Comprida	199	RS	Mongaguá	262	RB	Pracinha	325	RR	São Lourenço da Serra
14	RB	Álvaro de Carvalho	76	RM	Cesário Lange	137	RR	Ilhabela	200	RT	Monte Alto	263	RS	Praia Grande	326	RV	São Luiz do Paraitinga
15	RA	Alvinlândia	77	RM	Charqueada	138	RT	Indiaporã	201	RT	Monte Aprazível	264	RM	Pratânia	327	RM	São Manuel
16	RA	Angatuba	78	RG	Colômbia	139	RB	Inúbia Paulista	202	RJ	Monte Mor	265	RT	Presidente Alves	328	RA	São Miguel Arcanjo
17	RM	Anhembi	79	RM	Conchas	140	RR	Iporanga	203	RV	Monteiro Lobato	266	RB	Presidente Bernardes	329	MC	São Paulo
18	RB	Anhumas	80	RT	Coroados	141	RT	Irapuã	204	RJ	Morungaba	267	RB	Presidente Epitácio	330	RM	São Roque
19	RT	Aparecida d'Oeste	81	RA	Coronel Macedo	142	RA	Itaberá	205	RB	Naranjiba	268	RB	Presidente Prudente	331	RN	São Sebastião
20	RR	Apiiaí	82	MO	Cotia	143	RA	Itaí	206	MN	Nazaré Paulista	269	RM	Quadra	332	RS	São Vicente
21	RM	Araçariçuama	83	RB	Cruzália	144	RS	Itanhaém	207	RT	Nhandeara	270	RB	Quatá	333	RA	Sarapuá
22	RA	Arandu	84	RS	Cubatão	145	RR	Itaóca	208	RT	Nipoã	271	RB	Queiróz	334	RA	Sarutaiá
23	RV	Arapej	85	MS	Diadema	146	MS	Itapecerica da Serra	209	RA	Nova Campina	272	RV	Queluz	335	RT	Sebastianópolis do Sul
24	RB	Arco-Íris	86	RT	Dirce Reis	147	RA	Itapetininga	210	RT	Nova Canaã Paulista	273	RB	Quintana	336	RG	Serra Azul
25	RM	Arealva	87	RG	Divinolândia	148	RA	Itapeva	211	RT	Nova Granada	274	RV	Redenção da Serra	337	RG	Serra Negra
26	RM	Areiópolis	88	RT	Dolcinópolis	149	MO	Itapeví	212	RB	Nova Guataporanga	275	RB	Regente Feijó	338	RR	Sete Barras
27	ML	Arujá	89	RM	Dourado	150	RR	Itapirapuã Paulista	213	RT	Nova Luzitânia	276	RR	Registro	339	RV	Silveiras
28	RT	Aspásia	90	RA	Duartina	88	RT	Itaporanga	214	RT	Novo Horizonte	277	RG	Restinga	340	MN	Socorro
29	RB	Assis	91	RB	Echaporã	152	ML	Itaquaquecetuba	215	RA	Óleo	278	RR	Ribeira	341	RT	Sud Mennucci
30	RT	Auriflama	92	RR	Eldorado	153	RA	Itararé	216	RT	Onda Verde	279	RA	Ribeirão Branco	342	ML	Suzano
31	RT	Avai	93	RJ	Elias Fausto	154	RR	Itariri	217	RB	Oriente	280	RG	Ribeirão Corrente	343	MO	Taboão da Serra
32	RA	Avaré	94	MS	Embu das Artes	155	RJ	Itatiba	218	RT	Orindiúva	281	RA	Ribeirão do Sul	344	RB	Taciba
33	RT	Balbinos	95	MS	Embu-Guaçu	156	RM	Itatinga	219	MO	Osasco	282	RB	Ribeirão dos Índios	345	RA	Taguaí
34	RV	Bananal	96	RB	Emilianópolis	157	RG	Itirapuã	220	RB	Oscar Bressane	283	RA	Ribeirão Grande	346	RR	Tapiraí
35	RA	Barão de Antonina	97	RG	Espírito Santo do Pinhal	158	RG	Itobi	221	RB	Osvaldo Cruz	284	MS	Ribeirão Pires	347	RG	Tapiratiba
36	RR	Barra do Chapéu	98	RA	Espírito Santo do Turvo	159	RJ	Itupeva	222	RT	Ouroeste	285	RG	Rifaina	348	RA	Taquarituba
37	RR	Barra do Turvo	99	RT	Estrela d'Oeste	160	RG	Jaborandi	223	RT	Palmares Paulista	286	MS	Rio Grande da Serra	349	RA	Taquarivai
38	MO	Barueri	100	RB	Estrela do Norte	161	RR	Jacupiranga	224	RT	Palmeira d'Oeste	287	RT	Riolândia	350	RB	Tarabai
39	RB	Bastos	101	RB	Euclides da Cunha Paulista	162	RT	Jales	225	RB	Paraguçu Paulista	288	RA	Riversul	351	RB	Tarumã
40	RT	Bento de Abreu	102	RA	Fartura	163	RV	Jamboiro	226	RA	Paranapanema	289	RB	Rosana	352	RM	Tatui
41	RA	Bernardino de Campos	103	RT	Fernando Prestes	164	MO	Jandira	227	RT	Paranapuã	290	RV	Roseira	353	RV	Taubaté
42	RS	Bertioga	104	RT	Fernandópolis	165	RJ	Jarinu	228	RB	Parapuã	291	RT	Rubiácea	354	RB	Teodoro Sampaio
43	ML	Biritiba-Mirim	105	RA	Fernão	166	RG	Jeriquara	229	RM	Pardinho	292	RT	Rubinéia	355	RA	Tejupá
44	RM	Bocaina	106	ML	Ferraz de Vasconcelos	167	MN	Joanópolis	230	RR	Pariquera-Açu	293	RB	Sagres	356	RG	Terra Roxa
45	RM	Bofete	107	RB	Flora Rica	168	RR	Juquiá	231	RJ	Paulínia	294	ML	Salesópolis	357	RA	Timburi
46	RM	Boituva	108	RT	Floreal	169	RR	Juquitiba	232	RA	Paulistânia	295	RB	Salmourão	358	RM	Torre de Pedra
47	RA	Bom Sucesso de Itararé	109	RB	Flórida Paulista	170	RV	Lagoinha	233	RT	Paulo de Faria	296	RJ	Saltinho	359	RM	Torrinha
48	RB	Borá	110	RB	Florínea	171	RM	Laranjal Paulista	234	RM	Pederneiras	297	RM	Salto de Pirapora	360	RV	Tremembé
49	RM	Boracéia	111	RG	Franca	172	RV	Lavrinhas	235	MN	Pedra Bela	298	RB	Sandovalina	361	RT	Três Fronteiras
50	RM	Botucatu	112	MN	Francisco Morato	173	RT	Lins	236	RT	Pedranópolis	299	RT	Santa Albertina	362	RB	Tupã
51	MN	Bragança Paulista	113	MN	Franco da Rocha	174	RV	Lorena	237	RG	Pedregulho	300	RV	Santa Branca	363	RT	Turiúba
52	RT	Brejo Alegre	114	RB	Gabriel Monteiro	175	RT	Lourdes	238	RB	Pedrinhas Paulista	301	RT	Santa Clara d'Oeste	364	RT	Turmalina
53	RA	Buri	115	RA	Gália	176	RB	Lucélia	239	RR	Pedro de Toledo	302	RG	Santa Cruz da Esperança	365	RN	Ubatuba
54	RG	Buritizal	116	RT	Gastão Vidigal	177	RA	Lucianópolis	240	RM	Pereiras	303	RA	Santa Cruz do Rio Pardo	366	RA	Ubirajara
55	RJ	Cabreúva	117	RT	General Salgado	178	RB	Luizânia	241	RS	Peruibe	304	RT	Santa Ernestina	367	RT	União Paulista
56	RV	Cachoeira Paulista	118	RT	Glicério	179	RA	Lupércio	242	RB	Piacatu	305	RV	Santa Isabel	368	RT	Urânia
57	RV	Caçapava	119	RA	Guapiara	180	RB	Lutécia	243	RM	Piedade	306	RM	Santa Maria da Serra	369	RT	Uru
58	RB	Caiabu	118	RT	Guarema	181	RT	Macedônia	244	RA	Pilar do Sul	307	RB	Santa Mercedes	370	RT	Valentim Gentil
59	MN	Caieiras	120	RT	Guarani d'Oeste	182	RT	Magda	245	RV	Pindamonhangaba	308	RG	Santa Rosa de Viterbo	371	MN	Vargem
60	MN	Cajamar	121	RV	Guararema	183	MN	Mairiporã	246	MN	Pinhalzinho	309	RT	Santa Saete	372	MO	Vargem Grande Paulista
61	RR	Cajati	122	RA	Guareí	184	RB	Marabá Paulista	247	RB	Piquerobi	310	RT	Santana da Ponte Pensa	373	RJ	Várzea Paulista
62	RG	Cajuru	123	RG	Guariba	185	RB	Maracaí	248	MN	Piracaia	311	MO	Santana de Parnaíba	374	RT	Vitória Brasil
						186	RB	Mariópolis	249	RA	Piraju	312	RB	Santo Anastácio	375	RT	Zacarias



Sabespian woman: on the cover of this Report there is Dirlene Palma Gomes, 45, mother of Giovana, civil engineer, at Sabesp since 1998. For 12 years she has worked in highly vulnerable areas promoting sanitation and successfully managed one of the first contracts of the New Pinheiros River Program, the Ponte Baixa Front. On the photo of the cover, she poses by the Pinheiros river and on image above, in Jardim Felicidade neighborhood, São Paulo.

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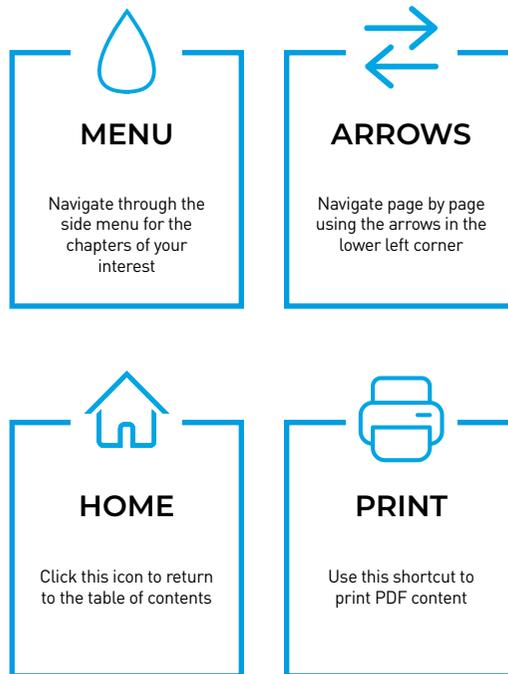
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CARING FOR WATER IS CARING FOR LIFE

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The essential role that sanitation has over people's health has never been more discussed than during this challenging year of 2020. Guaranteeing clean water in taps was the main resource to contain the advance of the pandemic. Thus, we ensured that the supply of high quality water was maintained to serve 28.5 million customers in 375 municipalities in São Paulo.

However, the seriousness of the situation pushed us to go further. We took additional actions, such as the disinfection of public spaces, distribution of water tanks, hygiene products, basic food baskets and the installation of public washbasins, demonstrating our extreme capacity to

“

The seriousness of the pandemic has driven us to further actions with greater positive impact on the most vulnerable populations

mobilize our teams in solidarity with others. In turn, our joint efforts in partnerships with the private sector, public entities and agencies revealed the transforming strength arising from unity in difficult times.

In just a matter of days we were faced with the need to reinvent the way we work. A portion of our employees were allocated to isolated remote working from their homes. Others were required to follow strict health protocols while remaining at their forefront roles, with the mission of maintaining our facilities functioning and monitoring the evolution of our many works and interventions.

The impacts of the pandemic also affected our cash flow, amidst a global scenario with strong economic instability. Factors such as our debt exposure to exchange variations, lower revenues from the commercial and industrial categories, increase in default, postponement in tariff adjustment and tariff exemptions granted to the poorest population imposed an enormous challenge on us.

The recovery path demanded urgent and assertive measures, such as budget adjustment, new financings, issue of R\$ 3.5 billion in debentures and exchanging our foreign currency debt instruments aimed at reducing exposure to the U.S. dollar. These actions allowed us to reverse losses and regain positive results at the end of the third



MARIO ENGLER PINTO JUNIOR
Board of Directors' Chair

quarter of 2020, giving us breathing room to continue to expand the social, economic, and environmental benefits through our operations.

Our constructions works were also not interrupted. In many situations, they evolved even faster due to lower people and vehicle flows. The significant evolution of the New Pinheiros River Program is an example of this. With 16 fronts underway for the implementation of infrastructure to collect and treat sewage in the Pinheiros river basin, ▶

we ended 2020 with 150,000 households served with sewage collection for treatment, a landmark result.

Our goal is to serve 530,000 households with sewage collection by the end of 2022. More than bringing life to one of São Paulo's main symbols, we are also bringing better health conditions and quality of life to many communities.

The evolution of this project has a direct and positive impact on the results of an even greater mission: provide universal access to sewage collection and treatment in the entire São Paulo Metropolitan Region. In nearly three decades since the existence of the Tietê Project, we invested US\$ 3.1 billion to implement infrastructure that now collects sewage from a population of 12.4 million people for treatment. This is equivalent to the populations of London and Paris together.

In 2020 alone, 1.4 million people began to have sewage treatment with the conclusion of major works, such as the mega tunnel under marginal Tietê (IT17) and the works from the New Pinheiros River Program. We have other major interventions underway in 11 metropolitan municipalities, in addition to the Pró Billings project, which will promote the basin sanitation at one of the key metropolitan springs.

With the same effort, we advanced with the works of the Onda Limpa project, expanding collection services in the Santos and North coastal regions, which already receive sewage treatment services. In countryside regions, where services are reaching universalization levels, we continue to focus on areas away from urban centers, in which we highlight our participation in the

530,000 properties in the Pinheiros river basin with their sewage taken for treatment by the end of 2022

development of the Vale do Ribeira region through the Vale do Futuro program from the São Paulo State Government.

In 2020, we experienced low rainfall volumes, once again, and recharging of springs was needed, proving that strong water security must be a permanent priority. And so it has been. During 2020, we started works to reverse waters from the Itapanhaú River from the Atlantic strand to the São Paulo Metropolitan Region, which will make the infrastructure put in place to face the 2014-2015 crisis even more robust. Were it not for this legacy, the Cantareira water level would have reached zero at the end of 2020, triggering a new water crisis in the São Paulo Metropolitan Region.

In terms of sector advancements, the approval of the new basic sanitation framework imposes great challenges to adapt to the new regulation. However, stronger regulations and clearer guidelines attract private investments and offer opportunities for market growth, new partnerships, tariff adjustments and service evolution that benefit poor regions.

As we are always aware of changes, we continued to strive for higher competitiveness through excellent management practices, prioritizing operational efficiency and customer service, the integrity of the relationships we have with



Teams working on the delivery of water tanks

our customers, the valuing of human capital and the social well-being that results from the fulfillment of our mission.

Also, as part of our business essence and the way we operate, we guide our innovation efforts according to the Environmental, Social and Governance (ESG) standards in such a way that they follow environmentally sustainable paths of the circular economy and the technological improvement of our processes, products and services. These strategic efforts reaffirm our strive to distribute results with our shareholders and derives from our actions that are essentially based on caring for people and the environment. Caring for water is caring for life. ■

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BENEDITO BRAGA
CEO

The year 2020 was marked by challenges and achievements. Despite the strong social and economic impact due to the pandemic, we managed to maintain a high level of investment to strengthen the supply infrastructure and expand the sewage collection and treatment. A total of R\$ 4.4 billion was invested in the 375 municipalities served (which account for 64% of São Paulo State's population), keeping Sabesp in the leadership among the companies that most invest in Brazil.

We are responsible for more than 30% of all the resources allocated to basic sanitation in Brazil. These are figures that reaffirm our relevant role in the economic and social development of São Paulo and reinforce the prominent position of the matter in the agenda of priorities of the São Paulo State Government.

With R\$ 2.3 billion allocated to sewage collection and treatment and R\$ 2.1 billion to the drinking water supply infrastructure, we remained firm in the expansion of the sanitary infrastructure in the operated area. The resumption towards the universalization of sewage treatment has been happening for some years now. We are currently able to invest more in this sector due to the large and accurate investments in water infrastructure made to counter the 2014-2015 crisis.

Increased security of the supply system was a fundamental legacy for coping with new water crisis. Especially in 2020, it has become even more essential given the need for everyone to permanently have water in their taps as one of the main measures to face the pandemic. In a difficult year for everyone, we had to do a lot more. And so we did, through countless actions guided by solidarity and concern for people, showing how a company that is aware of its social role should act.



ESG principles of circular economy and innovation guide our work in benefit of people and the environment

Internally, even in view of an atypical year that demanded many readjustments in the way we work, we managed to keep our focus on the goals set for 2020. A total of 259 thousand new sewage connections were installed, 8% more than what was proposed for the period, and 220 thousand new water connections were installed, exceeding the established goal by 14%.

Reaching and exceeding these goals is made possible by establishing robust and structured programs to bring more access, especially to the most complex urban areas, such as the Tietê Project, the New Pinheiros

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River program, and the Metropolitan Water Program, in the Greater São Paulo region, and the Clean Wave Program and Coastal Water Program on the São Paulo coastal region. The actions to universalize coverage in São Paulo State's countryside make up our list of structuring initiatives, with their advances detailed in this Report.

Still regarding our goals, the 22-liter reduction in water loss per connection per day is another highlight of 2020 that reflects the permanent pursuit for operational efficiency. Reducing losses means better results for the Company, more effective supply, and greater water resources sustainability. In 2020 alone, we allocated R\$ 1 billion to fight such losses.

Managing contracts under execution in the New Pinheiros River Program, which is expanding the collection and treatment of the basin's sewage, is another innovative efficiency-gaining practice that has shown excellent results. Compensation is made for the number of new properties connected to the sewage treatment system and improvement in the quality of the water of the streams that dump into the Pinheiros river. In other words: payment is made based on performance and not simply when construction is completed.

Performance-based management should be a model for the progress of our programs, for which we have an investment plan that foresees the allocation of R\$ 21 billion over

the next five years (2021-2025), of which more than R\$ 8.2 billion in water and R\$ 12.8 billion in sewage collection and treatment. In relation to our indexes, water supply is universal in the operated municipalities, 92% of customers have a sewage collection structure available and 76% of the properties are connected to these networks and their sewage is transported for treatment.

It is worth pointing out that the drop in this last indicator, which registered 78% in 2019, is due to the entry of Guarulhos (SP) and Santo André (SP). For these two municipalities, we already have structured construction packages that will promote a boost in sewage treatment with the same success registered in the actions that, in 2019, put an end to the supply rotations that affected the population.

Aware of the need to move forward in an increasingly competitive environment with the approval of the New Sanitation Framework, in 2020 we took over the water operations in Mauá (SP), the Tejuapá (SP) and Tapiratiba (SP) services, and we participated in a bid to provide service in the Maceió Metropolitan Region in the state of Alagoas. With the renewal of 15 municipalities throughout the year, we reached a regularization of 98% of our contracts.

In the governance scope, we continue to evolve integrity and compliance mechanisms to mitigate risks and prevent fraud and corruption. In relation to the satisfaction of

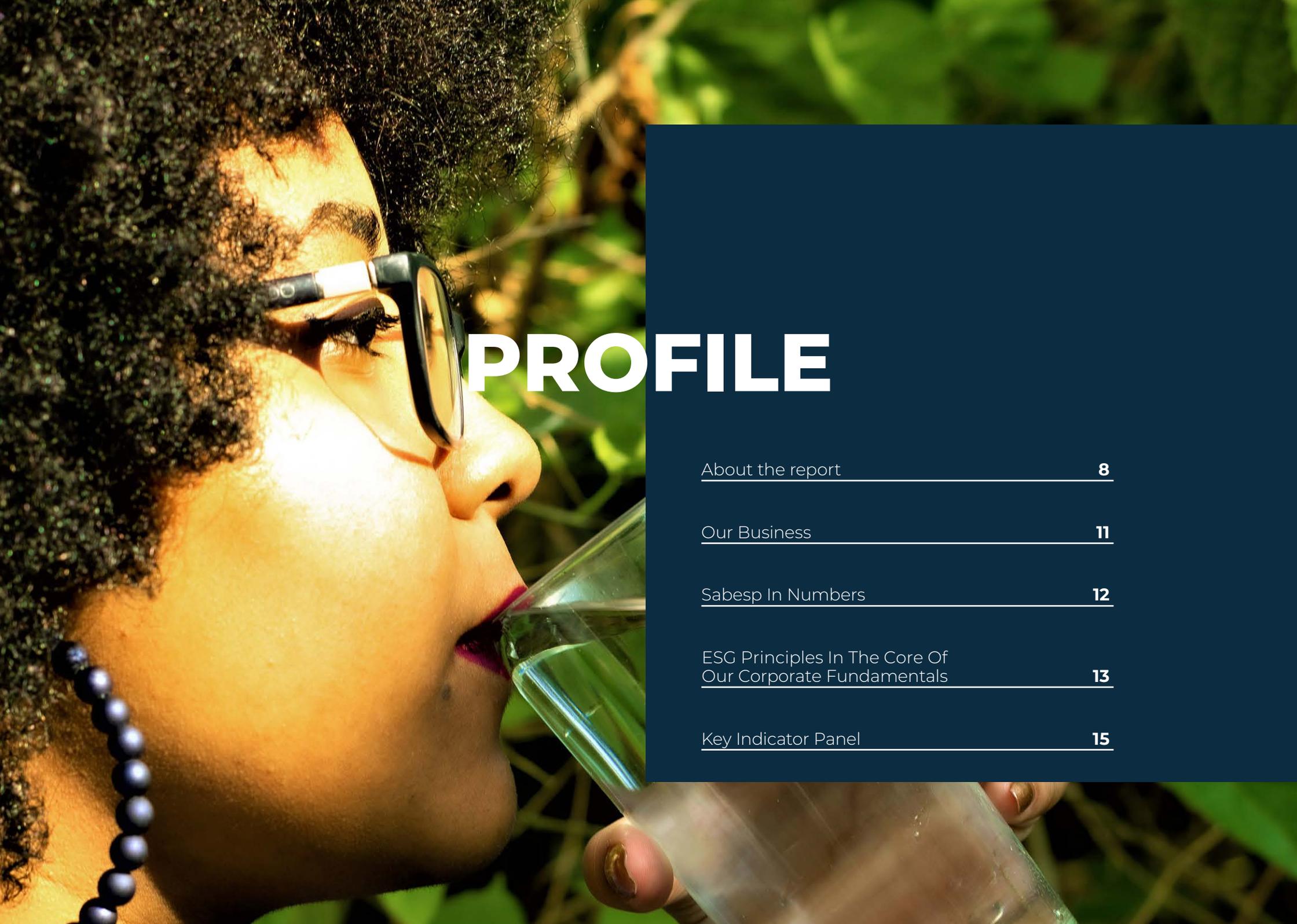
our customers and return to shareholders, we continue to be attentive in the search for technological improvement of processes and services. In the operations, efficiency gains come from more automation, energy source diversification, valorization of the circular economy, among other actions that can be found in this Report.

The 2020 difficulties have been overcome, but 2021 is already proving to be an equally challenging year. Although it is one of the saddest periods in our history, it is a reality that adds even more value to the importance of our noble mission to work for people's health and better quality of life and respect for the environment. ▣



Despite the pandemic, we maintained high investments in increasing water security and access to environmental sanitation





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GRI 102-50 | 102-53 | 102-54

For the 14th consecutive year, we present our **Sustainability Report**, an initiative that reaffirms Sabesp's commitment to transparency and open dialogue with all stakeholders impacted by our operations. The publication includes information about the Company, presenting our business model, our strategy for sustaining and generating value, and our performance between January 1 and December 31, 2020.

Since 2007, we have adopted the guidelines of the **Global Reporting Initiative (GRI)** to prepare the document, which allowed us to be aligned with internationally recognized reporting standards used to address relevant matters for business sustainability around the world. The GRI indicators are pointed out throughout the text, indicating the key matter to which it is related. In the GRI Content Index found in the final pages of this Report, it is possible to perceive the indicators and the pages on which they may be found.

Please send your questions or requests of additional information on this report to sustentabilidade@sabesp.com.br

Priority issues

GRI 102-44 | 102-46 | 102-47 | 102-49

In 2020, a challenging year full of changes, we updated our materiality to identify the priority matters and the most relevant aspects for corporate sustainability. This process considers the interests of our stakeholders, the industry scenario, and the Company's strategic guidelines, and was based on a survey that included:

- ▣ Reports published by the **media** about Sabesp in 2020;
- ▣ **Stakeholder** prioritization;
- ▣ Analysis of the key matters by the **GRI methodology** and the SDG approach;
- ▣ Analysis of the most important market mechanisms for corporate sustainability: **ISE, DJSI, FTSE, MSCI** and **VIGEO**;
- ▣ Sector **benchmarking**;
- ▣ Online consultation with **Sabesp's priority stakeholders** based on the issues raised in the previous stages, which had 882 responses;
- ▣ Strategic vision and validation of the results by the Company's Senior Management.

Participants in the Stakeholders Consultation

	Customers
	Industry Entities Associations Committees
	Municipal Authorities (grantor)
	Officers and Board Members
	Employees
	Legislative Power
	Suppliers
	Community Representatives
	Investors and analysts
	Third Parties
	Third Sector/NGOs
	Regulatory Bodies

The conclusion of this analysis and study process led us to the key matters presented below, which resulted in the indicators reported throughout the report:

	Handling of the Covid-19 Pandemic
	Environmental Impact
	New Legal Framework on Sanitation Industry
	People Management
	Economic and Financial Management
	Ethics and Corporate Governance
	Access to Water and Sanitation Services
	Customers Relationship
	Innovation
	Local Communities Engagement

Commitment to sustainable development

GRI 102-12 Innovation, ethics and transparency in our relationships with our stakeholders are principles that guide our actions and are reflected in promoting quality of life, social inclusion and appreciation of the citizenship.

As signatories of Global Compact, an initiative of the United Nations (UN) that encourages the business community to adopt corporate social and sustainability policies, we have made progress in adopting principles related to human rights, labor, the environment and fight against corruption.

Principles of the Global Compact

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

Our activities and the way we operate also contribute to achieving the goals defined in the **Sustainable Development Goals (SDG)**, a UN agenda that gathers goals in areas of paramount importance to humanity and the planet.



With units at the banks of the Pinheiros, Café da Margem (River Bank Café), an initiative sponsored by Sabesp, promotes awareness of sustainability and a rapprochement between society and the river, which is the target of the New Pinheiros River revitalization program. [Click here to learn more](#)



To better understand the impacts of our performance in SDG in 2020, we conducted a qualitative diagnosis within the São Paulo Metropolitan Region (SPMR), an area that concentrates most of the population served and the major and most complex projects.

The assessment aimed to compare our macroprocesses and socio-environmental programs to the indicators of the 17 SDG, with guidance from the Management Excellence Model (MEG), and made it

possible to identify the priority and secondary indicators of greatest importance for the business. The assessment is as follows. The results of the entire Company are expected to be obtained in 2021.

Our main contribution refers to SDG 6 – Drinking Water and Sanitation, but the benefits positively impact several other goals. The indication is made throughout the report with the SDG icon related to each chapter or topic that has significant

contributions to the goals established by the United Nations.

We also have the São Paulo State Diversity Seal created by the São Paulo State Government to encourage public and private organizations to include this topic in their human resources management, the Child-Friendly Company Seal, from the Abrinq Foundation, and are also co-maintainers of the Citizen Child Institute (ICC), aimed at developing underprivileged young people. ■

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17 Sustainable Development Goals



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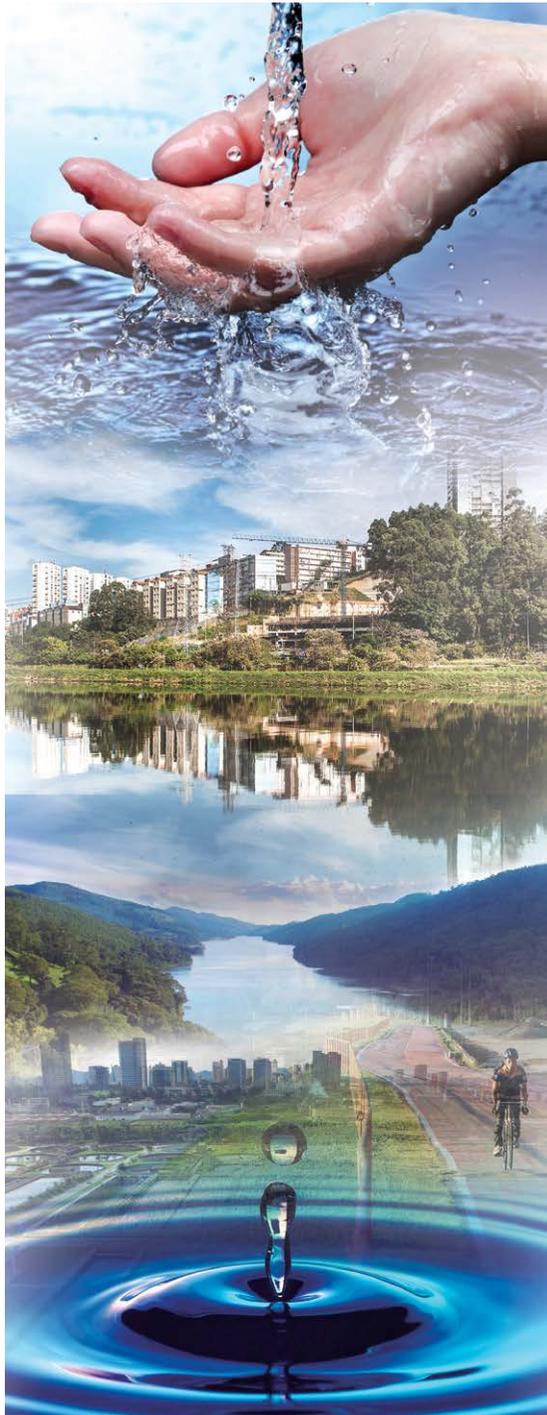
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OUR BUSINESS

SABESP'S PROFILE

GRI 102-1 | 102-2 | 102-3 | 102-5 | 102-6 | 102-7 Companhia de Saneamento Básico do Estado de São Paulo – Sabesp is a publicly traded company with shares listed on B3's Novo Mercado (São Paulo, Brazil) and on the New York Stock Exchange. At the end of 2020, its market value was approximately R\$ 30.4 billion.

Headquartered in São Paulo (SP), we provide environmental sanitation services in 375 municipalities in the state of São Paulo. For two other municipalities in the São Paulo Metropolitan Region (SPMR), São Caetano do Sul (SP) and Mogi das Cruzes (SP), we supply treated water and sewage treatment services on a wholesale basis, being these municipalities responsible for the water distribution services to the population and for collecting the sewage generated.

We are the third largest sanitation company in the world in terms of revenue, according to a survey by Global Water Intelligence in 2019, and we account for about 30% of the investments made in basic sanitation in Brazil (2011-2019 average from the National Sanitation Information System – SNIS). We are also among the largest companies in the world in number of customers served. With the collaboration of our 12,806 employees, we provide 28.5 million people with water every day. Our services are regulated and monitored by the São Paulo State Utility Services Regulatory Agency (Artesp).

As a minority shareholder in other companies, we provide sanitation services in four other municipalities in the state of São Paulo, produce reuse water, treat non-domestic sewage and generate electricity. The latter, Paulista Geradora de Energia S.A., was created in 2015 and is in the pre-operational phase. For more information, see Explanatory Note 12 of the Financial Statements.

In addition to providing water, sewage and energy services, we are qualified to perform activities in urban rainwater management and drainage services, urban cleaning and solid waste management handling. In this sense, in 2020 we took over the first concession for treatment and final disposal of Diadema's (SP) solid waste. However, the provision of these services is conditioned to a partnership between Sabesp and a private partner, which will occur by means of a public call for bids. □

SABESP IN NUMBERS

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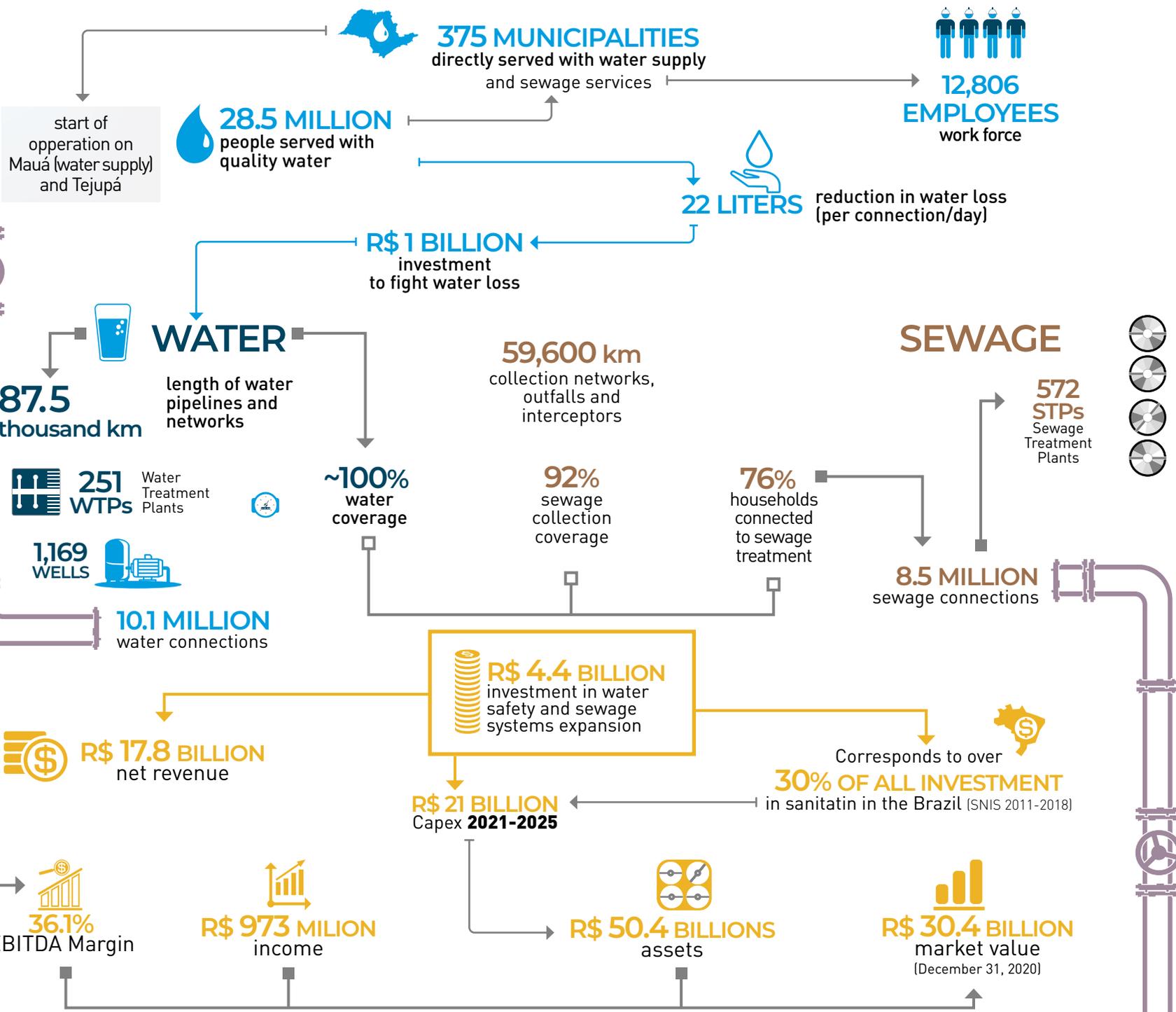
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ESG PRINCIPLES IN THE CORE OF OUR CORPORATE FUNDAMENTALS

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In recent years, events related to climate adversity, environmental crises, and deep social inequalities led companies to reconsider their roles and responsibilities in the context in which they operate.

In a global scenario worsened by the pandemic, the relationship between efficient, straightforward, and transparent management and the consequent benefits generated for society and the environment becomes increasingly evident.

Environmental, Social and Governance (ESG) principles are at the core of environmental sanitation services. They reflect the way we do business and underpin our Mission, Vision and Ethical Values, and management strategies.

In 2020, our operation was recognized in the BB ESG Selection, a Banco do Brasil stock portfolio comprised of companies aligned with the best business practices, highlighting our commitment to all dimensions of sustainability.

The expansion of the sanitation infrastructure and the increased water supply security bring direct and immediate benefits to people with

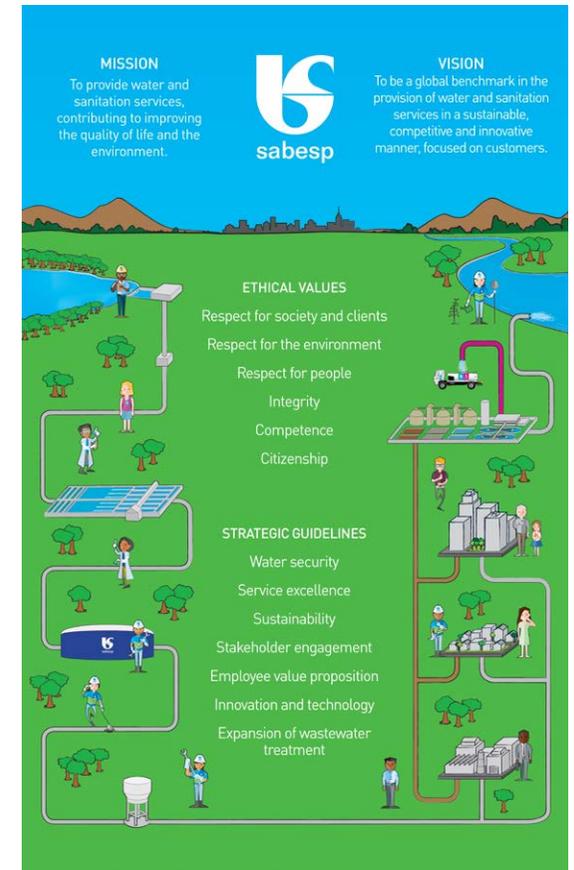
more quality of life and health to our 28.5 million customers.

Our strong presence in the communities shows the inclusive way in which we operate, always seeking to share benefits and responsibilities, reflecting our values of respect and citizenship.

We are directly involved in the preservation of springs and their green areas, depollution of streams, rivers and the sea, in addition to the permanent fight against water losses in the distribution system. These actions are even more essential when weather extremes impose great challenges on us and remind us of the end of such an essential resource for life.

We are sure that the recognition and inclusion in ESG-labeled portfolios will come from the continuity of our way of operating, always moving towards excellence with innovation and adoption of the best operational and corporate practices.

Therefore, we continue in our quest for results based on solid, efficient, transparent governance that is committed to expanding access to sanitation and its undeniable benefits for society and the environment. ■



Sabesp's Mission, Vision, Values and Guidelines poster



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MISSION

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

VISION

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

ETHICAL VALUES

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

STRATEGIC GUIDELINES

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

KEY INDICATOR PANEL

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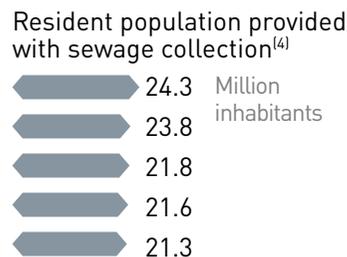
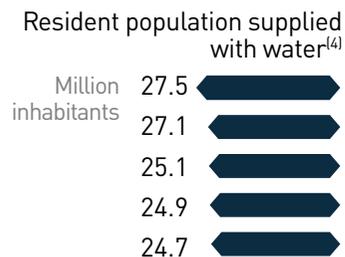
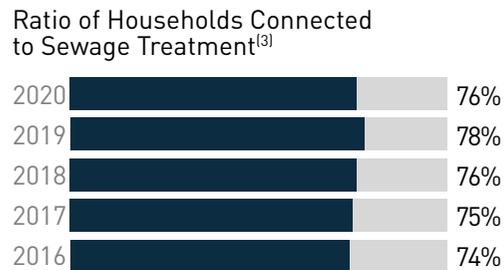
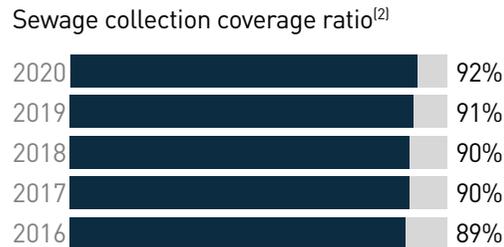
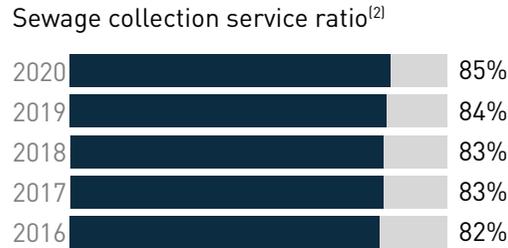
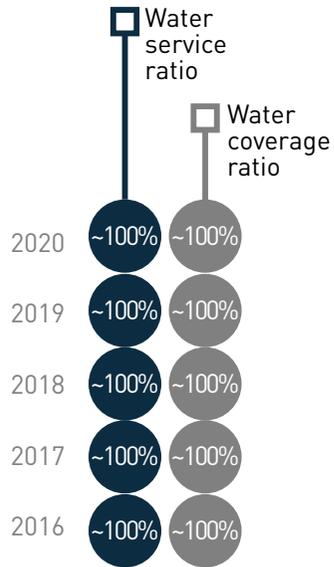
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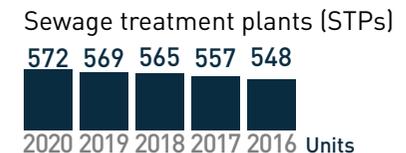
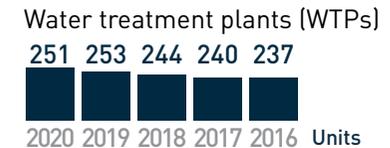
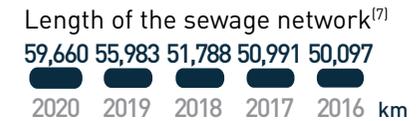
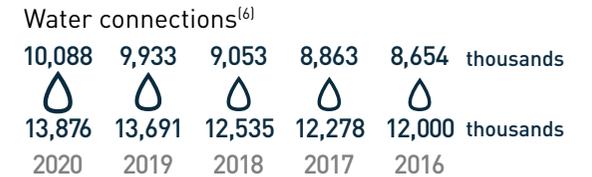
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OPERATING



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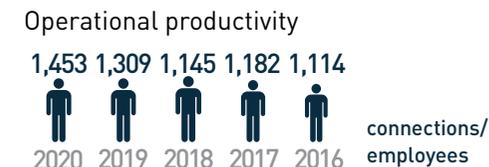
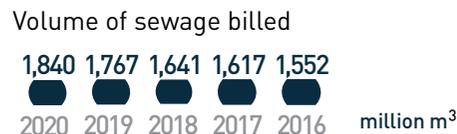
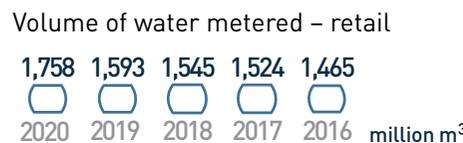
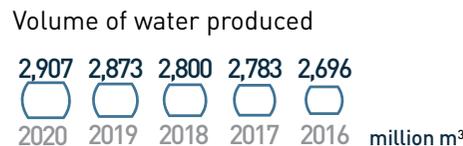
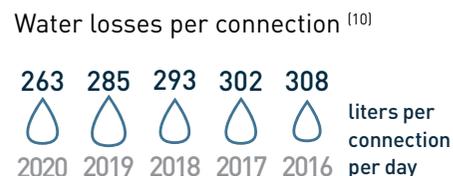
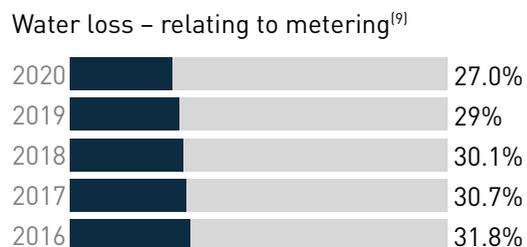
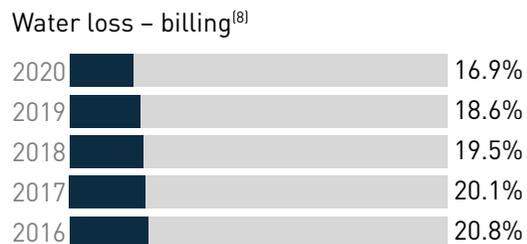
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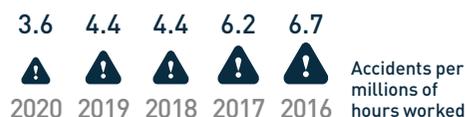
	Unit	2020	2019	2018	2017	2016
Gross revenue	R\$ million	18,874.4	19,080.6	17,056.3	15,374.6	14,855.1
Net revenue	R\$ million	17,797.5	17,983.7	16,085.1	14,608.2	14,098.2
Adjusted EBITDA ⁽¹⁴⁾	R\$ million	6,421.8	7,510.5	6,540.6	5,269.3	4,571.5
Adjusted EBITDA Margin	% net revenue	36.1	41.8	40.7	36.1	32.4
Adjusted EBITDA Margin excluding revenue and construction cost	% net revenue	45.0	49.5	48.8	45.4	43.3
Operating income ⁽¹⁵⁾	R\$ million	4,492.4	5,711.6	5,176.7	3,961.7	3,429.6
Operating margin ⁽¹⁵⁾	% of net revenue	25.2	31.8	32.1	27.1	24.3
Income (net profit/loss)	R\$ million	973.3	3,367.5	2,835.1	2,519.3	2,947.1
Net margin	% net revenue	5.5	18.7	17.6	17.2	20.9
Net debt over Adjusted EBITDA ⁽¹⁶⁾	Multiple	2.09	1.46	1.55	1.86	2.20
Net debt over equity ⁽¹⁶⁾	%	59.0	50.8	51.8	56.1	65.4
Investments ⁽¹⁷⁾	R\$ million	4,380.0	5,068.0	4,177.4	3,387.9	3,877.7

ENVIRONMENTAL

		Unidade	2019	2018	2017	2016	2015
	301-1 – Chemicals used in water and sewage treatment	T	256,688	293,039	245,197	271,396	261,326
	301-2 – Percentage of chemicals used in water and sewage treatment arising from recycling ⁽¹⁸⁾	%	3.61	3.00	3.78	3.49	3.45
	302-1 – Total electricity consumption ⁽¹⁸⁾	Terajoules (TJ)	9,680	9,123	8,940	8,341	7,895
MESSAGES	302-3 – Consumption of electricity/m ³ of water produced	kWh/m ³	0.76	0.72	0.73	0.68	0.67
	302-3 – Consumption of electricity/m ³ of sewage treated	kWh/m ³	0.43	0.47	0.45	0.46	0.43
PROFILE	302-4 – Reduction in the consumption of electricity for water produced – J	%	-6.5	-0.84	-8.5	-4.3	-2.0
SOCIAL RESPONSIBILITY	302-4 – Reduction in the consumption of electricity for sewage treated – J	%	-5.1	-4.28	-2.3	-13.4	-3.0
CORPORATE GOVERNANCE	302-5 – Reduction in the requirements of electricity/m ³ of water produced – kWh/m ³	%	-5.2	0.73	-7.8	-1.5	6.7
	302-5 – Reduction in the requirements of electricity/m ³ of sewage treated – kWh/m ³	%	7.1	-3.33	1.7	-7.0	7.7
STRATEGY & VISION OF FUTURE	303-1 – Total water collected – Superficial	Million m ³	2,760	2,705	2,630	2,602	2,539
	303-1 – Total water collected – Underground	Million m ³	173	175	176	172	168
ENVIRONMENTAL SANITATION	303-3 – Percentage of water consumed in the treatment at the WTPs ⁽²⁰⁾	%	1.2	2.7	2.7%	2.8	3.0
RESEARCH, DEVELOPMENT & INNOVATION	303-3 – Percentage of water recovery from the washing of filters and decanters at the WTPs ⁽²⁰⁾	%	65.3	77.4	86.3%	84.6	84.3
ENVIRONMENT	Direct and indirect greenhouse gas emissions ⁽²¹⁾	t CO ₂ e	N/D	2,326,272	2,223,172	2,369,715	1,979,677
	305-1 – Direct greenhouse gas emissions (GHG) (Scope 1)	t CO ₂ e	N/D	2,116,867	2,021,759	2,130,164	1,771,135
ECONOMIC & FINANCIAL MANAGEMENT	305-2 – Indirect greenhouse gas emissions (GHG) from acquisition of electricity (Scope 2)	t CO ₂ e	N/D	192,315	180,802	215,494	178,724
PEOPLE MANAGEMENT	305-3 – Other indirect greenhouse gas emissions (GHG) (Scope 3)	t CO ₂ e	N/D	17,091	20,610	24,057	29,818
RELATIONSHIP WITH SUPPLIERS	303-3 – Volume of reuse water supplied ⁽²²⁾	thousand m ³	1,354	1,369	1,462	1,579	1,684
	303-3 – Percentage of reuse water sold on treated sewage in STPs with reuse water ⁽²¹⁾	%	0.60	0.76	0.43	0.35	0.40
FINAL	303-3 – Percentage of reuse water provided on the installed capacity ⁽²¹⁾	%	27.6	32.40	38.3	36.02	32.19
	Number of STPs and WTPs with Environmental Management System (SGA) ⁽²³⁾	Units	530	390	271	177	129
	Number of STPs and WTPs certified with ISO 14001 ⁽²³⁾	Units	36	35	35	35	35
	Number of people in monitored sanitary and environmental visits at the operating units	People	924	62,384	75,078	65,266	71,122
	Seedling voluntarily planted	Units	18,050	24,568	6,138	11,358	9,500
	Amount of recycling collected at Sabesp 3Rs	T	147	274	224	140	177
	Average ethanol consumed	liters/vehicle	2,362	2,820	2226	2,470	3143
	Consumption of ethanol over total fuel	%	57	58	58	517	62
	Positive public perception of Sabesp's environmental responsibility ⁽⁵⁾	%	62	68	69	64	57

SOCIAL

Frequency rate of occupational accidents with absence



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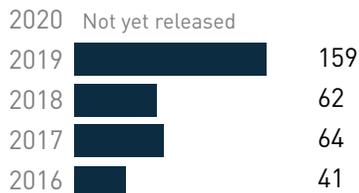
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Positive public perception of Sabesp's social responsibility



Complaints filed with Procon⁽²⁵⁾



Position in Procon's ranking^{(25) (26)}



NOTES

- (1) Coverage of 98% or more. Service of 95% or more.
- (2) For methodological reasons, it includes a variation margin of plus or minus 2 percentage points.
- (3) Household is the term used for the building or the subdivision of a building, with occupations that are demonstrably independent from each other, that collectively use a single water supply and/or connection.
- (4) The demographic data in this Indicators Panel take into account the "Population for the Population and Households for the Municipalities of the São Paulo state: 2010-2050", drawn up by the State System Data Analysis Foundation. It does not consider the population served in Mauá (SP).
- (5) Survey conducted in 2020, by the GMR Market Intelligence institute, with 14,133 interviews across the entire base of operated municipalities, with a margin of error of 1% and reliability interval of 95%.
- (6) Active and inactive connections and households. It does not include the municipality of Mauá (SP).
- (7) Includes water mains, trunk sewer, interceptors and outfalls.
- (8) Includes both real (or physical) and apparent (or non-physical) losses. The percentage of water loss represents the resulting ratio between (i) Measured Volume Lost and (ii) Volume of Water Produced. The Measured Volume Lost corresponds to: Volume of Water Produced less Measured Volume less Volume of Uses. The Volume of Uses corresponds to: water used in regular maintenance of water mains and reservoirs; water used by municipalities, such as for firefighting; and water supplied to irregular settlements. In January 2021, the municipality of Guarulhos (SP) was included in the index calculation. The municipality of Santo André (SP) will be included in the index calculation as from January 2022.
- (9) Includes both real (or physical) and apparent (or non-physical) losses. The percentage of water loss represents the resulting ratio between (i) Measured Volume Lost and (ii) Volume of Water Produced. The Measured Volume Lost corresponds to: Volume of Water Produced less Measured Volume less Volume of Uses. The Volume of Uses corresponds to: water used in regular maintenance of water mains and reservoirs; water used by municipalities, such as for firefighting; and water supplied to irregular settlements. In January 2021, the municipality of Guarulhos (SP) was included in the index calculation. The municipality of Santo André (SP) will be included in the index calculation as from January 2022.
- (10) Calculated by dividing the Measured Volume Lost in the year by the average amount in the year of active water connections in the year, divided by the number of days in the year. In January 2021, the municipality of Guarulhos (SP) was included in the index calculation. The municipality of Santo André (SP) will be included in the index calculation as from January 2022.
- (11) It does not include billed amounts of the municipality of Santo André (SP) as of 2019 (67.1 million m³ and 53.9 million m³ in 2019 and 2020, respectively), given that the municipality started being billed in a retail basis in mid-2019. It does not include billed amounts of the municipality of Mauá (SP) in 2020 (29.5 million m³), given that the municipality started being billed in a retail basis in mid-2020. See more information in the "Economic Financial Performance" chapter of this report.
- (12) It includes billed amounts of the municipality of Santo André (SP) as of 2020 (53.9 million m³). It does not include billed amounts of the municipality of Mauá



(SP) in 2020 (29.5 million m³), which started being billed in a retail basis in mid-2020. See more information in the “Economic Financial Performance” chapter of this Report.

(13) Internal headcount. Does not include employees assigned to other agencies or those retired due to disability.

(14) Adjusted EBITDA corresponds to net profit before: (i) depreciation and amortization expenses; (ii) income tax and social contribution (federal income taxes); (iii) financial income and (iv) other net operating expenses.

(15) Does not include financial revenue or expenses.

(16) Net debt includes debt less cash and cash equivalents and financial investments.

(17) Does not include financial commitments made in program contracts (R\$ 6 million, Or\$ 121 million, R\$ 207 million, R\$ 331 million and R\$ 58.3, in 2016, 2017, 2018, 2019 and 2020, respectively).

(18) Refers to the amount of “fluosilicic acid” over the total amount of chemicals used in the treatment of water and sewage.

(19) Of total electricity consumed in 2020, 81.47% was used in the water-related process (collection, production, adduction and treatment), 17.77% in the sewage-related process (collection, removal and treatment) and 0.76% in the administrative process. Of total electricity consumed, 81.0% was used in the water-related process (collection, production, adduction and treatment), 18.1% in the sewage-related process (collection, removal and treatment) and 0.9% in the administrative process.

(20) Refers to the São Paulo Metropolitan Region’s water treatment plants, excluding data from the Guarulhos Isolated Systems (SP).

(21) The 2019 inventory points out that sewage collection and treatment activities are the largest sources of GHG emissions, accounting for approximately 90.5% of the total. Electricity accounted for 8.3%, and the other activities for approximately 1.3%. The GHG annual inventory, referring to 2020, will be prepared throughout 2021. Biomass emission was 107,813 tCO₂e in 2019. The global warming potential adopted for CH₄ is 21 and N₂O is 310 (Global Warming Potential (GWP) values, according to the IPCC Second Assessment Report – SAR).

(22) Refers to STPs Barueri, Jesus Netto, Parque Novo Mundo and São Miguel, whose facilities produce reuse water. Water supplied corresponds to water sold. Capacity refers to the nominal capacity of the facilities. 2018 amounts exclude the volume of effluents treated and supplied to Aquapolo Ambiental, of 14.4 million cubic meters.

(23) Since 2015, Sabesp has been using its own model to implement the Environmental Management System (EMS) in STPs and WTPs, and applying ISO 14001 to the certified scope. For the other plants, Sabesp uses EMS-Sabesp, its own environmental management model. Given such strategic restructuring, the scope of ISO 14001 reduced in 2015.

(24) Number of visitors to Environmental and Health Education at the Company’s operational units fell in 2020 compared to 2019 because of the quarantine imposed with the Covid-19 pandemic.

(25) Until the disclosure of this Report, in March 2021, Procon had not released the ranking for 2020.

(26) When not informed, it means that Sabesp was not included among the 50 companies that received the most complaints in Procon’s ranking. ■

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sabesp



Sabesp team performs disinfection on a São Paulo hospital

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COMBATING COVID-19

SOLIDARITY, GIVING AND CARING FOR PEOPLE

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The seriousness of the arrival of the unknown virus and the fast speed at which it was spreading required the Company to act quickly. In view of that, we were able to reaffirm our commitment to provide more hygienic, health and comfortable conditions to the population served, prioritizing, in this contingency context, some of our publics in situations of greater social vulnerability.

A few days after the pandemic was declared, on March 11, 2020, we started the implementation of a number of measures to fight Covid-19 in cities operated in the São Paulo Metropolitan Region (SPMR), coastal region and the countryside of the São Paulo State. The mitigation of the economic impact that affected low-income families because of social isolation was also a concern considered among the actions implemented.

Following the guidelines established by the São Paulo State Government, these initiatives became possible and successful due to the strong commitment and awareness of our professionals, technicians, and volunteers, in addition to the joint efforts with other companies, entities, and public bodies.

In addition to the redoubled attention to maintain the supply to our 28.5 million customers, the company's senior management also created an Executive Crisis Committee and a People Management Commission with the strategic participation of professionals from all areas. The measures were aimed at closely monitoring internal and external scenarios, observing the risks and impacts of



Volunteers mobilized to collect and distribute food, part of the actions to fight the pandemic

the contagions, and the progress and effectiveness of the measures implemented, the details of which are as follows:

Tariff exemption for 2.5 million customers: upon authorization from Arsesp (São Paulo State Utility Services Regulatory Agency), we granted six months of exemption (April-September) in the payment of water and sewage bills for customers in the Social Residential and Favela Residential categories. The measure benefited more than 2.5 million people from the poorest strata of society, whose income was affected by the pandemic. During this period, we also suspended the cutting off of water supply in cases of default by customers in the Normal Residential category.

Distribution of water tanks: we distributed 6,500 water tanks to residents in needy areas of the SPMR and another 224 to residents in the countryside and coastal regions of the state. The measure aims to prevent families who did not have a residential reservoir from being without water due to lower pipeline pressure at night (aiming at reducing water losses), emergency repairs or preventive maintenance in the supply networks. The action also included donations of water tanks from Amanco, Fortlev and Tigre.

Click on the image
to watch the video
Actions against COVID





Tariff exemptions granted to
2.5 million
clients



106
tons
of food

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Suspension
of supply
disconnection
in case
of default

22
tons of
hygiene
kits



6,500
water tanks distributed to
residents in needy areas

100 sinks
at locations with the
largest flow of people
downtown and in needy communities
in the city of São Paulo



19,000
disinfections
of hospitals
and public
areas in
304
municipalities

110,000
basic
food
baskets



Customer care:
75% to 83%
client's
use of
online
channels
increase



530
public
washbasins
ensuring
water access
for hands
washing



Higher chlorine
concentration
in the reuse
water used in
disinfection

Support and
appreciation
to **7,800**
water and sewage
services frontline
employees



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Public washbasins: we installed 530 public washbasins, 248 of which in SPMR and another 282 in the countryside and coastal cities, to help the population to wash their hands with soap and water, as the main measure to combat the spread of the virus. In partnership with the municipal government, we installed 100 sinks at locations with the biggest flow of people in São Paulo downtown and in needy communities of the city. The sinks were donated by Florescer Brasil.

Sanitization of public spaces: another front in the fight against the virus was the disinfection of the surroundings of hospitals, health units, police stations, and locations with large circulation of people, such as bus stops, bus terminals, parks, and avenues. We used water with higher concentration of chlorine and, in Greater São Paulo, we used reuse water from sewage treatment. By the end of 2020, approximately 19,000 washings were carried out in 304 municipalities in partnership with the municipal governments. The donation of sodium hypochlorite by Unipar contributed to cleaning and prevention in some regions.

Food and hygiene: our Corporate Volunteer Program acted in two important campaigns: "Solidary Sanitation", with the Association of Sabesp Engineers (AESabesp), and "Solidary Food", in partnership with the São Paulo Social Fund (FUSSP). Approximately 430 Sabesp volunteers participated in more than 92 actions to collect food and hygiene products that benefited 78 institutions. A total of 106 tons of food and 22 tons of hygiene kits were collected throughout the state.

We also donated 110,000 basic food baskets in partnership with the Secretariat of Social Development of the São Paulo State. In the capital city, part of the hygiene kits was distributed in highly vulnerable areas with



Sabesp teams disinfect large circulation public spaces, such as metropolitan train stations

the partnership of Nivea, Fiat, DEEP, Olga Kos and Leo Burnett. We also distributed 120,000 disposable water cups to health professionals and employees of the field hospitals set up in the city of São Paulo.

Attention to ensure the supply of inputs: to avoid the risk of shortage of strategic inputs and consequently compromising the continuity of one of the most essential services to fight the pandemic, we conducted a major survey with our supply chain. The initiative, taken within the Executive Crisis Committee, identified the most likely companies of being affected among the 100 largest companies, especially those that rely on the import of inputs at a time of interruption in air transportation.

We created an impact and probability matrix for the risks listed in the survey. Suppliers that appeared in the highest risk quadrant, a qualitative research was conducted with the objective of deepening the analysis and working on mitigation. The mapping allowed us to anticipate essential purchases or seek alternatives to avoid service interruptions

Caring for customers: to protect our customers and employees, we closed all our public service branches and concentrated services in our digital channels, such as the virtual branch and the Sabesp Mobile app, as well as telephone and chat. To broaden the dissemination about the new service channels, we installed banners at the branches, stickered Company vehicles and



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sent text messages to customers with information on virtual assistance. In a few weeks, 83% of customers were using our digital channels (75% before the pandemic). The customer satisfaction rates measured at the end of 2020 prove the success of the channel migration process, preserving assistance efficiency and the quality level of the relationship. See pages 27 and 28 to learn more about customer benefits.

Acting for the safety and well-being of our employees: as soon as the pandemic was declared, Sabesp adopted measures so that as many employees as possible were able to perform their activities remotely and safely, with full support from our technology area, without affecting the good progress of the processes. Accordingly, 48% of the workforce started to work remotely, 31% alternating between working remotely and at the company, and 21% working entirely at the company, ensuring the essential services of water supply and sewage collection and treatment. All the interns and apprentices no longer work from the company.

The Costa Carvalho (headquarters) and Ponte Pequena Administrative Centers, both with high number of workstations, were adapted and recognized with the “Safer Office” certification. We have established the Sabesp Sanitary Protocol for the entire company, with rules for reducing circulation for safe work, social distancing, personal hygiene and sanitation of the Company’s facilities,

in addition to communication and monitoring actions. Some of the protocols adopted are as follows:



[Click here](#)
to access the protocol in full

- ▣ Social distancing of at least 1.5 meter;
- ▣ Reduction of jobs because of the social distancing measure;
- ▣ Mandatory temperature measurement in all accesses;
- ▣ Increase of periodic cleaning in air conditioning units and use of natural ventilation;
- ▣ Instructions on distancing in shared areas;
- ▣ More frequent cleaning in work environments;
- ▣ Availability of alcohol-based hand sanitizer bottles in circulation areas;
- ▣ Availability of material for sanitizing workstations;
- ▣ Use of the disinfectant sanitizing mat and instructions regarding the appropriate footwear;
- ▣ Visual communication standardization;
- ▣ Distance in operational vehicles with reduced occupancy;
- ▣ Closed social areas;
- ▣ Cleaning of facilities, construction sites and tools at least twice a day;
- ▣ Limitation of field teams to a maximum of five people, distancing and use of PPEs.

We also anticipated the vaccination campaign against influenza and nearly 11,000 employees being immunized. Nearly 6,000 employees over 50 years old were vaccinated, or 81% of the total. We also reinforced our internal communication with daily availability in our channels of information about health care and practical tips for adapting to remote work.

These channels (intranet, boards, emails and corporate social media) also highlighted the great commitment of our workforce to the corporate and operational routines, especially

the dedication shown by our volunteer team (see page 26) and employees belonging to the essential services category which continued on the streets with their activities to maintain public health.

To help employees cope with the emotional pressure resulting from the long period of social separation and the impacts of the pandemic, we made the Emotional Support Program – Covid-19 available, a telephone service assistance offering psychological counseling. We also conducted regular surveys with the support

of an external consultancy of psychologists to analyze the emotional health of employees and accompany them during isolation.

Also focused on offering alternatives to maintain emotional balance, we implemented the Home-Office do Bem project. The platform brings together initiatives such as quizzes, live videos, webinars, virtual communities and daily self-care videos, encouraging employees to take a different look at themselves and their daily lives and discover new paths to quality of life, health and mental well-being. ▣

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Company mobilization and Volunteering collected and distributed food during the Covid-19 pandemic



2020 AWARDS AND RECOGNITIONS

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Even in a year of great challenges and achievements, in 2020, Sabesp won several awards and recognitions that prove the soundness of our governance, the quality of the services provided, and the efficiency of our management.

BID FEMSA'S 2020 AWARD –

“Business Management for Innovation” category for its innovative trajectory, inserting Sabesp among the “all stars”, a select group with which BID intends to coordinate strategic actions.

2020 ANEFAC-FIPECAFI-SERASA TRANSPARENCY TROPHY –

Publicly Traded Companies with Net Revenue over R\$ 8 billion. Sabesp's financial statements among the top ten most transparent in Brazil.

BEST & BIGGEST AWARD

– Infrastructure category, Exame magazine. Sabesp leads the sector and is among the biggest companies in the country

SELECTION OF COMPANIES WITH ESG SHARES FROM BB INVESTIMENTOS –

Sabesp included in the list of 11 publicly traded companies with responsible management from the social, environmental and governance point of view. We are the only mixed capital company in the ranking.

VALOR'S 1000 AWARD –

“water and sanitation” category, granted by the Valor Econômico newspaper to Sabesp, winner for the 11th time, which places it as one of the two organizations that have most won the award.

MODERN CONSUMER AWARD FOR EXCELLENCE IN CUSTOMER SERVICES AWARD, ‘PUBLIC SERVICES’

– category, awarded to the Call Center of the Regional Systems Executive Board, eight-time winner of the award.

ETHOS' INDICATORS FOR SUSTAINABLE AND RESPONSIBLE BUSINESS –

for integrity and fighting corruption and fraud. Sabesp scored 9.2 against a national average of 6.8.

“LIVING IN SÃO PAULO” SURVEY: QUALITY OF LIFE –

from Rede Nossa São Paulo and Ibope Inteligência, shows Sabesp as the second company in which citizens of São Paulo trust the most.

PPQG 2020 PAULISTA MANAGEMENT QUALITY AWARD –

Sabesp awarded in five categories for good management, increased innovation and operational efficiency.

NATIONAL QUALITY AWARD IN SANITATION (PNQS) 2020

– awarded by the National Quality Committee (CNQA) of the Brazilian Association of Sanitary and Environmental Engineering (Abes). Sabesp awarded in eight categories.

BRONZE SEAL IN THE “FRIEND OF JUSTICE COMPANY” –

for its five years of participation in the Court of Justice of São Paulo program, which aims to build joint solutions to solve litigation problems.

ISO 14001 CERTIFICATION, VARGEM GRANDE WTP (SÃO LOURENÇO SYSTEM) –

built under the principles of sustainability and considering water and electricity efficiency.

SUCCESSFUL CASES IN BASIC SANITATION – MUNICIPALITY HIGHLIGHTS

– Instituto Trata Brasil and GO Associados. Fernandópolis recognized for good sanitation indicators.

PROCON SP'S RANKING: SABESP WAS NOT INCLUDED IN THE RANKING OF THE 50 COMPANIES THAT MOST RECEIVE COMPLAINTS –

The 2019 list includes complaints from state and municipal Procons.

THE POWER OF VOLUNTEERING

AWARENESS, MOBILIZATION AND GIVING TO OTHERS

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In this challenging year, solidarity was one of the main highlights of our social actions. The restrictions and uncertainties imposed by the virus brought out even more the solidarity of our volunteer team who, similarly to technicians who took risks in the streets to maintain the operations, were essential for the good performance of important measures to mitigate the impacts of the pandemic (see more details on pages 21 to 25).

Created eleven years ago, Sabesp's Corporate Volunteer Program seeks to generate positive social value by promoting transformations in groups and communities in need by developing its own actions or in partnership with civil society organizations. With a vocation for social causes and mobilized by the desire to contribute, the team is made up of 430 professionals from various areas of the Company.

The Winter Solidarity Campaign, which consists of collecting winter clothes, held every year in partnership with the São Paulo Social Fund, was a major humanitarian action because of the pandemic, which worsened the conditions of misery of people living on the streets. 103,000 new blankets and 89,000 warm clothes were collected, totaling 192,000 items donated to homeless people, nursing homes and needy communities. It is worth noting the mobilization in the entire São Paulo state, especially the countryside and coastal region, where 49,000 new blankets were received.

The team is also responsible for many actions and campaigns carried out for employees or the external public, in partnership with communities, schools, orphanages and day care centers, among others.

Some of the most prominent initiatives are blood donation, the Pink October and Blue November campaigns, and several social inclusion actions, learning, and assistance to children, the elderly, and people with special needs. Even with the difficulties imposed by the pandemic, the Program carried out more than a hundred local and institutional actions in 2020.

With the launch of the New Pinheiros River program, volunteers are also mobilizing for awareness-raising actions in the communities surrounding the river, close to cleaned up streams. The actions to train multipliers are in progress with more than 400 volunteers, while on-site actions with communities will be carried out in the future, in compliance with the guidelines of the State Government and Sabesp, in view of the prevention measures related to Covid-19. 



Volunteers in action for the 2020 Solidary Winter campaign



Click on the image below to watch the video: [Tribute and recognition to the Sabesp Volunteers team](#)



Caring for those in most need and valuing citizenship are the features of our Corporate Volunteer Program, created 11 years ago.

OUR CUSTOMERS

SATISFACTION AT THE CORE OF STRATEGY

Customer relation channels

GRI 102-17 The focus on building a relationship of commitment and trust with customers is the foundation of our Institutional Vision and guides our operations and decision-making process. The quality of products and services and efficient customer service are strategic drivers of our operations, aiming at the high level of satisfaction of the 28.5 million end users of our services, classified in the residential, commercial, public and industrial categories.

In 2020, the need to adapt to the new reality brought by Covid-19 and the consequent closure of our 412 branches demanded immediate migration of our customer relations to digital media, within a process that had already been occurring gradually in recent years. These channels can be used to request services, ask questions or register complaints.

To meet the challenge of maintaining service in this context, it was necessary to quickly reposition the Company, including adaptation of contracts with our service providers, reallocation of teams to provide remote service and expansion of the service options offered by our 24-hour call center and electronic channels, such as the Sabesp Mobile app.



Hotline

24 hours



Face-to-face

412 branches



Online Customer Service

24 hours



Sabesp Mobile

app



Ombudsman

e-mail and phone

Sabesp Mobile also included the option to change the identity of customers, a service in great demand by them. Available since early 2017, the application already offered the option of paying overdue bills in full or installments, copy of bills, information on water shortages or leaks, and request for water and sewage connection.

This way, without having to leave home, our customers were able to access solutions for consultations, information or service requests with convenience, safety and practicality. At the end of the year, we recorded an 83% rate of service in digital channels, helping to contain the spread of the novel coronavirus and improving the digital experience for our customers.

We innovated by launching the Sabesp Fácil hot site, which allows customers to inform their water meter reading and thus avoid eventual readings based on the average consumption, attach documents to be sent to Sabesp, saving the customer from traveling to a branch, among other services, such as applying for inclusion in the social tariff.

Copies of bills and information on payment were also made available at Prodesp's totems. Also in 2020, we entered into partnerships with Iti and PicPay. The customers of the 375 municipalities served by Sabesp now have another option to pay their bills.

To meet the needs of real estate enterprises, Sabesp implemented the exclusive service

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system for entrepreneurs, EiMob, responsible for simplifying the processes of creating new requests, analysis by Sabesp’s team and delivery of the requested services,

providing 100% digitalized processing in the light of the unavailability of in-person service. Aside from registering requests in a fast and simple manner, customers can also track the progress of all their requests on a timeline available on EiMob, being informed by e-mail whenever there is an update in the process.

We also created the possibility for the customer to simulate their monthly consumption by observing their habits, allowing consumption reduction practices to be adopted, especially in a period when everyone is isolated at home. This service may be accessed through Sabesp Mobile or on the website www.simuladordeconsumo.sabesp.com.br

To access the digital services, customers must download the application for free at Play Store and App Store, and register an email, individual taxpayer’s number and password. The Company keeps services adapted for customers with special needs, such as communication in libras (Brazilian Sign Language), telephone channels adapted for people with hearing and speech impairments and the issue of bills in braille for people with visual impairments at all times. See all channel addresses/contact information on page 154 of this publication – Corporate Information.

In addition to expanding the channels, Sabesp made available promotions in order to make it easier to negotiate debts with extended advantages. During the Blue Friday, from November 27 and December 31, Sabesp offered special payment conditions.

The negotiation task force was exclusively carried out through the Company’s digital channels, and offered the possibility of paying debts in up to 15 installments. During the promotion period, 17,714 deals were made, which is an increase of 35% over the promotion held in 2019, and growth of 128% compared to 2018.

Monitored satisfaction

The Customer Satisfaction Survey has been conducted monthly since 2019. Data collected lead to the implementation of improvements and innovation in services and relationships.

In 2020, more than 14,000 interviews were conducted, distributed in all the municipalities operated, which allowed the results with a 1% margin of error and a confidence level of 95% to be measured.

Even though it was a period full of uncertainties and abrupt changes in the forms

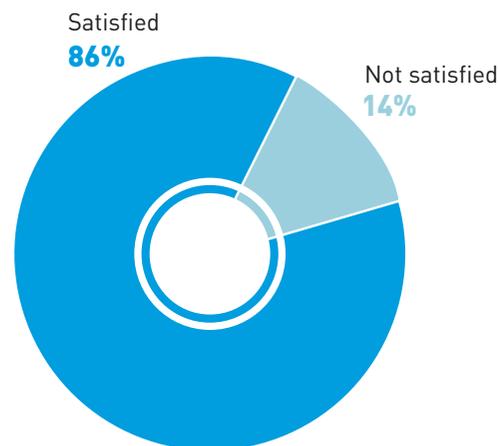
of relationship due to the contingency situation brought about by Covid-19, the overall satisfaction indicator remained high, with 86% of customers expressing their satisfaction, reflecting a successful and effective management in the adaptation of processes, tools and workforce training in the agile migration to digital service.

In 2020, we used neuroscience in an unprecedented way to identify which attributes and concepts are more strongly associated with the Sabesp brand in the minds of the population. Taking into consideration this challenge, we conducted the Implied Priming Test (TIP) with 106 customers, together with the Quick Pick Quiz (TER), using the “yes” or “no” model.

This approach allowed us to unveil the network of concepts and attributes implicitly and explicitly associated with the Sabesp brand. Accordingly, our communication with the public became more efficient, promoting greater connection with consumers.

Customer Satisfaction

(%) – by sources (14,000 interviews)



Satisfaction surveys direct the implementation of improvements and innovations to serve our customers

Ombudsman

We also make our Ombudsman available to our customers, which consist of a second instance channel responsible for accepting, assessing and solving complaints and difficulties in their relations with the company. We received 172,000 claims through the channel over the year, of which approximately 90% were solved.

Claims are conducted through a computerized system (Microsoft CRM), which generates protocols and sends them to the units responsible for the assistance. After being concluded, the claim returns to the Ombudsman's Office for evaluation regarding the correct customer service and compliance with legal, regulatory and company procedures. This allows the Ombudsman's Office to suggest improvements and adjustments to internal processes.

Since May 2020, the Ombudsman's Office has represented Sabesp in responding to claims registered on the website consumidor.gov.br, which is the responsibility of the National Consumer Secretariat, subordinated to the Ministry of Justice and Public Safety. We also worked together with the Consumer Defense Center of the State Office of the Public Defender to meet the demands of customers with incomes of up to three minimum wages. The work contributes to the de-judicialization of cases, which are solved in the administrative level.



Data safety and privacy

To ensure the protection of the Company's customer data, in addition to technical measures suitable to ensure security and privacy in processing personal data, in 2020, procedures and rules were implemented for adequacy with the Brazilian General Personal Data Protection Law (LGPD, in Portuguese), including the Institutional Policy of Personal Data Privacy.

The Company also appointed a DPO (Data Protection Officer) and created a dedicated customer service channel (lgpd@sabesp.com.br). Conducted by the Audit Superintendence and by the Legal Superintendence, the initiative had the participation of several areas of the company that address with personal data and included lectures and debates on the matter, as well as presentations at the Company's Board of Directors meetings. ▣



General Personal Data Protection Law guides actions taken to increase security and privacy in relation to our customers' information

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SABESP AT THE COMMUNITIES

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GRI 413-1 The focus on customer satisfaction is also part of our relationship strategy with the communities served, which includes low-income groups in the São Paulo Metropolitan Region (SPMR), groups of school-age youngsters, residents of small cities or isolated neighborhoods in the countryside on the coastal region.

The opening of dialogue channels with these audiences contributes to a win-win relationship for the benefit of society as a whole. It consists of a relationship promoted by means of individual visits, socio-educational lectures, and Meetings with Communities, events held systematically to listen to residents and present the Company's achievements. The experience gained from this relationship influences action planning and strengthens socio-environmental engagement.

This action takes place in different ways, depending on the type of program executed and on the reality of the served. In 2020, we highlight the actions promoted under the New Pinheiros River, focused on engaging people in the correct waste disposal and connection of properties to the collection networks.

Dozens of activities aimed at environmental education, income generation, and health were carried out in partnership with the residents of the communities. As the pandemic worsened, many actions were directed to the virtual environment.

These initiatives are based on experiences developed since late 1990s in the Community Participation Program (PPC). Currently, in addition to the New Pinheiros River, PCC actions are structured within programs such as Clean Stream, Se Liga na Rede, and Legal Water. We currently have approximately 50 community technicians in PPC, who use a social approach methodology (Collaborative Governance) that is guided by a Collaborative Governance Manual, which was revised and improved in 2019.

Relationship with communities emphasizes the transforming potential of sanitation in offering better quality of life and health conditions to the regions

The Clean Stream experience

The Clean Stream is one of the programs that most closely follows the Collaborative Governance manual. Its methodology was originally developed together with Cebrap (Brazilian Center for Analysis and Planning). It was reviewed based on the experience of our professionals' meetings with residents and social organizations from the streams basin benefited by the Clean Stream program and other social programs.

The methodology provides for the creation of a forum with local representatives, besides other partners, to establish actions and the agenda of priorities to make the benefits long-lasting. The quality indexes have improved significantly in the 32 streams that count on Governance (see more information on Clean Streams on page 7).

Also placed in low-income locations, with little or no sanitary structure, we also rely on the important performance of community agents in the Santos and the North coastal regions. We also make available mobile service units

where questions are answered and sewage connection requests are registered.

Our agents make a social diagnosis to assess the social conditions of the families when sewage collection networks are implemented in a new area. This information contributes to the planning and structuring of the project and allows selecting families who will benefit from our programs.

One of these benefits is the Social Tariff, which allows reduced tariff payments for low-income families. This benefit is currently granted to 544,000 families. In 2020 alone, 197,000 families joined the list of beneficiaries. From April to September 2020, these families will be exempt from paying the tariff.

Environmental protection multipliers

GRI 413-1 | 103-2 The effectiveness of the services provided by Sabesp depends strongly on people's commitment to collective welfare. To this end, we maintain an environmental education program that aims to raise awareness about the responsible use of water resources, the importance of basic sanitation and the correct use of its structure.

Our Corporate Environmental Education Program (PEA-Sabesp) contributes to the awareness and mobilization of our internal and external publics. We promote monitored visits to treatment plants, courses and lectures in schools, carry out artistic and educational activities, planting activities, contests, cleaning campaigns of beaches and rivers, release fingerlings and organize events on environmental commemorative dates. Part of these actions are developed in partnership with local public agencies or NGOs.

As part of the activities, in 2020, we carried out the voluntary planting of more than 18,000 tree seedlings on riverbanks (riparian forest), parks, streets and public spaces. The actions were carried out in several municipalities, such as Santa Cruz do Rio Pardo (SP), Franca (SP), Itapeva (SP), Itapetininga (SP), among others. To subsidize these activities, we have nurseries in the countryside and in the São Paulo Metropolitan Region.

In addition to planting initiatives, we released 5,000 curimatá fingerlings in the Green River, in the municipality of Itaporanga (Itapetininga – SP region), to celebrate the World Water Day.

On the World Day for Cleaning Rivers and Beaches, we supported the volunteer work of 20 divers who cleaned the sea with the donation of garbage bags, gloves, masks, and water, in Caraguatatuba, São Paulo's North Coastal Region. In the northern region of the capital city, we carried out awareness-raising actions on prevention measures against Covid-19 and lectures to elementary school students focusing on environmental education.

In 2020, we gave 553 lectures (virtual and in-person) which 47,000 people attended. Also 34 monitored visits were made to our facilities, gathering approximately 900 participants. It is worth noting that the social distancing imposed by the Covid-19 pandemic reduced the opportunities to carry out part of the actions, which were replaced by online activities.

Sabesp 3Rs

We have a corporate program aimed at raising awareness and changing the behavior of employees and service providers by introducing good practices aimed at reducing, reusing and

recycling waste generated in administrative activities. In 2020, the social distancing measure imposed by the pandemic impacted the progress of the program's actions. A total of 146.9 tons of materials were sent for recycling and to waste collectors' cooperatives.

Good urban practices

In the São Paulo neighborhoods of Butantã, Cangaíba and Mooca, Sabesp reservoirs combine supply operations with community leisure in three urban parks opened between 2014 and 2015. They have playgrounds, gym equipment, courts, pergolas, and walkways with accessibility for people with reduced mobility. Signs show the importance of the water cycle.

Regarding the enhancing of green urban areas, we support the State Government's São Paulo + Bonito Program, with the recovery of over 70 areas in the city of São Paulo (flowerbeds, traffic circles, and public parks). The goal is to encourage care and use of urban spaces. With the progress of the New Pinheiros River Program, in 2020 we installed signs warning about the disposal of garbage that can reach the riverbed with rainfall.



Sabesp's "Radialista Fiori Gigliotti" park, on Mooca, in the city of São Paulo

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We are revitalizing parks in the countryside aiming at getting closer to local communities and taking the message of valuing public spaces. We have actions in Itapetininga (SP), Botucatu (SP), Jales (SP), Novo Horizonte (SP), Poloni (SP) and Lins (SP).

Praça do Saneamento, one of the two areas we take care in Lins (SP), was also known as Praça da Sabesp, becoming a sanitation universalization landmark in the region, the first in Brazil to achieve this goal. The installation of a

thematic garden strengthens the message about the importance of sanitation in people's lives.

We revitalized the Isaías de Souza Park in Caraguatatuba (SP), which houses a water reservoir that serves the region. The park, which was vandalized by graffiti, has gained maintenance of green areas and a playground. In addition, an artwork on the walls and tower depicts a fisherman of the Juqueriquerê River, whose source of income is fishing.

Support and sponsorships

Support and sponsorships also play an important role in our social responsibility strategy aimed at valuing citizenship by promoting more culture, education, sports and health. In 2020, R\$ 25.7 million were allocated in private resources and from tax incentives for financial or institutional support of 136 projects. See more details in the chart below. ■

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In a square in Caraguatatuba (north coast), art on the Sabesp reservoir pays homage to local fishermen



CULTURE

R\$ 9.6 million

31 projects

- Music
- Theater arts
- Audiovisual
- Historic Preservation



Modernization and restoration of Ipiranga Museum



SPORTS

R\$ 2.4 million

Education & Citizenship



STATE FUND FOR THE ELDERLY STATE FUND FOR THE RIGHTS OF CHILDREN AND ADOLESCENTS

R\$ 1.5 million

Transfers to Civil Society organizations and municipal governments aiming to contribute to socio-educational actions which focus on well-being of the elderly, children and adolescents who are in situation of social vulnerability



HEALTH

R\$ 2.5 million

National Program for Support to Cancer Care

Sponsorships of education projects related to **SANITATION** sector, which results have an direct impact on people **HEALTH**

Improvement of Cancer Treatment in Brazil





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“Rodolfo José da Costa e Silva” STP, Alto da Boa Vista (São Paulo city), has an ultrafiltration membranes system

MANAGEMENT GUIDED BY

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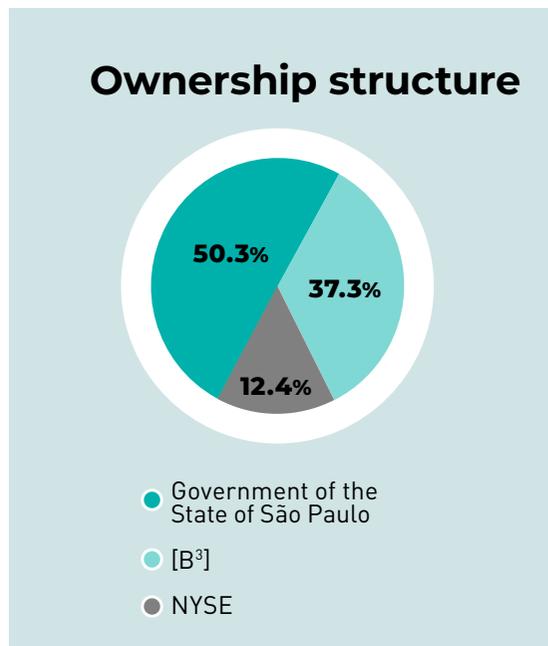
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Sabesp is a publicly-held company with shares listed on B3's Novo Mercado and on the New York Stock Exchange since 2002. The Company's share capital consists of 683,509,869 exclusively common shares (with voting rights), corresponding to a market value of R\$ 30.4 billion. The São Paulo State Government holds 50.3% of the shares and the remaining capital is listed on the São Paulo (37.3%) and New York (12.4%) stock exchanges, in the form of American Depositary Receipts (ADRs) (level III).

Compliance with these rules reinforces our robust corporate governance structure, commitments and practices, with advantages that ensure transparency, equal treatment and accountability to shareholders and creditors, in addition to quality services provided to customers and ethics in the development of our Mission.

Governance structure

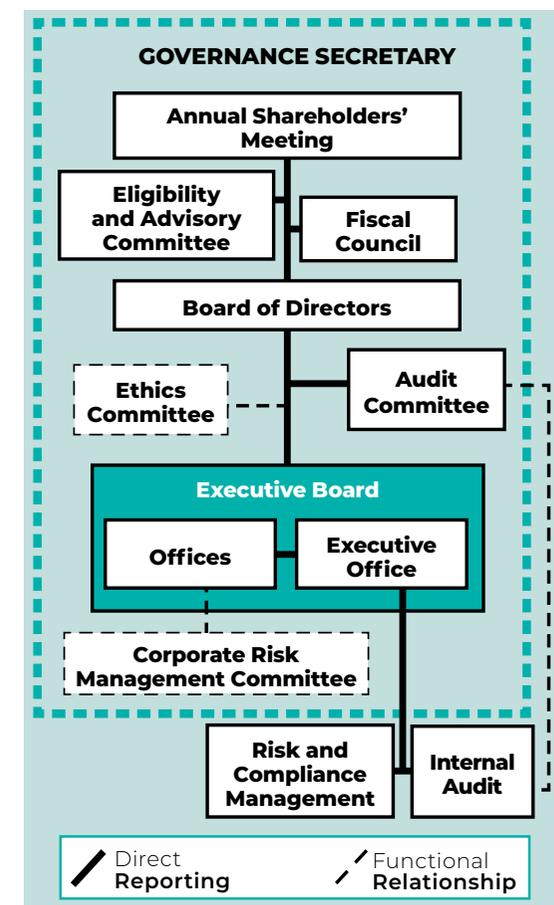
GRI 102-18 | 102-22 | 102-23 | 102-24 | 102-26 | 102-29 Sabesp is managed by the Board of Directors and Executive Board. The Board of Directors is currently composed of ten members (nine of which men and one woman), with unified term of office of two years, with at the most three consecutive re-elections being permitted.

Six of the members are independent, as per the rules of the Novo Mercado Listing Regulation and Federal Law 13,303/16, one of whom elected by minority shareholders.

The Company's CEO is a member of the Board of Directors but is not allowed to hold the position of Chair of this body. The Chair of the Board of Directors, in turn, is not part of the Executive Board.

The participation of an employee representative is ensured on the Board of Directors, with

a term of office that coincides with those of the other Board members. There is currently no employee representative on the Board of Directors.



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The attributions of the Board of Directors include the approval of the Company's strategy (mission, vision, guidelines and objectives). Such attribution is provided for in Sabesp's Bylaws and complies with article 23 of Law 13,303/2016.

This body is also responsible for analyzing and approving the following institutional policies: a) disclosure of material information; b) trading with securities; c) appointment of members of the Board of Directors, its advisory committees, Executive Officers and members of the Fiscal Council; d) internal audit; e) compliance; f) corporate risk management; g) compensation; and h) spokesperson policy.

The following responsibilities complement their institutional policy-related attributions:

a) annually approve and review the preparation and disclosure of the policy for transactions with related parties; b) resolve on the personnel policy, including establishing the staff, employment and salary plan, general collective bargaining conditions, opening of selection for public office to fill out vacancies and Profit Sharing Program; c) resolve on the price and tariff policy of the goods and services provided by the Company, respecting the regulatory framework of the respective sector.

Moreover, our values are defined in the Code of Conduct and Integrity, which is approved by the Board of Directors based on the guidelines established by the State Capital Defense Council (CODEC).

The Board of Directors is advised by an Audit Committee, which is comprised of three Board members who cumulatively meet the following requirements: (i) independence, (ii) technical knowledge; (iii) availability of time for their duties (iv) identification and/or compliance with applicable exemptions, pursuant to the rules of the United States Securities and Exchange

Commission (SEC) and the New York Stock Exchange. One of the members is an expert in finances and Coordinator of the Committee.

According to the Company's Bylaws, the members of the Audit Committee must exercise their duties during the time of their term of office as Board member or until otherwise resolved by the general meeting or Board of Directors' meeting. In addition, if a Committee member has held a term of office for any period, he/she may only rejoin the committee only after, at least, three years since the end of said term of office.

The Executive Board is composed of six members, one of them designated the CEO, with a unified term of two years, with a maximum of three consecutive re-elections allowed.

The responsibilities and operation of the Board of Directors, the Audit Committee and the Executive Board are defined in the Bylaws and in the internal regulations of each body. For more details on the structure of our governance bodies, see: <https://bit.ly/3hR6S0t>.

Management Nomination Policy

The selection of the members of the Board of Directors and Executive Board takes into account the candidates' unblemished reputation and notorious knowledge, considering, whenever possible, the various experiences, behaviors, cultural aspects, age group and gender, among other criteria.

The Board of Directors shall have at least two or 25% independent members, whichever is higher, defined based on the criteria established in Federal Law 13,303/2016 and in B3's Novo Mercado Listing Regulation.

The candidates for the Board of Directors are nominated by controlling and minority shareholders, while the Company's Executive Officers are nominated by the São Paulo State Governor.

The candidates for the Board of Directors are nominated by the controlling and minority shareholders, and approved at the Shareholders' General Meeting, while the Company's Executive Officers are nominated by the controlling shareholder and approved by the Board of Directors.

When nominated, the candidates are evaluated by the Eligibility and Advisory Committee based on the requirements defined in the Nomination Policy, and their minutes are publicly available. The Executive Officers are elected by the Board of Directors and the Board of Directors' members are elected by the Shareholders' General Meetings.

For more information on the Nomination Policy, see <https://bit.ly/3ALh3ML>

To view the minutes of the Eligibility and Advisory Committee, please go to <https://bit.ly/36l6ke4>

Management compensation

The guidelines for management compensation, as well as for members of statutory committees and the Fiscal Council, are defined by the Compensation Policy, available at <https://bit.ly/3ALh3ML>.

The Executive Officers' compensation consists of fixed monthly compensation and an annual bonus (variable compensation) contingent upon the calculation of profit and the distribution of

dividends to shareholders. The Executive Officers' variable compensation is limited to six times the Executive Officers' monthly compensation, or 10% of the amount distributed to shareholders as dividends, whichever is lower.

In 2020, gross compensation, considering benefits and legal charges, totaled R\$ 8.1 million, including about R\$ 1.4 million referring to the Executive Officers' variable compensation. For further information on the criteria and breakdown of the compensation of the members of the statutory bodies, see item 13 of the Reference Form, available at <https://bit.ly/3hR7nYp>.

Management Training Program

In compliance with Federal Law 13,303/16 (Law of State-Owned Companies), the Company's managers receive annual training in matters related to corporate governance. In 2020, the managers conducted virtual training with the Brazilian Institute of Corporate Governance – IBGC, addressing the topics: Legislation and Governance, Capital Markets and Information Disclosure, Anti-Corruption Law, Code of Conduct and Integrity, Internal Controls, Best Practices for the Board of Directors and Management and Fiscal Council.

“**Our Code of Conduct and Integrity, widely disseminated to employees, follows guidelines established by the State Capital Defense Council**”

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INTEGRITY AND TRANSPARENCY

The performance of the Company's managers and employees is guided by the Integrity Program, which works as an instrument to mitigate possible fraud and corruption. In this sense, the guidelines, principles and competencies established by it aim to preserve the Company's assets, image, integrity and ethical values.

Approved by the Board of Directors and supported by the Compliance Policy, the Program meets the recommendations of the Office of the Federal Controller General (CGU) and the requirements of the anti-corruption laws in effect in Brazil and in the United States.

The Program aims at the prevention, detection and remediation of harmful acts against the

government, reinforced by its compliance with Federal Law 13.303/2016, Novo Mercado's Regulation and the good practices recommended by the Brazilian Corporate Governance Code (CBGC).

In 2020, Sabesp's Integrity Program evolved with the expansion of actions, such as:

- ▣ Improvement of reputation assessments (Integrity Background Check) for nominations or reelections of Managers and Fiscal Council Members and to those nominated for free standing positions;
- ▣ Adoption of integrity measures among suppliers, with the provision for mandatory compliance with ethical standards and the prohibition of fraud and corruption practices established in contractual clauses; and;
- ▣ Improvement of the monitoring of transactions between related parties of the Company.

Also in 2020, the cycle of mapping and analyzing fraud and corruption risks, and the controls required for the business profile were concluded. While the work was being developed, interviews were conducted with the company's managers and executives to capture the perception of fraud and corruption risks linked to strategic guidelines and critical macro processes.

Additionally, studies were carried out on the company's business and the processes and risks already mapped at the company in previous cycles were analyzed. Currently, all processes with some exposure to fraud and corruption risk have been assessed, especially those in which some interaction with public agents may occur.

Altogether, 14 macroprocesses were evaluated (Accounting, Finance, People Management, Customer Service, Procurement, Costs and Tariffs, Assets, Auditing, Legal, Communication, ▶



Contracting with municipalities, Socio-environmental, Enterprise Management, and New Business), totaling 51 processes covered in the company with this evaluation. Thus, our current portfolio has 19 risks.

The mapped risks are treated by establishing controls. For those that are considered moderate to critical mitigation actions are also adopted. A reassessment of the fraud and corruption risks of the previously mapped processes is planned for 2021.

The effectiveness of the Integrity Program and its continuous application maintain positive results. And, in 2020, such as in prior years, Sabesp remain free of corruption cases governed by Law 12,846/2013 – Anticorruption Law.



The cover of Sabesp's Code of Conduct and Integrity

Code of Conduct and Integrity

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

The bases for managers and employees to act in an integrated manner consistent with the Company's values when conducting relations and business with its different publics are defined in its Code of Conduct and Integrity. First prepared collaboratively in 2006, and updated in 2014 and 2018, its most recent version is available on our website: <https://bit.ly/3wsCSgl>.

Defined by the Code of Conduct and Integrity and implemented in 2018, the Trust Channel is an internal institutional mechanism aimed at solving doubts about conduct and integrity matters with the purpose of guiding employees on ethical behavior in the conduct of Sabesp's business at its various levels.

It is the responsibility of the Risk Management and Compliance Superintendence, supported by the functional authorities, to manage the trust channel and respond to all employees quickly, objectively, with no value judgment, maintaining the confidentiality of both the employee and the areas involved in the claim sent.

The Audit Committee, in turn, is responsible for monitoring procedures for investigating violations to the Code of Conduct and Integrity, as well as the events reported to the Whistleblower Channel.

The Audit Superintendence is responsible for processing claims, ensuring confidentiality and anonymity to all claims received by the Channel, which are analyzed and reported on a bi-annual basis to the Ethics Commission and



In addition to the Code of Conduct and Integrity, the Trust Channel was made available for guidance on ethical behavior in conducting Sabesp's business

to the Audit Committee. The occurrences by subject, or by relevance, serve as inputs to define corrective and preventive actions related to ethical behavior.

In order to preserve the anonymity of the whistle blower, in 2020 we contracted an external channel (specialized outsourced company) to accept reports by means of an electronic form and telephone, allowing the whistle blower to follow up on the investigation through a protocol.

Throughout the year, 155 occurrences were registered in the Whistleblowing Channel and 39 penalties were applied, among company employees and outsourced employees: 11 warnings, 5 suspensions and 23 terminations. It is worth noting that, among the cases investigated, there are no indications of participation of Company employees in acts of corruption covered by Federal Anti-Corruption Law 12,846/2013.

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Disseminating the culture of integrity

In 2020, the themes related to preventing and fighting fraud and corruption were reinforced through the dissemination of information and articles published in the internal communication channels and several training actions to deepen employees' knowledge about the legal requirements and responsibilities, as well as about the corporate guidelines.

The Communication Plan is formalized on an annual basis, and is responsible for each step and the target audience for internal communication actions by means of email, board, intranet, email signature and thematic wallpapers.

In 2020, the plan contemplated all employees in the various dissemination of the main policies and procedures of the Integrity Program, in addition to reinforcing the use, when applicable, of the Whistleblowing Channel and the principles of our Code of Conduct and Integrity. We also published more than 60 articles, including press releases and news on topics related to ethics and integrity.

In December, for the World Anti-Corruption Day, several press releases and lectures on the matter were prepared. During this period, an electronic signature and wallpaper on the World Day Against Corruption were made available to all employees. And more emphasis was given to the disclosure of the main corporate rules on the matter.

To mark the day, celebrated on December 9, "Sabesp in the Prevention and Fight against Corruption" was virtually promoted. In addition to presenting the Company's main actions related to the theme, the event offered qualified information about compliance in the public sector, Brazilian anti-corruption law and experiences of other companies in areas such as regulatory compliance and corporate transparency.

The event was attended by CEO Benedito Braga, who reminded that corruption upsets most of Brazilians and that fighting the problem has become fundamental in all private companies and public bodies. He also highlighted the change in the scenario in recent years, when the adoption of best practices and the fight against corruption became decisive in the sustainability and profitability of companies.

Externally, we are engaged with groups and entities that promote reflection and dissemination of issues related to integrity and business ethics, either by sponsoring or participating in congresses, seminars and conferences, on which occasions we present the practices and actions of our Integrity Program.

We are also articulators of the implementation and coordination of the Thematic Chamber of Corporate Governance and Legal Issues of the Brazilian Association of Sanitary and Environmental Engineering (ABES), reaffirming our commitment to foster the culture of integrity in a strategic sector for the development of the country.

Conduct and Integrity Learning Track

Our employees are key players in the dissemination of the ethical and transparent culture adopted at Sabesp. For this reason, we make the Conduct and Integrity Learning Track available to them, an ongoing training plan that offers learning tools on the topics of integrity, ethics, sexual and moral harassment, diversity, corruption, fraud and conflict of interest, among others.



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



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Transparency is part of the Company's daily life

Developed by Sabesp's Corporate University (learn more on page 120), the Path includes training actions that cover the guidelines, requirements, legal responsibilities and the role of each one within our culture of ethics and integrity and is available to all employees. In 2020, over 29 thousand people participated in training actions.

We also have the Ethics Visit project, which seeks to reinforce the dissemination of the values and principles of Sabesp's Code of Conduct and Integrity. In the 375 municipalities we operate, the project already has over 100 lectures for all job categories and has impacted over 7,500 employees since it was implemented in August 2019. In addition to the in-person part, the Project also includes the publication of articles and carries out polls on the theme in our internal communication vehicles.

In June 2020, we carried out trainings on Combating and Preventing Fraud and Corruption. Prepared in a partnership with Deloitte, the objective of the course was to provide reflections on the theme and inform about related national and international laws, disseminate recommended action practices, in addition to fostering the culture of integrity at the Company.

Covering fraud and corruption prevention, as well as the relationship with public agents, conflicts of interest, risks and controls in the processes, the program also included examples and concrete cases, contributing to the identification of adequate integrity measures. This training was attended by 262 employees. The Company also held a training on Compliance to present the results of the risk mapping and assessment project and was attended by 81 employees.

During the year, 97 employees in charge of investigation reports were trained with the

Ethics Visit Project



100
lectures



7,500
impacted employees

Click on the image and watch the video on **Conduct and Integrity**



objective of updating them in relation to the investigation procedure adopted by the Company.

Training and Development

In 2020, Sabesp also promoted reflections on issues related to Integrity and Transparency with on-site training sessions on Combating and Preventing Fraud and Corruption. The program contents covered national and international laws, guidelines for the relationship with public agents, conflicts of interest, risks and controls in the processes.

The examples and concrete cases presented in the training sessions contributed to identifying adequate integrity measures both among the internal public and among the managers and those responsible for the compliance areas of the special purpose companies in which Sabesp is a minority shareholder.

It is also important to highlight the training on the External Commercial Service Technicians (TACES), which is a result of service contracts within the Code of Conduct and Integrity. Throughout 2020, over 1,000 suppliers learned about Sabesp's Integrity Program through an institutional video.

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Transparency

At Sabesp, we are aware that promoting ethics and integrity requires transparency in the relationship with all of our stakeholders. Therefore, the Transparency Portal (available at <http://bit.ly/32VDGhb>) offers clear and up-to-date information about the business.

The portal provides users with free access to our Institutional Policies, board and committee minutes, contracts with the granting authority and with suppliers as well as the main programs and projects developed by the Company. In addition, the Portal also has a Citizen Information Service (SIC), a service channel for citizens established in the Access to Information Law.

RISK MANAGEMENT AND INTERNAL CONTROLS

GRI 102-11 | 102-15 Sabesp has an organizational structure for risk management, defined in its By-Laws, administratively linked and led by the CEO, appointed by the Board of Directors. Our structure is supported by internal instances, which act in an integrated and supplementary manner, guided by institutional instruments that support the risk management

process, with the objective of ensuring transparency and supporting the decision-making process.

Risk management is guided by the Institutional Corporate Risk Management Policy, approved by the Board of Directors and which adheres to the COSO – ERM (Committee of Sponsoring Organizations of the Treadway Commission – Enterprise Risk Management) framework to ABNT NBR ISO 31.000:2009 and ABNT ISO GUIDE 73:2009 standards. The Policy is complemented by the Corporate and Operational Risk Management Procedures and the Risk Dictionary.

We also have a Corporate Risk Management Committee made up of one representative from each Executive Board and which reports to the Joint Board of Directors (see organizational chart on page 36).

The identified risks are measured in terms of impact and probability of occurrence, assessed by the competent hierarchical levels to define the mitigating actions required for each situation and is reviewed annually. The nature of the risks is defined based on four categories: strategic, financial, operational, and compliance.

Corporate risks that are significant and critical have their mitigating actions monitored by the Executive Board and Board of Directors, respectively. Thus, it is possible to minimize the negative impacts of these scenarios, favoring achievement of our strategic objectives.

The result is a corporate risk map, approved by the Board of Directors, which is kept with the purpose of following global and national trends, in order to foresee scenarios that may adversely affect the Company's operations.

The risks are managed using the Corporate Risk Management System – GRC, an integral module of SiiS – Sabesp's Integrated Information System (SAP/GRC-Risk Management and Process Control).

The description of corporate risks and the strategies for managing the factors that can produce their materialization is found in item 4 of the Reference Form available at <https://bit.ly/3hR7nYp>.

Internal controls

Internal controls include the procedures for accuracy of the accounting records, preparing financial statements in accordance with official regulations, and the proper authorization of transactions related to the acquisition, use and disposition of the Company's assets.

For 16 years, we have promoted a structured and systematic assessment of internal controls, which is currently guided by the internal controls framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) version 2013 and is adherent to section 404 of the Sarbanes-Oxley Act (SOX) and to Federal Law 13,303/2016 (state-owned companies).

The risks identified as being of greater attention and their mitigating actions are closely monitored by the Company's Senior Management

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Annually, we review the assessment process of internal controls, considering new risks associated with the preparation and disclosure of financial statements, as well as possible significant changes in processes and information systems.

Internal auditors

Internal control tests are carried out by the internal audit area, which reports hierarchically to the CEO and functionally to the Audit Committee. In 2019, the assessment on the effectiveness of the internal controls environment did not identify any deficiencies considered material.

External auditors

The audit of our financial statements and review of quarterly information and financing projects are performed by external auditors, ensuring reliability of the data presented. Sabesp respects

the principles that preserve the independence of these professionals, namely:

- 1) not to audit their own work,
- 2) not to perform managerial functions; and
- 3) not to advocate for their customer.

The Audit Committee, in line with our Bylaws, is responsible for assessing the guidelines that guide the hiring and provision of services from the external auditors. The Committee is also responsible for recommending the hiring and dismissal of the external auditors to the Board of Directors, in addition to the obligation to manifest itself before hiring other services provided by them, or by companies linked to them, that do not characterize activities within their authority.

In 2020, we changed our independent auditors. KPMG Auditores Independentes, which had been engaged as independent auditor since 2016, was replaced by Grant Thornton Auditores Independentes as from the review of the quarterly information for September 30, 2020.

The total amount paid for the audit services of financial statements, review of quarterly information and financing projects, among others, was approximately R\$ 1.6 million, R\$ 1.3 million of which was paid to KPMG and R\$ 346,000 to Grant Thornton.

In the same period, KPMG and Grant Thornton also provided tax review services that did not conflict with the audit services provided and did not exceed 5% of the fees paid for such services. KPMG Auditores Independentes also audited the company Attend Ambiental S.A. in 2020, one of Sabesp's affiliates. □

The internal control assessment process is reviewed annually to identify new risks that may impact the financial statements





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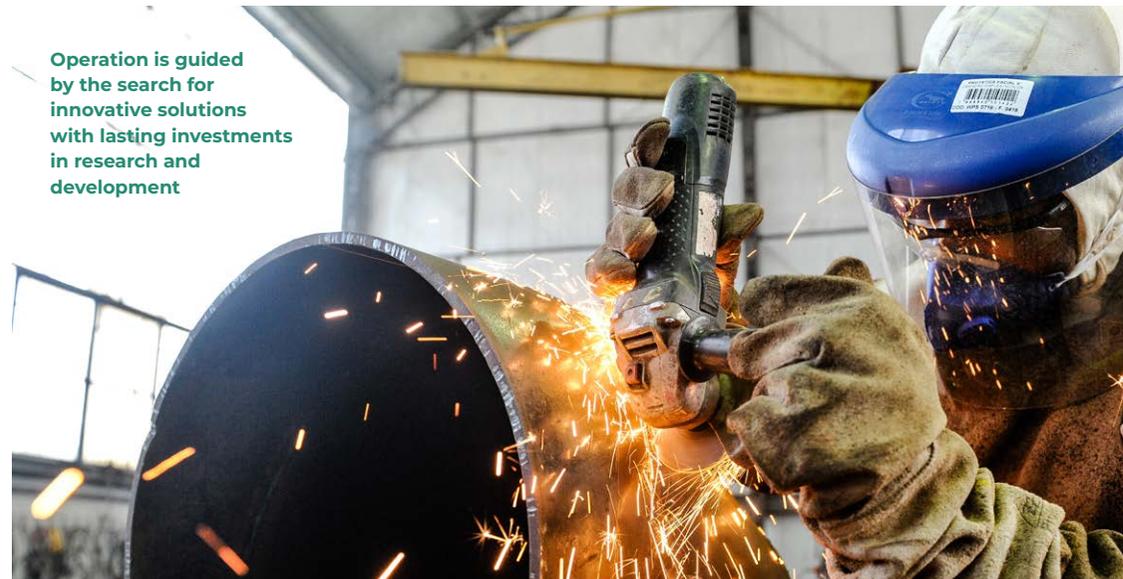


GRI 103-1 | 103-2 | 103-3 | 203-1 In line with the principles of sustainable development and aligned with the environmental and socioeconomic policies of its controlling shareholder, Sabesp seeks the universalization of basic sanitation services in the area where it operates through relevant public programs to promote quality of life and environmental preservation. This action is based on our vision of being a world reference in the provision of sanitation services, in a sustainable, competitive and innovative manner, with a focus on customers.

The guarantee of water availability is a constant focus of attention in our area of operation, as well as the progress in the implementation of sewage collection and treatment structures, with technical and economic feasibility. Still within our strategy, we seek growth with economic-financial balance in an environmentally correct and socially fair way, applying the principles of financial soundness and sustainability to the business.

By encouraging innovation as a strategic guideline aimed at the creation, adoption and dissemination of solutions focused on generating value, Sabesp seeks efficiency by improving energy management and asset management, as well as by continuously reducing water losses and operating expenses. This is done by investing in technological research and development, automation, planning integration, environmental management, and process optimization, besides being attentive to the most modern tools and innovation solutions.

In our mission to expand services, it is worth noting the New Pinheiros River Program, an initiative of the São Paulo State Government to clean up the Pinheiros River by 2022, in which Sabesp, EMAE, Cetesb, and DAEE participate, under the coordination of the Infrastructure and Environment Secretariat (SIMA), as well as other state bodies.



Operation is guided by the search for innovative solutions with lasting investments in research and development



Our goal is to execute 984 thousand new water connections and 1.2 million new sewage connections from 2021 to 2025

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Our management is also focused on seeking new business and on the maintenance and expansion of the operated base, including with operations outside the São Paulo state. Accordingly, in 2020 we participated in the bidding process to provide water supply and sewage services in the Maceió Metropolitan Region (AL), where we were in second place.

Regarding the sector highlights in 2020, the main one was the president of the Republic's approval of Federal Law 14,026/2020, known as the New Basic Sanitation Legal Framework. By extinguishing the program contract, the measure introduces a new scenario to the sector, increasing competition and leading to several changes that directly affect our business.

One of the most significant is the establishment of goals to reach 99% of the population served with drinking water and 90% with sewage collection and treatment by December 31, 2033, encouraging operators to increase efficiency. This law also granted the National Water and Basic Sanitation Agency (former National Water Agency – ANA) with authority to edit reference rules to regulate sanitation with a view to minimize regulatory uncertainties, thus creating a more stable and attractive environment for private investments in the sector. Before the change, ANA role was restricted to regulating the use of water resources. Within the scope of its new attributions, on March 8, 2021, ANA published the update of the Exhibit of Resolution 64/2021, which approves the Thematic Axis 5 – Reference

Standards for Sanitation, which is part of ANA's Regulatory Agenda for the 2020-2021 period.

Under this new context imposed to the sector, we believe to have the following competitive advantages: i) contracts that already include goals that meet those defined by the New Legal Framework; ii) access to public capital and major exposure to the private capital market, favoring the maintenance and/or expansion of the operated base; iii) high governance level; and iv) ensured agreements that account for 95% of revenue.

Aware of the new scenario, in 2020, we continued expanding our operated area, operating services in two new municipalities: Mauá (SP), for water supply only, and Tejuapá (SP), and began services in Tapiratiba (SP), whose assumption contract had been officially signed in 2019. We have also prioritized the contractual situation of the municipalities already served, reaching, at the end of the year, a regularized situation for 98% of its contracts (Program and Concession).

Accordingly, in 2020, we renewed/regularized service contracts with 15 municipalities: Ubatuba and Ilhabela, in the North Coastal Region; Cubatão, in the Santos Coastal Region; Vargem Grande Paulista, Pirapora do Bom Jesus, Jandira and Santana do Parnaíba, in the Greater São Paulo region; Bragança Paulista, Joanópolis and Piracaia, in the Bragança Paulista region; Paulínia, Lupércio, Meridiano, Pedrinhas Paulista and Pinhalzinho, in São Paulo State's countryside.

Another progress provided for in the New Framework was the mandatory household connection to water and sewage networks, excluding the possibility of the holder or regulating entity rules to provide on the contrary. The law also provides that the



Sabesp is in constant direct dialogue with the population of the areas where there are works and interventions

regulatory entity or the owner of the bill may establish deadlines and incentives for the connection of buildings to the sewage system or authorize the service provider to make the connection by charging the user.

The attention to the most vulnerable population is also worthy due to the inclusion of irregular areas, called “consolidated informal urban nucleus” by the law, among the service obligations of the concessionaires. We already operate in many areas with such features through specific legal authorizations. With the inclusion provided for in the New Framework, we will be able to expand access to those who need it most by means of some of our programs, such as Água Legal and Se Liga na Rede.

With the end of program contracts, more sanitation service providers should join the market, making competition in the bidding process fiercer.

There are still pending definitions regarding the regulation of aspects of the law, especially the creation of regional basic sanitation units and the amendment to reference norms that may guide the regulatory process and the way Sabesp operates. However, in general, it is possible to conclude that the New Regulatory Framework introduces a more competitive environment for Sabesp.

In the management area, we have continued with the project to implement a new commercial system, expected to go into operation in 2021. In order to also contribute to the improvement of its management processes, Sabesp’s Management Model project has been in progress aiming to improve opportunities pointed out in the Assisted Self-Evaluation referenced to MEG® (Management Excellence Model), from the National Quality Foundation. The development of this projects highlights the review of Sabesp’s Value Chain and the Company’s structure study.

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Another advancement provided in the New Framework is **the mandatory connection of houses to the water and sewage networks**



New Pinheiros River Program workers install collecting networks in the Alto Pirajuçara basin, in São Paulo

Goal assessment

The goals proposed for 2020 have been complied with, according to the chart below. New water and sewage connections stand out, having exceeded expectations by 14% and 8%, respectively. Households connected to sewage treatment reached a rate of 76%, above the 74% estimated for the year. Service and coverage goals have also been met.

In 2020, Sabesp reached the rate of 263 L/connection/day, reducing the loss rate presented in 2019 (285 L/connection/day) by 22 L/connection/day, and exceeding the Company's goals for the year. However, it is worth noting that as of 2021, losses from the municipality of Guarulhos (SP) will be accounted for in the indicator, increasing the loss indicator by approximately 10 liters per connection per day. Accordingly, the goal for 2021 is to reach an indicator of 268 liters per connection per day, including the municipality of Guarulhos (SP).

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2020 Achievements and 2021-2025 Goals	Achieved	Goals					
	2020	2020	2021	2022	2023	2024	2025
Water Supply	Tends toward universalization ^{(1) (2)}	Tends toward universalization ^{(1) (2)}					
Sewage Collection (%)⁽²⁾	85	85	85	86	87	88	89
Water Supply Coverage⁽²⁾	Tends toward universalization ^{(1) (2)}	Tends toward universalization ^{(1) (2)}					
Sewage Collection Coverage (%)⁽²⁾	92	92	92	93	94	95	95
Rate of Households Connected to Sewage Treatment (%)⁽³⁾	76	74	77	85	86	87	88
New Water Connections (thousand)	220,4	194	192	192	200	200	200
New Sewage Connections (thousand)	259	240	246	247	240	240	240
IPDt (liters/connection/day)⁽⁴⁾	263	273	268	266	255	249	249

(1) Coverage of at least [98]%. Service of at least [95]%.

(2) For methodological reasons, it includes a variation margin of plus or minus 2 percentage points.

(3) Household is the term used for the building or the subdivision of a building, with occupancies proven to be independent from each other, that collectively use a single water supply and/or sewage collection connection.

(4) As of January 2021, the municipality of Guarulhos (SP) has been part of Sabesp's calculation indicator. As of January 2022, the municipality of Santo André (SP) will be part of Sabesp's calculation indicator.

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The New Pinheiros River Program expanded the collection networks also in the Ponte Baixa basin, South of São Paulo

Stakeholder engagement

GRI 102-40 | 102-42 | 102-43 We are permanently aware of the improvements on the relationship with our stakeholders. Accordingly, in 2020 we presented the result of the mapping of the main parties related to the business. The diagnosis, carried out with representatives of all Company areas, identified 17 stakeholders:

Controllers/Shareholders	Media
Customers	Control and/or Supervision Bodies
Suppliers	Partners
Society	Regional Development Ministry
Workforce	Basin Committees
Granting Authority	Sabesprev
Regulatory Bodies	Vivest
Unions	Infrastructure and Environment Secretariat (SIMA)
Investors/Funders	

We also seek to prioritize the main expectations existing in our relations. The initiative is part of the implementation of the improvement opportunities pointed out in the Assisted Self-Assessment referred to in the Management Excellence Model (MEG), which aims at improving and developing the maturity of the Sabesp Management Model with the consolidation of the best practices for the business. Learn more about our stakeholders engagement on page 139 of the exhibits. □

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Works on the New Pinheiros River Program
in the Pirajuçara Stream basin, São Paulo

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of life on the São Paulo coastal region **69**

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The noble mission of changing lives

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

Ensuring quality water, water security, continuous supply, and expanding access to the sewage collection and treatment system are services that have a strong positive impact on society and the environment. Not by chance, the matter stands for the 6th goal among the **17 UN Sustainable Development Goals**.



Ensuring water and sanitation availability and sustainable management for everyone impacts in the reduction of child mortality and hospitalizations due to water-borne diseases, depollution of rivers and subsequent expansion of water availability, contributes to the generation of jobs and better performance in education, as well as the valorization of the tourism and real estate sectors. Sanitation means transformed lives.

It is, therefore, one of the sectors with the greatest potential for inducing social, economic and environmental development in the region served. According to a study prepared by the **NGO Trata Brasil**, each R\$ 1.00 invested in sanitation works has the potential to generate R\$ 1.22 in the economy. The 2018 survey provides details on the social, human, and economic benefits arising from the expansion of sanitation infrastructure and can be [accessed here](#).

From this perspective, Sabesp, which accounts for an average investment of 32% of everything that has been contributed to sanitation in Brazil since 2011¹, is one of the protagonists of the state's development with the best service rates in Brazil. To advance further, this work is grounded in different infrastructural and strategic programs in water and sewage established according to the diverse characteristics of the regions where we operate.

Water quality comes first

GRI 416-1 Ensuring the delivery of quality water is the greatest asset we can offer our customers and one of the greatest assets of our business. This service requires careful monitoring of the entire process, from checking the collection conditions at water bodies to the distribution and consumption points.

In a year of pandemic, ensuring the supply of quality water was even more necessary, since sanitizing with soap and water is the most effective way to contain the virus.

In this sense, since the first stage of withdrawal, we have been monitoring quality by means of sample collection analyzed in our laboratories on a weekly or monthly basis.

1 – SNIS 2019 data. Published in early 2020

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Water collected for treatment comes from two sources: superficial water sources (reservoirs, rivers) and underground water sources (deep wells). Regarding superficial withdrawal, water is sent to the plant, where it undergoes several treatment steps: pre-chlorination, pre-alkalinization, coagulation, flocculation, decantation, filtration, post-alkalinization, disinfection and fluoridation. Water for underground sources, accessed through wells, is disinfected and added with fluoride.

A strict control of chemical doses and monitoring of quality standards are carried out in any of these processes, consistent with those established by Brazilian legislation, which are similar to European and North American standards. Fluoride is added to water to help prevent cavities in the population.

Controlled parameters

The quality of water treated and distributed is inspected by the Sanitary Surveillance Center of the São Paulo state and guided by the parameters of Exhibit XX of Consolidation Administrative Rule 5 of the Ministry of Health, which establishes procedures for controlling and supervising the quality of water for human consumption.

Water quality is monitored by nearly 85,000 monthly analysis that measure turbidity, color, chlorine, total coliforms, among more than 90 other parameters. This work is performed in the 16 regional sanitation control laboratories, accredited by the National Institute of Metrology, Quality and Technology (Inmetro), and strategically installed between SPMR, countryside and coastal regions, as well as in laboratories located at the WTPs (Water Treatment Plants) that locally monitor the entire process.

Customers can find the results of the water analysis on their own bill, which summarizes the basic parameters evaluated. Our central laboratory, located in São Paulo, is responsible for analyzing organic compounds and agrochemicals, using gas and liquid chromatography methods, as well as analyzing heavy metals through Inductively Coupled Plasma spectrometry (ICP).

All chemicals used for water treatment are analyzed and meet the strict specifications established in the recommendations of the National Health Foundation (Funasa), Brazilian Association of Technical Standards (ABNT), the National Standard Foundation (NSF), and the American Water Works Association (AWWA). Such control aims to avoid water contamination by substances that are toxic or harmful to human health.

WATER TASTERS:

we have a team of tasters of approximately 140 specialists that include chemists, biologists, and technicians skilled in analyzing changes in the flavor, aroma, and density of the water to be distributed.

Tasting, used by Sabesp since 1996, became a requirement of the Ministry of Health in 2011. The results are sent to the WTPs in order to guide treatment and any preventive or corrective adjustments.

Click on the image below
to watch the video:
Water tasting at
"A Sabesp that you don't see"



Quality of water delivered to
375 municipalities
is monitored with more than
85,000 monthly
analyses



SÃO PAULO METROPOLITAN REGION

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PURSUITING WATER SECURITY IN A WATER SHORTAGE ENVIRONMENT

Similarly to the quality of water delivered to our customers, supply security is at the top of our strategic priorities, in view of the essential relationship of the good we supply to the existence of life, human well-being, and the socio-economic development of the areas served.

With the start of supply operations in Mauá, in 2020 we distributed treated water to 37 of the 39 municipalities that are part of São Paulo Metropolitan Region (SPMR) and concentrate approximately 21 million inhabitants (nearly 47% of the state). We only supply wholesale water to the municipalities of São Caetano do Sul and Mogi das Cruzes, which are responsible for distributing it to end customers.

Operating in an area such as the SPMR is an extremely challenging work. The region is Brazil's largest economic hub, the largest

urban agglomeration in Latin America, and is among the largest populations in the world. Add an unfavorable geographical location to this in terms of water supply (river source region of the Alto Tietê basin), and very disorderly urban occupation, with people irregularly and precariously installed, especially in areas near water sources.

In view of the factors that characterize the SPMR as an area of very low water availability, similarly to the Northeast region, supply security for the large current and future population contingent is based on the increment of infrastructure and on strategic planning with long-term projections for supply and demand. We, therefore, analyze variables such as water availability from rivers or water sources, climate variability, population growth and displacement curve, the capacity of the infrastructure for treatment, storage and distribution.

This work is performed through a robust water infrastructure composed of ten main water producing systems: Cantareira, Alto Tietê, Guarapiranga, Rio Grande, Rio Claro, São Lourenço, Ribeirão da Estiva, Capivari, Cabuçu, Tanque Grande with nominal production capacity of 75.8 m³/s. In 2020, 2,032,001,331 m³/year of water was treated in SPMR, out of a total of 2,906,681,859 m³/year treated by the Company.

Together, the ten systems make up the Integrated Metropolitan Water Supply System (SIM, in Portuguese) and are strategically located in different regions of the metropolis. They are interconnected by large adduction systems that make up the Metropolitan Adduction System (SAM, in Portuguese), responsible for transporting treated water to individual reservoirs and, from these points, distributing it to the population of the Greater São Paulo area.



We operate in 37 of the 39 municipalities that make up the São Paulo Metropolitan Region, one of the world's largest urban agglomerations

METROPOLITAN WATER SUPPLY SYSTEM



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Cantareira



Jaguari-Atibainha Interconnection



São Lourenço



Cabuçu



Tanque Grande



Cotia



Capivari



Guarapiranga



Rio Grande



Ribeirão da Estiva



Rio Claro



Alto Tietê

AREAS SERVED BY EACH SYSTEM

- Cantareira
- Guarapiranga
- Alto Tietê
- Rio Grande
- Cotia
- São Lourenço (Cotia intersection)
- Capivari
- Rio Claro
- Ribeirão da Estiva (Rio Claro intersection)
- Tanque Grande
- Cabuçu
- Sistemas Isolados

SYSTEMS INTERSECTION AREAS

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

Itapanhaú Interconnection (Alto Tietê) (in works)



PLANNING AND INFRASTRUCTURE INCREASE SUPPLY SECURITY

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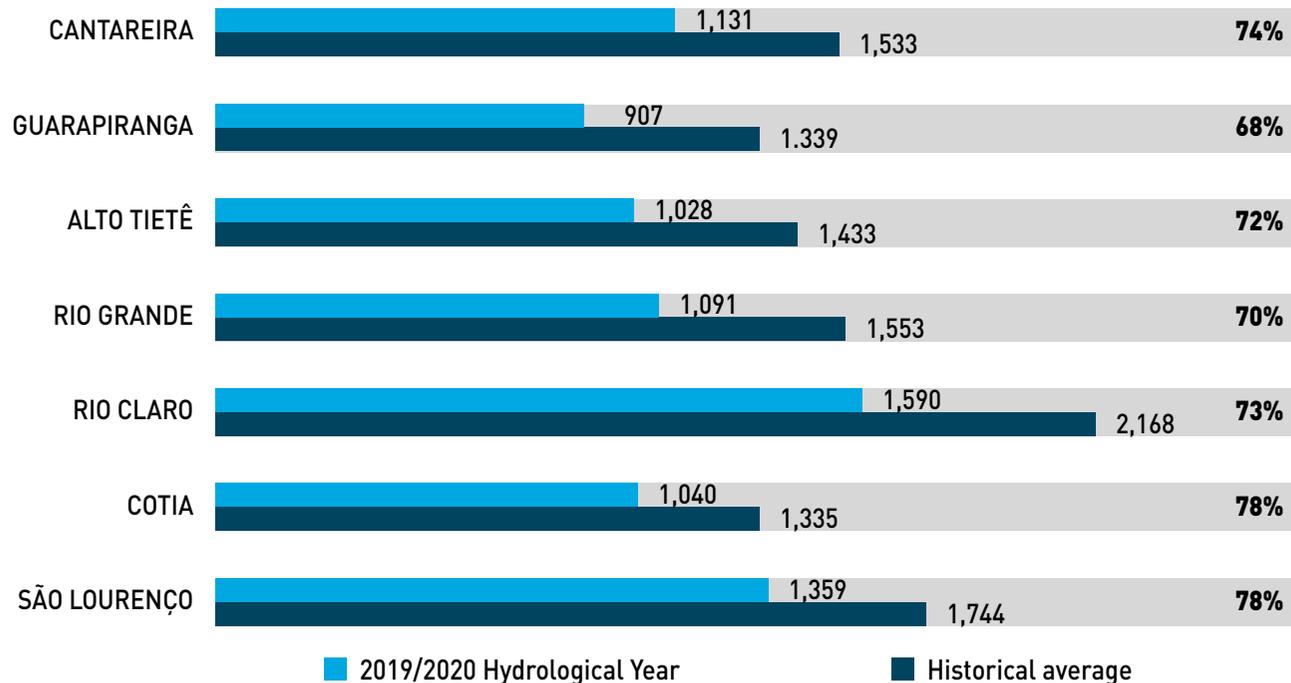
With the 2014/15 water crisis, SIM was strengthened by a number of works and initiatives that lead to new contributions, based on water sources located outside the Alto Tietê basin. These initiatives have significantly increased the flexibility of transfer between producing systems and expanded the capacity of water reservoirs and treatment [see more initiatives in the 2015 and 2016 sustainability reports].

With a more integrated and resilient system, the most critical period has been overcome. However, in the five years after the crisis, the metropolitan system has experienced two other severe drought seasons. One of them in 2018, and the other in 2020, when Cantareira, the largest water reservoir in the metropolitan region and responsible for serving 7.2 million people, reached 31%

of storage capacity, the lowest level since the crisis.

This scenario was worrisome again. We recorded rainfall levels below the average in all water sources and, as a result, the inflow of water into the systems was also below expected, such as those recorded in the main systems of Cantareira and Alto Tietê.

A more resilient system guaranteed supply in another challenging year, with rainfall below historical average



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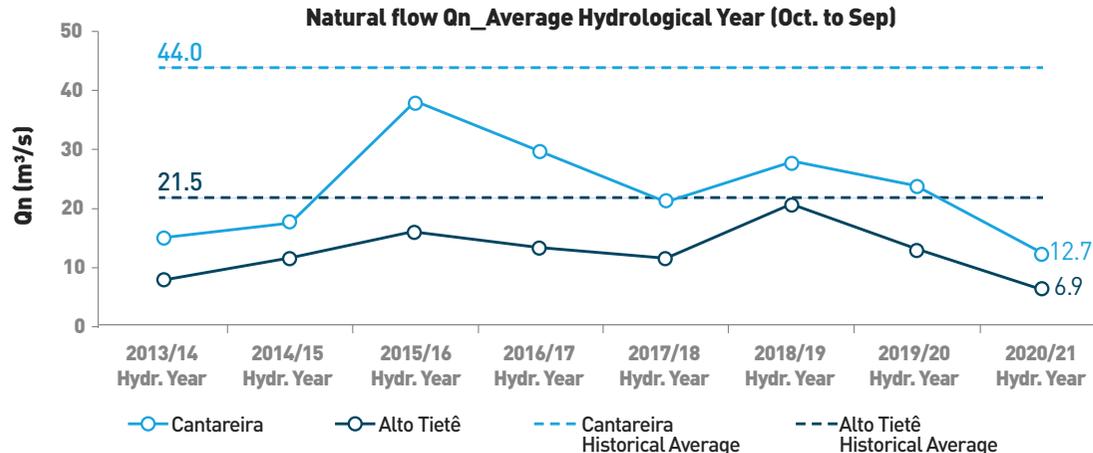
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Data throughout November 24, 2020

Source: SSD Sabesp

The situation could have been catastrophic were it not for the contributions made by two large structuring works (São Lourenço Production System and Jaguari – Atibainha transposition), which, since 2018, have “imported” water from other basins into the Alto Tietê basin, where the SPMR is located. Without these two works, the low replenishment recorded at Cantareira (with rainfall of only 58% of the historical average) would have caused the system to drain in 2020. ▶

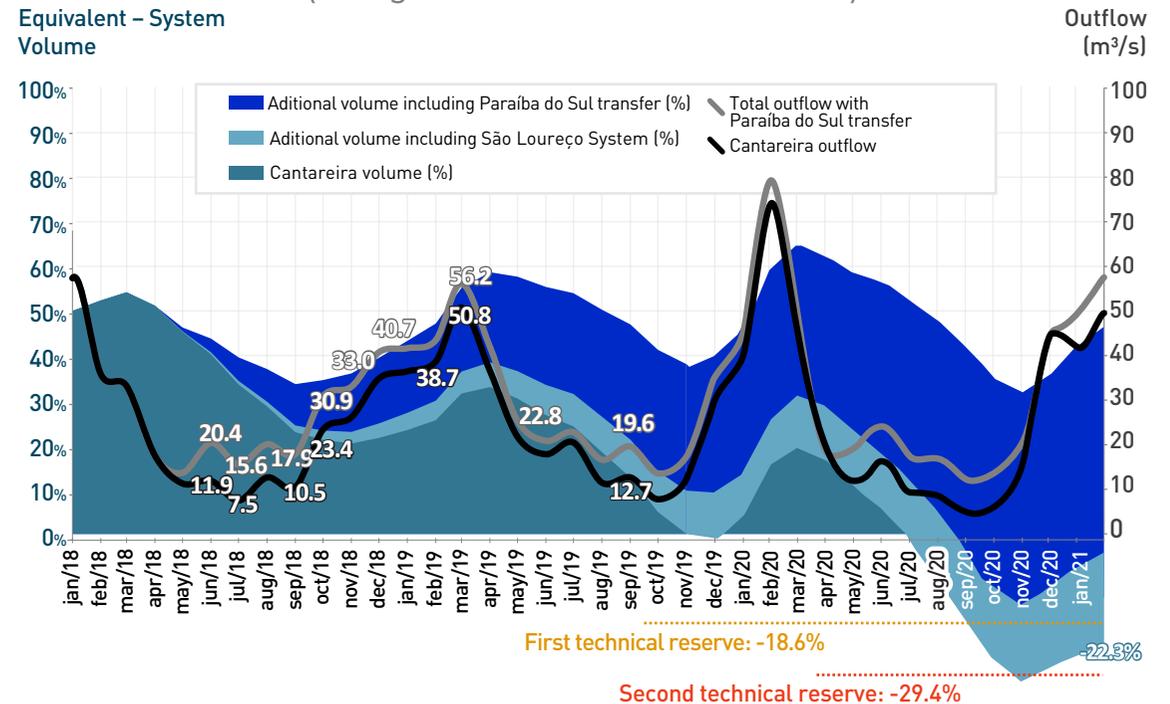
Natural flows of the last water cycles of the Cantareira and Alto Tietê Systems:

due to rainfall below average, the recharge of the two main metropolitan systems had lower rates than those recorded in the 2014/15 water crisis. Together, these systems serve 11.2 million people.

Increased water security:

the simulation shows that, without the increases from the São Lourenço Production System and the Jaguari-Atibainha transposition, the Cantareira level would have reached zero in July 2020. If nothing were done, it would have totally collapsed with complete emptiness by November.

Cantareira Production System –2018-2021 (Storage Volume and Outflow Volumes)



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In light of this increasing variability in rainfall regime and occurrence of weather extremes, we continue strengthening the redundancy structures of the integrated system (reinforcement/backup works).

Therefore, in 2020, we carried out a review preventive maintenance of the water transfer structures that were installed for the 2014/15 crisis. Another highlight was the start of the construction for reversing water from Ribeirão Sertãozinho (a tributary of the Itapanhaú River), to the Biritiba Mirim Reservoir, which belongs to the Alto Tietê System. This work is expected to be ready and operating in the second half of 2021. See more at <https://bit.ly/3tsowMe>.

Construction works on the Genesis System also advanced and is on track, with operations expected to begin by the end of 2020. The structure will directly benefit residents of municipalities located on the west side of the São Paulo Metropolitan Region and contribute

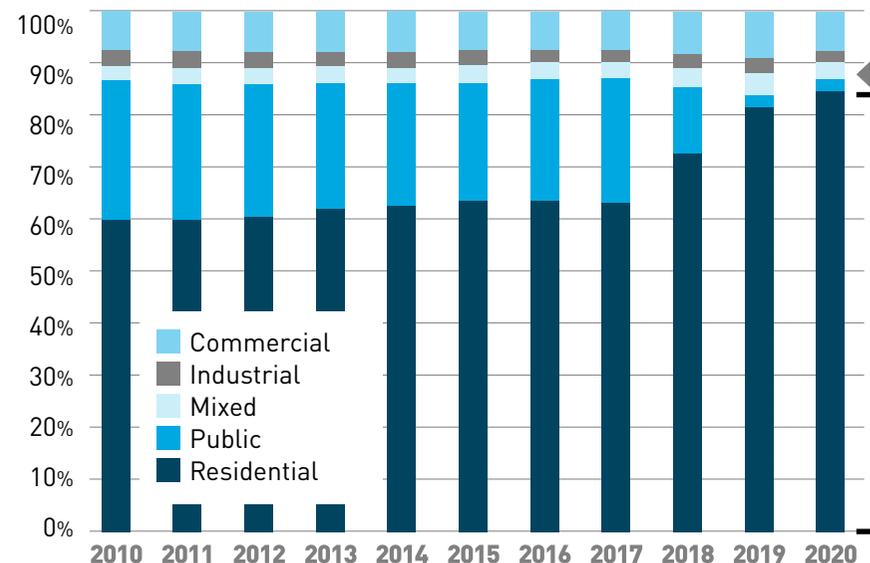
to higher water reserves and flexibility in the integrated supply system.

In addition, three other metal reservoirs were put into operation in the municipalities of Itaquaquecetuba (SP), Jandira (SP) and Vargem Grande Paulista (SP).

Regarding demand, the participation of the population in adopting more conscious consumption habits since the start of the 2014/15 water crisis has also been fundamental to maintaining safe levels at the water sources

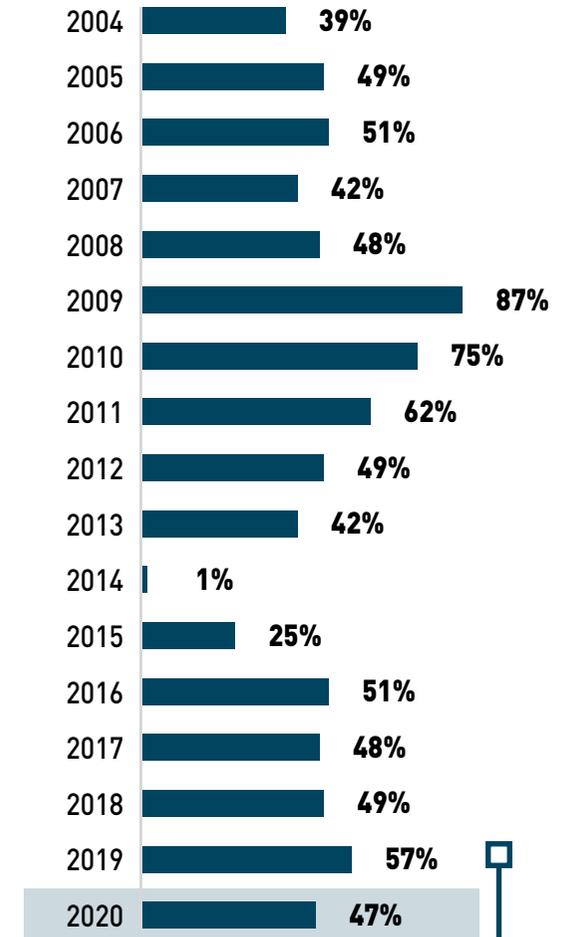
In 2020, however, despite media campaigns for rational consumption, people staying at home most of the time, due to the social isolation caused by the pandemic, caused the per capita consumption of metropolis inhabitants to increase. On the other hand, also due to the pandemic, consumption levels reduced in the industrial and commercial categories (as shown in the chart).

Percentage Consumption



In 2020, due to the pandemic, consumption in the industrial and public categories fell. On the other side, consumption increased in the residential category.

Total available volume of SPMR springs



Despite below average rainfalls, low water sources at springs and higher residential consumption, our integrated and more robust water infrastructure system contributed to maintaining safe water levels for the São Paulo Metropolitan Region.

Adaptation to climate uncertainties and the new risk parameters in SPMR

Climate variations and extreme events can impact the Company's activities. To overcome this challenge, the set of actions carried out in the SPMR is guided by projections established in the Water Supply Master Plan (PDAA) for the SPMR, which is based on a historical series of monthly natural flows since 1930.

The Plan seeks to anticipate variables resulting from changes in the rainfall regime, flows, affluence, availability of water sources, population growth, rearrangement of the distribution of the population in the territory and consumption behavior.

The new risk parameters brought about by the severity of the 2014/15 crisis – records previously unseen over 85 years of analysis, were incorporated into the review of the PDAA completed in 2019. The currently exploited water sources have been reassessed and a guaranteed 98% flow rate has been adopted (it was previously 95%). This change reflects the criticality of the climatic event in the risk assessments and the



The Water Supply Master Plan establishes projections that anticipate possible risks in serving the metropolis population

concern with the great damage that a collapse in supply could cause to the population.

The studies advance with the construction of variables and performance indicators that measure the reliability, resilience and vulnerability of the water sources. These analyses include the effects of climate variation, expansion of economic activity and population growth, with a view to building knowledge to anticipate future adversities and ensure supply security.

These initiatives can be seen in more detail in the book "Estratégias Resilientes: Um Plano de Adaptação às Variações Climáticas na Gestão dos Recursos Hídricos para o Abastecimento da Região Metropolitana de São Paulo [A Plan to Adapt to Climate Variation to Manage Water Resources to Supply the São Paulo Metropolitan Region]". Launched in 2020, the book highlights global and local challenges arising from climate impacts in water availability in the SPMR, also detailing the technologies and strategies used for the monitoring and strategic management of water sources.

One example is the Decision Support System (SSD, in Portuguese) that gathers real-time information with data on levels, volumes, rainfall, and flows for the daily operation of the integrated system. The book also addresses the different existing plans for contingencies and risk mitigation.

Among the risks of great attention, the concern about climate threats is justified by the great impacts that droughts, such as the one that occurred in 2014/2015, can cause on the population's supply and on the Company's results.

Still regarding the identification and anticipation of potential risks, we also have an Institutional Policy and Corporate Procedure for Strategic Risks that gathers the main



[Click here to see the full.](#)

threats inherent to the business – from those related to management to operational ones, including environmental, among others. The policy also determines responsibilities and points out guidelines for managing the different critical issues. (see page 43 for further information).

Because of the various uses of water aside from human supply (industry, commerce, energy generation and agriculture) it must be emphasized that managing water resources is not the responsibility of a single player. It must be integrated, involving different decision making instances, entities and organizations, including participation of society as a whole, the greatest beneficiary of the conscious and sustainable use of our natural resources.

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"Fazenda Capivari", a protected area in the Guarapiranga System basin (see page 59)

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THE METROPOLIS AND BIODIVERSITY PROTECTION

GRI 304-1 | 304-3 For the SPMR, the already low availability of water, when pressured by disorderly and irregular occupation, often in environmental protection areas and close to water sources, can affect water quality aimed at public service.

In this sense, our actions go beyond increasing the infrastructure and quantity of water stored in the water sources and distribution systems, and consider various measures to protect and recover threatened surface water sources, acting at the level of basins and reservoirs, as well as riparian forests and forested areas.

One highlight on this front is the Green Belt of Metropolitan Source Programs, which is part of the São Paulo State Government's Source Program Paulo and has already promoted the planting of 539,000 trees in the last five years. It focuses on four supply systems: Cantareira, Alto Cotia, Rio Claro and Fazenda Capivari (Capivari-Monos Protection area, which is part of the Guarapiranga system).

All of them are located in areas belonging to Sabesp and part of the Atlantic Forest biome, totaling approximately 44,000 hectares within conservation units, with 9,000 hectares of water surface and 35,000 hectares of area surrounding these water sources.

Of this territory, 94% (33,000 hectares) are protected areas covered by vegetation that account for 1.4% of the remaining Atlantic Forest in the São Paulo state, protecting water consumed by over 14 million residents of the capital and Greater São Paulo area.

With this work, in the Cantareira System alone, the vegetation cover rate moved up from 61% in the 80s to 79% in 2020. More than contributing to the quality of the water body, vegetation cover hinders illegal occupation, prevents garbage, pesticides and agrochemicals from being carried into the reservoirs, reduces flooding, protects biodiversity and ensures water security.

The initiative was internationally recognized in an award of the Inter-American Development Bank (IDB) and emphasized by the World Resources Institute (WRI) as a nature-based sustainable practice.

In 2020, at the World Water Week, an event annually hosted by the Stockholm International

Water Institute (SIWI), the Green Belt became prominent one more time. It was theme of the "Combined financing for Resilient Solutions" panel that addressed the resources spent and the benefits obtained, increasing the water safety of the Cantareira System dams.

In addition to preserving and recovering native flora and fauna, enforcement and patrimonial monitoring, we also make the areas available for studies to be carried out by universities, as well as activities with involvement from society through NGOs and other institutions.

In 2020, another good news on the subject of preservation was the approval of the Management Plan for the Environmental Protection Area (APA) of the Cantareira System, as per Decree 65,244. The plan establishes rules for land use and occupation around the dam and strengthens the work of protecting water resources, especially reservoirs that make up the Cantareira system: Jaguari-Jacaré, Cachoeira, Atibainha and Paiva Castro, as well as the main rivers.

Outside SPMR, we use the São Francisco Reserve, inserted in the Serra do Mar State Park, in São Sebastião, on the North Coastal Region (Decree 10,251/77). With 2,500 square meters (perimeter of 7.1 kilometers), the area includes the São Francisco stream, the source

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PROTECTED WATER RESOURCES

Located in the Atlantic Forest biome, these four properties owned by Sabesp reflect the Company's environmental essence.

Cotia System

Located in the Morro Grande Forest Reserve
 Dams: Pedro Breicht and Cachoeira da graça
 Area (including water fountains): 11,100 hectares
 Land area (without water mirrors): 10,710 hectares
 Vegetation Coverage Ratio (2017): 100%

Fazenda Capivari (Guarapiranga System)

Located in the Capivari-Monos Perpanente Protection Area
 Dam: Capivari
 Area (including water fountains): 262 hectares
 Land area (without water mirrors): 240 hectares
 Índice de cobertura vegetal (2017): 100%

Sistema Cantareira

Located in the Cantareira Permanente Protection Area and The State Parks tapetinga, Itaberaba, Juqueri and Cantareira
 Dams: Jaguari, Jacarei, Cachoeira, Atibainha, Paiva Castro and Águas Claras
 Area (including water fountains): 17,700 hectares
 Land area (without water mirrors): 8,550l hectares
 Vegetation Coverage Ratio (2017): 75%

Rio Claro System

Located in the Serra do Mar State Park
 Dam: Ribeirão do Campo
 Area (including water fountains): 16 mil hectares
 Land area (without water mirrors): 15,8 mil hectares
 Vegetation Coverage Ratio (2017): 100%

Sabesp's Total Area:
44,530 hectares

Sabesp's Total Area without water mirrors:
35,290 hectares

The reserves monitored by Sabesp represent 1.4% of the remaining Atlantic Forest in the State of São Paulo and protect the water consumed by more than 14 million residents of the city of São Paulo and the Greater São Paulo region



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for the São Francisco water production system. In 1994, the area was declared an Atlantic Forest Biosphere Reserve by UNESCO.

The Nossa Guarapiranga Program is another initiative aimed at mitigating the impacts of urban life in one of the most important metropolitan water sources, which supplies water to about four million inhabitants.

Focused on water surface, we clean the water with the help of collecting boats and install eco barriers, which are metal screens placed at the outflow of the main streams that flow into the reservoir. Irregularly discarded waste is removed, such as tires, plastic couches and refrigerators of up to six meters deep, which contaminate water, cause the proliferation of algae and make it difficult to collect water.

From 2011 to 2020, 197,000 m³ of waste was removed from the reservoir (equivalent to 9,800 20m³ dump trucks, the volume of the Ibirapuera Park lake), 18,000 m³ of which in 2020. The Program has already required investments of R\$ 25 million since its inception, R\$ 2 million of which in 2020. In addition, Sabesp is recovering vegetation on the islands of the reservoir by planting trees.

More health and citizenship

The housing problems resulting from the installation of precarious housing are accompanied by the deficit of public service infrastructure, making life even more difficult for those who live in these areas.

To address this problem in terms of supply, since 2017 we have promoted the installation of water distribution systems in communities of high social vulnerability, where residents are precariously supplied by improvised pipes that are

subject to contamination. Until approval of the New Legal Sanitation Framework, the legislation prevented service in irregularly established occupations without specific legal authorizations.

This work is carried out by the Água Legal Program, which, in 2020 alone, brought more comfort and health to 33,000 families (115,000 people) from 72 residential hubs with the replacement of precarious and irregular installations by networks and water meters that bring quality water to taps. In four years, about 145,000 families (approximately 507,000 people) from 476 residential hubs in the SPMR had their irregular connections regularized.

The program was recognized as “2019 Success Stories in Water and Sanitation”, by the Global Compact Network Brazil, of the United Nations (UN) and gained support from the World Bank, which started financing the program. The goal is to bring installations to 250,000 homes by 2025, benefiting more than 870,000 people in the SPMR alone.

In addition to bringing health and quality of life to the most vulnerable population, as well as preserving water resources by combating water losses, the initiative also ensures citizenship to the population of the assisted neighborhoods, since the residents now have proof of address in their water bill.



New water connection is completed in Itaquaquecetuba



Awarded by the **UN**
**“Water and Sanitation
 Success Case in 2019”**

IN 2020:

Quality water
 in the taps of
33,000 families

72 communities

IN 4 YEARS:

507,000 people
 benefited in
476 locations

TARGET:

870,000 people
 until 2025

Challenges of supplying the São Paulo coastal region

The integration of the water supply system, as a solution similar to the one existing in the SPMR, was studied and defined to increase water supply and security in the Santos Coastal Region (see chart below). The planning of the systems with structuring and sustainable solutions was key to ensure water security in the region since the coastal region is the second most complex region in terms of population supply, after the SPMR.

The challenge consists of ensuring water supply during summer and tourist seasons, when consumption increases significantly and the region hosts more than three million people, between residents and tourists, overloading the systems, thus requiring higher supply of water and flexibility to serve everyone during the periods of high peak consumption.

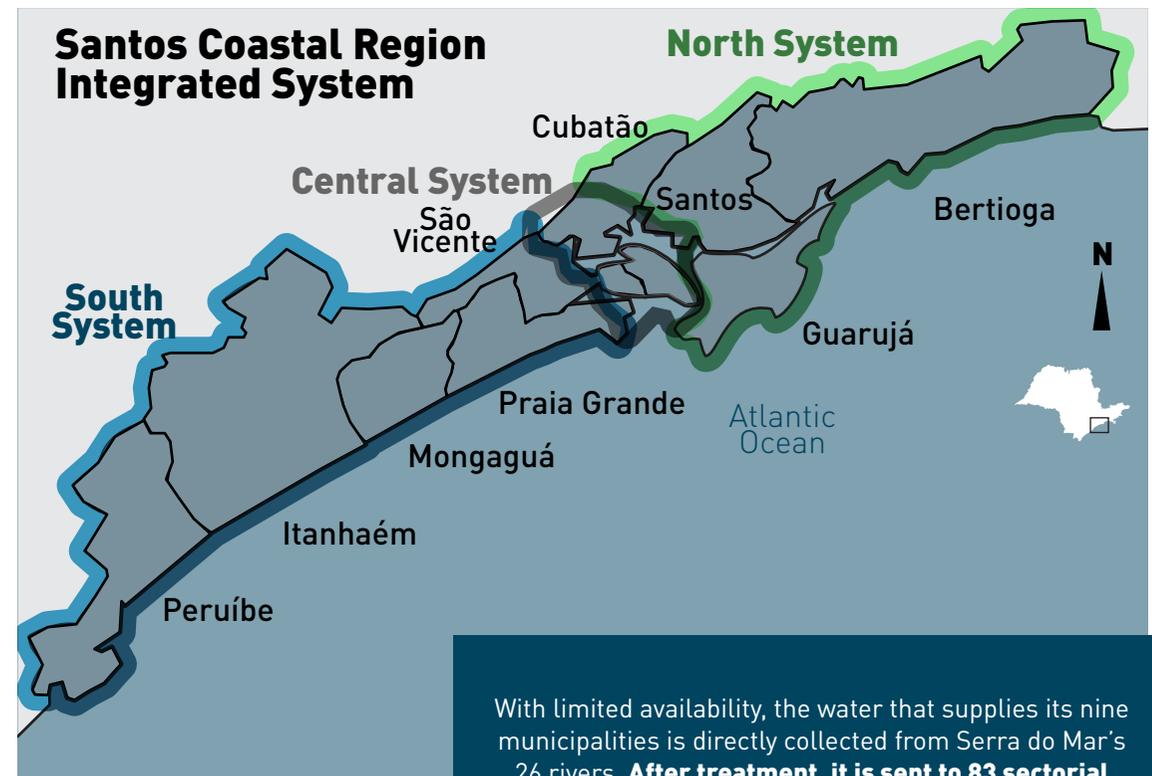
Strengthening the production and distribution capacity at the Santos Coastal Region is part of Água no Litoral, a program that combines permanent actions to increase water supply security. Works continued with several improvement actions throughout 2020 in order to ensure a more robust and resilient supply infrastructure to face climate variations and peaks in customer demand.

One of the highlights is the duplication of the Mambu-Branco Production System, in Itanhaém (SP), whose construction works has progressed, reaching 60% completion and delivery scheduled for 2021. The System will be able to produce about 3,200 liters per second, two times its current capacity, which will be essential to meet the demands of the municipalities served by the integrated system, especially during the season.

In the North Coastal Region, where we operate the municipalities of São Sebastião, Caraguatatuba, Ubatuba and Ilhabela, we have made several investments aimed at increasing water safety, operational improvement and the capacity of the water production units. We have also implemented actions to optimize water distribution units to meet the demand during the high season, when the region hosts more than one million people.

Also, most of the coastal municipalities have construction works and actions to

combat losses, such as the replacement of connections and water meters. We also promoted the de-silting of the water catchment areas, reservoir washing, equipment renovation, reservoir expansion and supply sectorization. With housing regularization, new neighborhoods in these municipalities began to be supplied by our networks. During the summer seasons, the entire São Paulo coastal region receives extra teams, equipment and tanker trucks to improve the service and the response to emergency cases.



With limited availability, the water that supplies its nine municipalities is directly collected from Serra do Mar's 26 rivers. **After treatment, it is sent to 83 sectorial reservoirs to be distributed among the nine cities. In more critical moments it is possible to transfer water to regions with higher consumption.**

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Supply in the State's countryside

With smaller populations and different supply sources (dams, rivers and deep wells), the inland municipalities are less complex to supply. Even so, in locations with less water availability we undertake strategic

efforts with campaigns for rational use and actions to increase availability, aiming at mitigating the impacts of climate adversity.

The most critical case occurred in Aguai (SP), where we started operating in 2019. The water storage capacity of the Itupeva

reservoir dropped drastically due to the severe drought that hit the region, forcing implementation of a rotation program in the municipality. The situation was controlled with the help of emergency water catchments, a conscious water use program and actions to reduce losses.

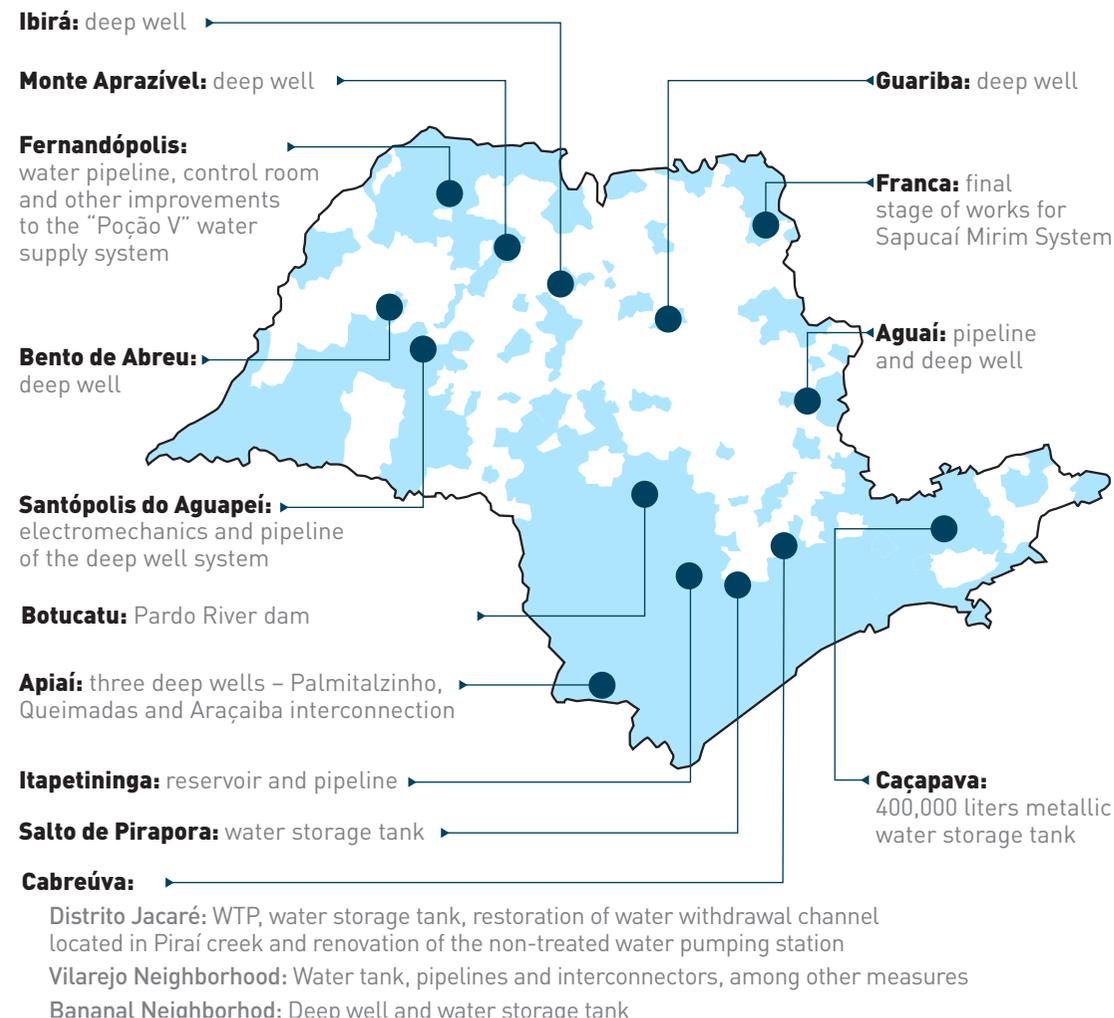
Works at the Sapucaí-Mirim system, in Franca (SP), were resumed and are expected to be concluded in the second half of 2022. And the construction of the Pardo river dam, in Botucatu (SP), continues at an accelerate pace. Both works will ensure water security to the regions in the next few decades. We also inaugurated the Distrito Jacaré WTP, in Cabreúva (SP), and the expansion works of the water supply system in the neighborhoods of Bananal and Vilarejo, expanding water security to 40,000 residents.

Promoting rational use in public buildings

Our Rational Water Use Program (PURA) promotes the rational and conscious consumption of water in municipal, state and federal government buildings. This work is done by adjusting the hydraulic structure in schools, hospitals, public restrooms, penitentiaries or day care centers that adhere to the program.

We installed low-energy equipment, new plumbing and did leak sweeps and repairs. We also promoted lectures on the conscious use of water. If they reach the consumption reduction target, the properties receive a 25% discount on the tariff. In 2020, 107 properties joined the program. Since 1996, there have been 2,991 properties benefited throughout the São Paulo state.

Water safety ongoing works in the São Paulo State's countryside



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Mobilized against water losses

Combating water losses in distribution is a key initiative for greater sustainability of water resources and operational efficiency in the supply system. Lower losses mean lower need to draw water from greater distances, saving energy and resources used in the treatment process. A renovated structure is also less susceptible to ruptures and leaks, and consequent inconvenience to customers.

Fighting water losses is a continuous challenge for us, because if nothing is done, losses tend to increase over time, since, as the infrastructure ages, leaks and under-measurement of the water meters increase.

Efforts were intensified with the Water Loss Reduction Program, which aims to reduce recurring losses in the long term by

implementing operational enhancement and maintenance activities, as well as important actions to renew and improve infrastructure.

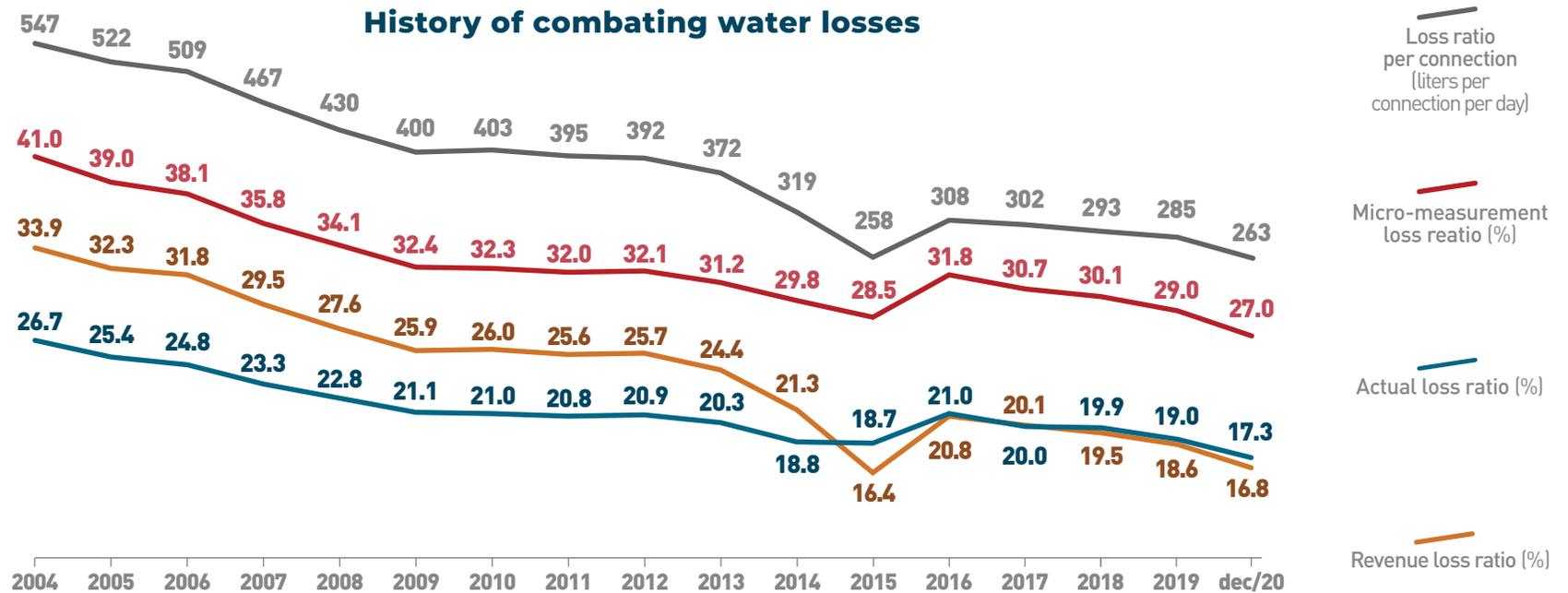
In 2020, the Company carried out actions to reduce losses, in the amount of R\$ 1.05 billion. Part of the funds allocated to the Program came from the Company's own resources and the remaining from financing lines granted by the Japan International Cooperation Agency (JICA) and the BNDES, as well as from the issue of Incentive Debentures, pursuant to Law 12,431/11.

As a result of this prioritization, our total losses to volume produced ratio has fallen continuously, from 41% in 2004 to 27% in 2020. And the losses measured in liters per connection per day, considered a more adequate indicator for monitoring losses, as recommended by the International Water Association (IWA), has also been steadily dropping.

In 2020, this indicator reached 263 liters per connection per day, 52% lower than the 547 liters per connection per day reported in 2004. As from 2021, the losses from the

In 2020, Sabesp invested more than R\$1 billion in combating losses, which have already been reduced by half compared to the 2004 index.

municipality of Guarulhos (SP) will be accounted for in the indicator, leading to an increase of approximately 10 liters per connection per day in Sabesp's loss ratio. Accordingly, the goal for 2021 is to reach an indicator of 268 liters per



connection per day, including the losses from the municipality of Guarulhos (SP).

Technically speaking, water losses are divided into real or physical losses (leaks) and apparent or non-physical losses (frauds and under-measurement of water meters). Total losses consist of adding up these two types of losses.

In 2020, the Total Volume Lost was approximately 783,950 million m³, corresponding to a Loss Rate of 27%, valor two percentage points lower than in 2019. Regarding the loss ratio per connection, the decrease came to a significant 22 liters per connection per day.

The main initiatives to reduce actual losses consist on the improvement and renovation of the infrastructure by replacing water networks and branches, and the sweeps using acoustic technology to detect non-visible leaks.

The control areas are also adapted through sectorization and the implementation of Metering and Control Districts (MCDs) and pressure reducing valves. As for reduction of apparent losses, the main initiatives are the campaigns to combat fraud and the exchange of water meters.

EXPANSION OF SANITATION INFRASTRUCTURE

Health, quality of life, cleaner rivers and economic development

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

The sanitation infrastructure offered by Sabesp contributes directly to environmental sustainability and the socioeconomic development of the São Paulo State. Thanks to access to these services, the regions served have benefited from reduction in child mortality and water-borne diseases. In addition, by improving the quality of river and water source water, we are promoting water security and the valuing of tourism and real estate sectors, which generate income and jobs.

Tietê Project and the challenges of the metropolis

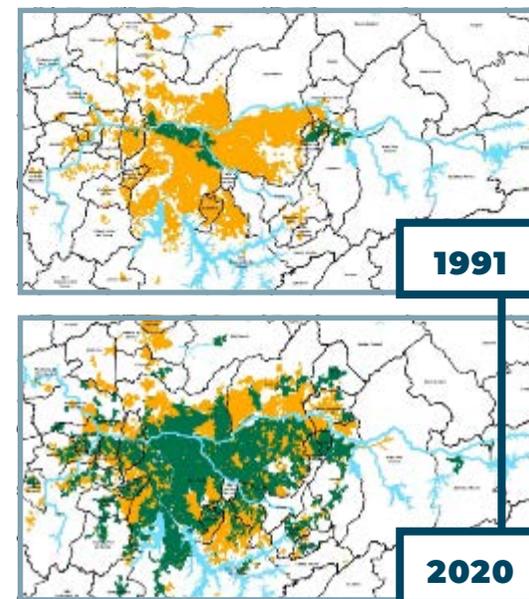
The Tietê Project is the largest environmental sanitation program in Brazil and is sized to tackle the great challenge of expanding the sewage collection and treatment infrastructure in one of the world's largest urban areas. Irregular occupations, illegal discharge of residential and industrial sewage, environmental degradation of preservation areas, poor supervision and high population concentration make the SPMR an area of high complexity for the expansion of sanitary service.

Started in 1992, its actions in 30 metropolitan municipalities contribute directly to the progressive revitalization of the Tietê River and its tributaries, providing public health and

better quality of life of the population. This is done by expanding and optimizing the sewage collection, transport and treatment system.

During these 28 years, 1.8 million household connections have been made and 4,600 thousand km of trunk collectors, interceptors and collection networks have been installed to transport sewage to the treatment plants. The installed treatment capacity has been tripled with the construction of STPs ABC, Parque Novo Mundo and São Miguel, and the expansion of STP Barueri, the largest plant in South America and one of the largest in the world. The equivalent of the sewage generated by 12.4 million people was sent for treatment, number higher than the population of London and Paris together.

In this period, US\$ 3.1 billion has already been invested, of which R\$ 435 million will be



Green stain demonstrates the evolution of collected sewage sent for treatment in the SPMR.

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invested by 2020, with private resources and with funding from IDB, BNDES and the Brazilian Federal Savings Bank, expanding the coverage with sewage collection from 70% to 92% and sewage treatment from 24% to 83% of the volume collected in SPMR.

In 2020, aside from the interventions of the New Pinheiros River Program, described below, the main highlight was the delivery of the Tietê 7 Interceptor (ITi-7), the Piqueri Sewage Pumping Plant, the new Anhangabaú Trunk Collector, and the Tamanduateí Interceptor (ITa-1J).

These works expanded sewage collection and treatment in the central and south regions of São Paulo, benefiting more than 350,000 people with sanitation and improving the system that directly serves more than 2 million residents of regions with a numerous vertical constructions and with collecting pipelines that had been operating close to their capacity limit.

Another highlight was the inauguration of **STP Laranjeiras**, which now treats sewage

of approximately 30,000 residents in Caieiras (SP). However, the new benefit generated by the new STP reaches the Tietê river, where the Juqueri river flows. See here the major structuring works underway throughout SPMR within the **Tietê Project**.

Reduction of the pollution stain

Efforts to expand services have resulted in visible impacts, with the reduction of the pollution stain of the Tietê River towards the State's countryside. The pollution of the Tietê River, which reached 530 kilometers in the 1990s, decreased to 150 km in 2020, according to a report issued by the NGO SOS Mata Atlântica.

These results become even more significant when we consider the enormous growth of the metropolis population in the period, from a little over 15 million people at the beginning of the 1990s to the current 21 million, which proves the size of the effort and the complexity of the Project.

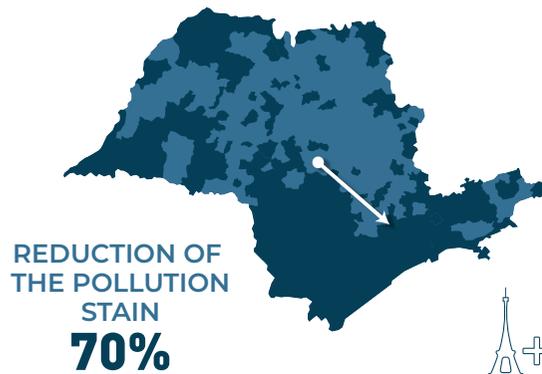


Educational action attracted six thousand visitors to the ITi-7 works

Click on the image below to watch the video: **Delivery of the Tietê Interceptor (ITi-7)**



TIETÊ PROJECT



TREATED SEWAGE IN THE METROPOLITAN AREA

1992	PRESENT
4.0 m ³ /s	20.6 m ³ /s



EQUIVALENT TO THE SEWAGE GENERATED BY **12.4 MILLION PEOPLE**
Greater contingent than London and Paris populations combined.

4,600 km PIPELINES CONSTRUCTED INTERCEPTORS, TRUNK COLLECTORS AND NETWORKS

US\$ 3.1 BILLION INVESTED IN 27 YEARS
R\$ 435 MILLION IN 2020 ALONE

1.8 MILLION NEW HOUSEHOLD SEWAGE CONNECTIONS



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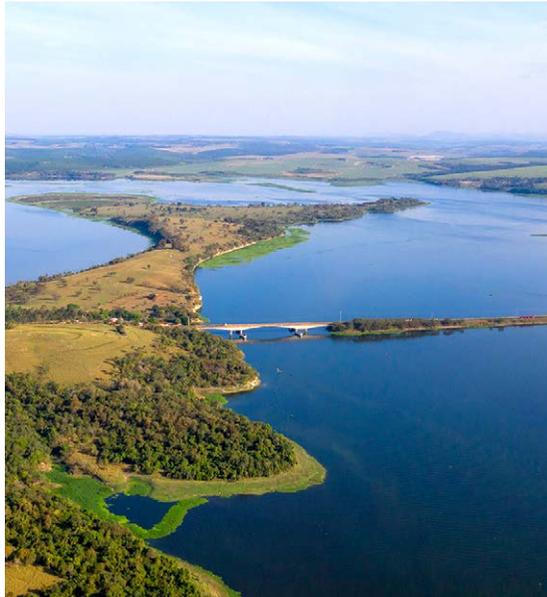
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SP-191 highway bridge in the municipality of Anhembi: stretch of the river cleaned by the efforts of the Tietê Project

Everyone for the New Pinheiros River

The New Pinheiros River Program was structured to promote the revitalization of one of the main tributaries of the Tietê River and a landmark of the São Paulo capital.

Since it is an urban river, water will not be drinkable; however, it will improve the existing odor, shelter aquatic life, and, most importantly, the population will return to its banks. In addition to giving life and reintegrating this important river to the city's routine, the actions fulfill the goal of bringing dignified conditions to thousands of families who inhabit vulnerable regions near the polluted streams that flow into the Pinheiros.

We are expanding the sewage collection infrastructure in these areas with the goal of conducting sewage of over 530,000 properties

for treatment at STP Barueri by the end of 2022. This prevents the domestic sewage pollution load from being discharged into the rivers that flow into the Pinheiros. In 2020, we had 150,000 properties connected to the treatment system.

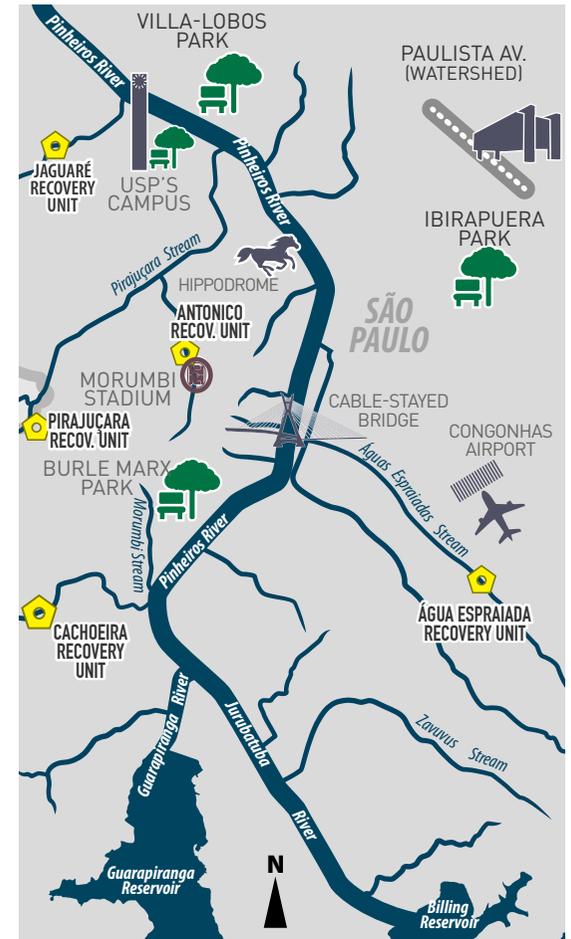
An innovation in the program was contracting the construction in the performance mode, which considers goal achievements for the number of properties connected to the sewage treatment system and water quality of the stream in the region of the interventions for contract remuneration.

Another innovation is the implementation of five units to recover stream water quality, allowing direct intervention in tributaries that receive sewage from irregular occupation areas more densely populated, where it is unfeasible to install a conventional collection structure of this pollutant load.

Under the coordination of the Secretary of Infrastructure and Environment, the program integrates several agencies, in addition to Sabesp: EMAE (Empresa Metropolitana de Águas e Energia), Cetesb (Companhia Ambiental do Estado de São Paulo), DAEE (Departamento de Águas e Energia Elétrica), Government Secretaries, São Paulo Municipal Government and partnership with society.

Each has its mission within five structuring axes: sanitation, maintenance, solid waste treatment, revitalization, and environmental communication/education. Thus, in addition to sewage collection, the actions include ▶

Click on the image to watch the video
New Pinheiros River Program – Presenting Sabesp's Roles and Actions



Area of activity of the program in the Pinheiros River basin



de-silting and cleaning the riverbed, monitoring water quality, improving the landscape along its banks and integrated actions with communities through social and environmental projects. See the New Pinheiros River actions on <https://novoriopinheiros.sp.gov.br/> and <http://bit.ly/ProgramaNovoRioPinheiros>.

Keep up with the Project



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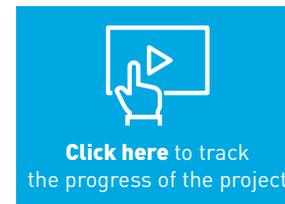
On novoriopinheiros.sp.gov.br it is possible to find information about the work in progress for the revitalization of Pinheiros

Revitalization of urban streams

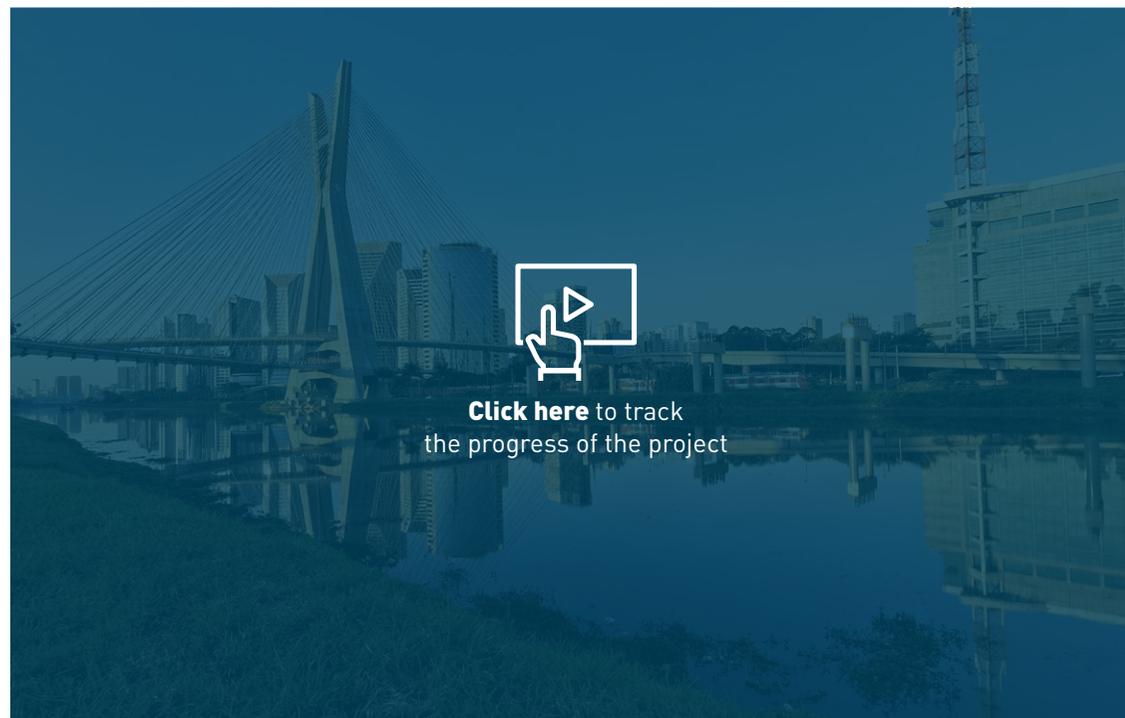
The Clean Stream Program was created in 2007 to improve water conditions of urban streams, aside from cleaning and maintaining their banks. The Program counts on the São Paulo municipal government as a partner to divide actions and responsibilities, as shown below.

Within this context, it is worth emphasizing the key role of society in maintaining water quality of urban rivers and streams, with the correct destination of residues and the connection of the properties to the sewage collection networks.

In these 14 years of the Program, R\$ 318 million have been invested in cleaning up and maintaining 161 streams in the São Paulo capital. In 2020, seven streams were cleaned (Casa Verde-1, Casa Verde-2, Espanhol, Pacaembu-upstream, Dois Irmãos, Verde-headwaters and Ribeirão Colônia), benefiting 202,500 people and resulting in the



NOVORIO PINHEIROS



Click here to track the progress of the project



collection and treatment of a sewage flow of 182 liters per second.

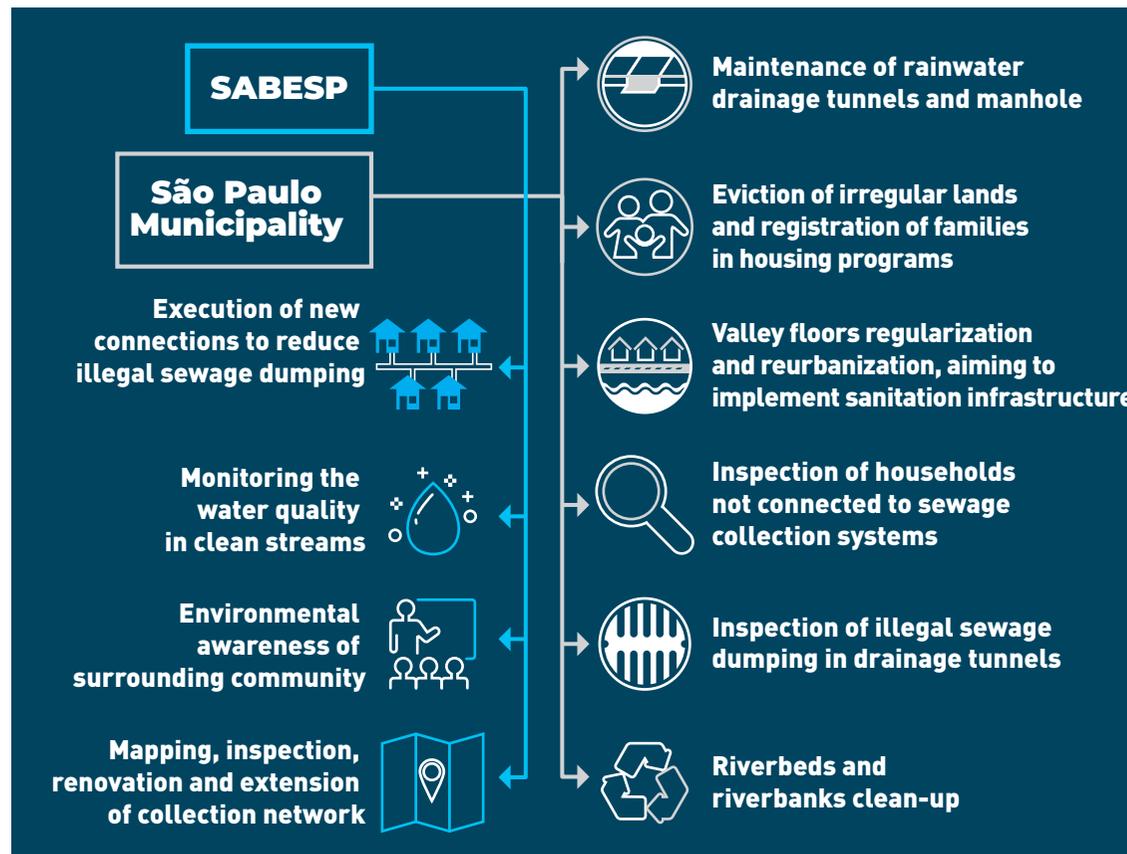
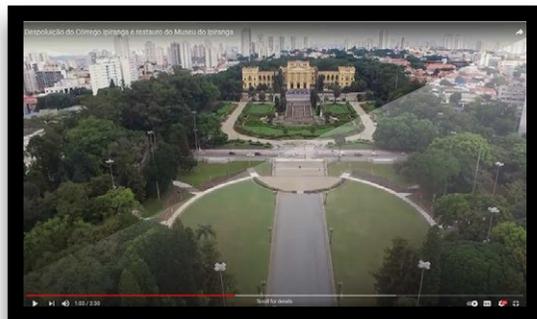
In addition, six other streams have ongoing clean up actions and receive monthly monitoring through the Program. One of them is the emblematic Ipiranga stream, which is scheduled to be cleaned up before Brazil celebrates its Independence Bicentennial on September 7, 2022.

More access and awareness

The Pro-Connection Program, whose trade name is Se Liga na Rede, was created in 2012 in partnership with the State Government, with the aim of connecting the sanitation facilities of low-income customers to the collection networks, avoiding irregular sewage disposal into the environment. The initiative serves families that receive up to three minimum wages per month and the installation costs are divided between Sabesp and the State Government, which cover 20% and 80% of the construction work, respectively.

The program has already benefited over 104,000 people with 29,700 sanitary connections and intra-household adaptations. Awareness on the benefits of connection to the collection network is

Click on the image to watch the video about the **Ipiranga Stream**



raised with the help of Agentes Se Liga, residents hired to present the initiative in the neighborhoods and explain the benefits of sewage connection. In 2019, the original deadline of the program, provided for in Decree 58,208 of July 12, 2012, expired. At the start of 2021, negotiations for renewing the program were resumed with the Secretary of Infrastructure and Environment.

More sanitation in the Billings basin

In the Greater ABC region, we are continuing with interventions at the Billings basin, on the northern bank. The sanitation structure allowed us to bring

health to the population of São Bernardo do Campo (SP) and water safety to one of the most important springs in the SPMR. A total of R\$ 230 million is being invested in the works through financing lines with JICA and BNDES.

Aside from the Couros trunk collector, a large-sized pipeline that will transport sewage generated by 382,000 people from São Bernardo do Campo (SP) and Diadema (SP) to STP ABC, works in 82 neighborhoods for the implementation of 92 km of sewage collection network, 42 km of trunk collectors and interconnections, 39 sewage pumping plants and 83,000 household connections are also underway.

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Treatment of non-domestic sewage

Since 2014, we have been partners at Attend Ambiental, installed next to STP Barueri and pre-treats non-domestic sewage in compliance with the requirements of the environmental law.

This initiative is necessary, mainly in one of the most industrialized regions of Latin America, where irregular disposal of sewage from the production process is one of the main causes of pollution of water sources.

In addition to threatening people's health, such pollutant load increases treatment costs and, in some cases, can make it impossible to collect water for treatment and distribution, affecting water availability in the region.

More tourism and quality of life on the São Paulo coastal area

Through Onda Limpa, the largest environmental sanitation program on the Brazilian coast, we have been expanding the collection and treatment of sewage in the Santos and the North coastal regions since 2007. These actions contribute directly to improving public health, beach bathing quality and the increase of tourism activities in the region.

The coverage rate with sewage collection in the Santos Coastal Region increased from 53% in

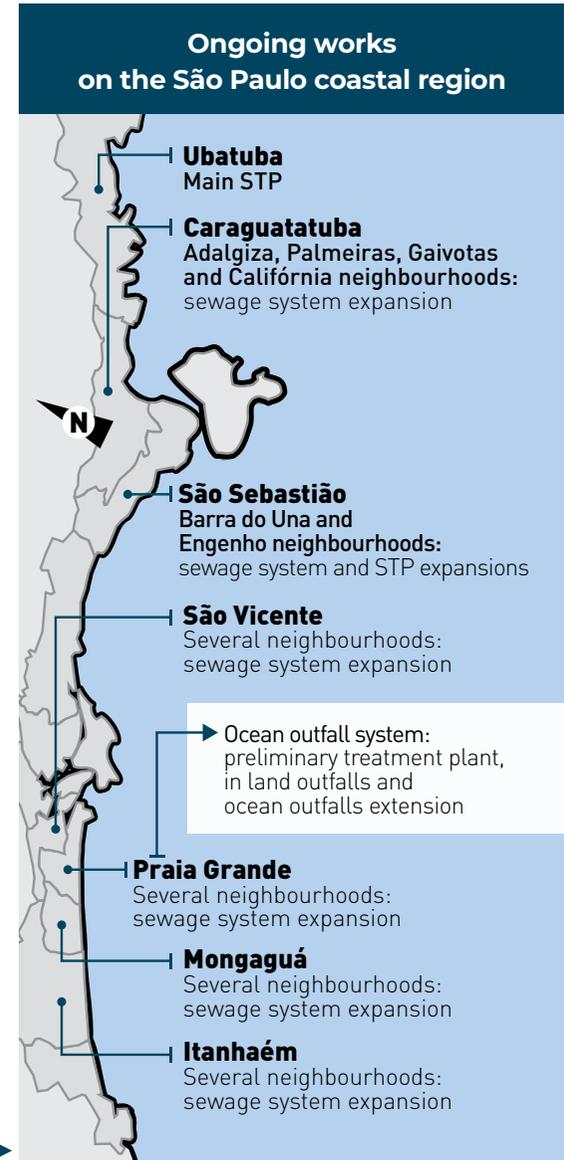
2007 to the current 83%, with investments of approximately R\$ 2 billion.

In the second stage of the Program (2018-2025), more than R\$ 1.4 billion in investments are planned to implement 523 km of collection networks, 48,000 new sewage connections, three new STPs and expansion and improvement of another 11 STPs, including the outfalls and pre-conditioning plants 1 and 2 in Praia Grande.

With this, the Santos Coastal Region should reach a sewage collection coverage index of 92%. All sewage currently collected already receives treatment.

The third stage of the Onda Limpa Program will be executed from 2025 to 2030, aiming to reach a 95% sewage collection and treatment coverage ratio for the entire sewage collected. The goal of this phase is to achieve universalization of sewage collection and treatment, benefiting areas of population growth.

In the North Coastal Regions, 70% of its official area receives sewage services and 100% of sewage collected is treated by 21 STPs and pre-conditioning plants. More than a decade ago, when the program started, sewage collection in the North Coastal Region was only 36%. By 2025, R\$ 893 million should be invested in the program, whose objective is to reach a 92% coverage rate with the collection and treatment of all sewage collected.



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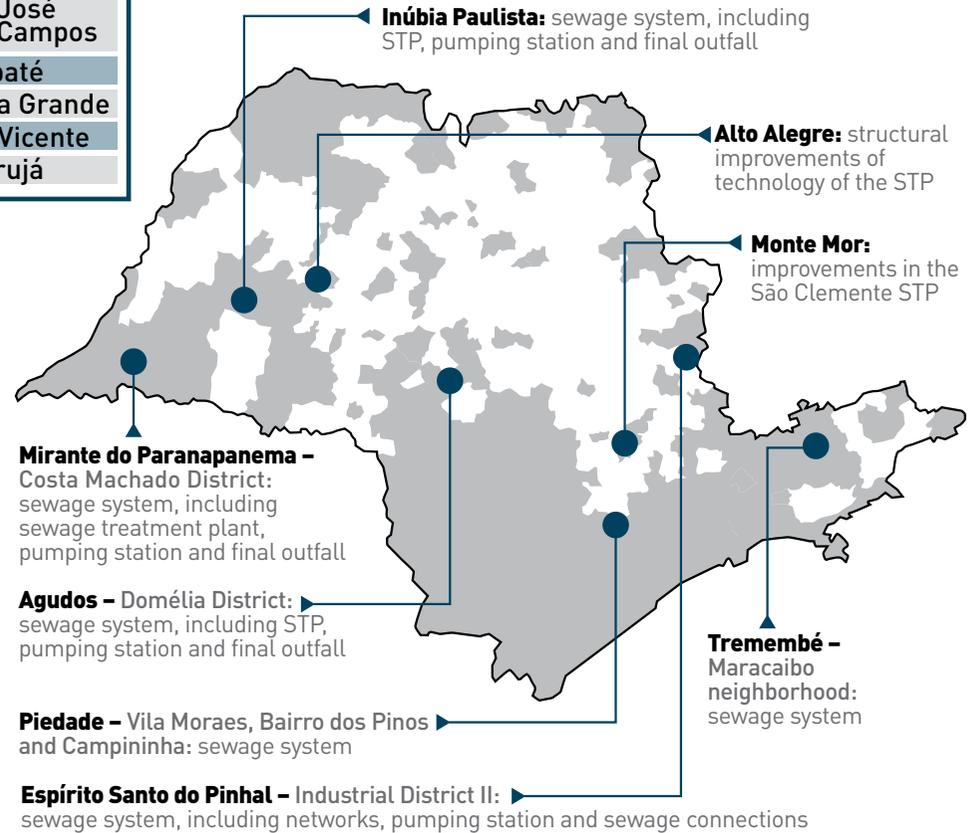
Advances in São Paulo State's countryside

We are responsible for serving 320 municipalities in São Paulo State's countryside. The excellence of service in these municipalities reflects in important recognitions. Seven of its countryside and coastal municipalities were well positioned among the 60 cities with the best sanitation in Brazil, according to Sanitation 2020 – Trata Brasil ranking, with Santos (SP) standing out in first place, followed by Franca (SP), in second. See on the side our municipalities ranked amongst the 60 cities best served in Brazil.

Municipality	
1º	Santos
2º	Franca
8º	São José dos Campos
14º	Taubaté
30º	Praia Grande
51º	São Vicente
60º	Guarujá

As almost all of these municipalities achieved universal indexes, our performance is aimed at the expansion of the structure in communities (neighborhoods or districts) isolated installed from the urban centers. In 2020, we continued moving forward with the operationalization of sewage collection and treatment systems in eight municipalities and continue with the execution of several expansion or improvement works in the basic sanitation structure of over 60 municipalities where we operate in São Paulo.

Works in the State's countryside concluded in 2020



Mobilized for the development of Vale do Ribeira

At Vale do Ribeira, one of the state's poorest regions, we are committed to further advancing the sanitation infrastructure in order to contribute to its development. To this end, we are mobilized by the advances of the Vale do Futuro Project, launched in 2019 by the State Government.

The initiative brings together actions from 20 state departments and state-owned companies in São Paulo, to bring more health, infrastructure, employment, income and entrepreneurship to the region, fostering the economic and social development by the end of 2022.

Regarding sanitation, in 2020, with the beginning of works in the municipalities of Iporanga (SP), Juquiá (SP) and Miracatu (SP), we have ongoing

interventions in the 22 municipalities that make up Vale do Futuro and host 350,000 people.

In total, our investments amount to R\$ 110.5 million in water supply, water safety and sewage. In 2020, the works in Apiaí (SP), Cajati (SP), Itaóca (SP), Itariri (SP), Pedro de Toledo (SP) and Registro (SP) were concluded. Learn more about the initiative on <https://www.saopaulo.sp.gov.br/valedofuturo/>.





RD&I

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RESEARCH, DEVELOPMENT AND INNOVATION

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In 2020, we signed a contract to build a recycling plant to produce asphalt base from waste from sanitation construction. The project foresees a production capacity of up to one million square meters of asphalt per year, which corresponds to 14 times the area of the Paulista Avenue lanes, in the city of São Paulo. An amount of R\$ 29.6 million is being invested for the installation of the plant, which should begin operations in the first half of 2021.

More than increasing quality to sidewalk replacement in the post-service performed on public roads, the initiative aims to reduce solid waste disposal in landfills, strengthening our strategic decision to consolidate the innovative circular economy path. It is a concept focused on the optimization and reuse of materials/by-products, previously discarded, as inputs of economic value to reduce costs and benefit the environment.

Despite its prominence in recent years, due to its economic and environmental advantages, our circular economy initiatives have already been a reality for years. One example is in the reuse of STP effluent as reuse water for industrial

purposes (washing machines, warehouses and cooling boilers, among other uses) and street cleaning, parks and gardens irrigation.

This is an important additional initiative to encourage the sustainable use of water, especially in a region with low water availability, such as the Greater São Paulo region, since water that could be reserved for human consumption and was destined for other purposes is now saved.

We further reuse technology at São Miguel Paulista, Jesus Netto and Parque Novo Mundo sewage treatment plants, where we annually produce approximately 111 million liters of reuse water (base 2020). Besides these plants, at ABC Sewage Treatment Plant we have installed the Aquapolo Ambiental, located on the border between São Paulo and São Caetano do Sul, the largest industrial reuse water production undertaking in South America and the fifth largest in the world.

Aquapolo is managed in partnership with GS Inima. It treats the effluent generated in the STP with ultrafiltration and reverse osmosis technologies, so that water obtained meets the demands of the industries' production processes. The plant currently produces an average of 425 liters per second to supply industries in the Capuava Petrochemical Center, in ABC Paulista, and three other large industries in the region.

It has a production capacity of 650 liters per second (and pipeline sized for 1,000 liters per second). The recent inclusion of the municipalities of Guarulhos (SP), Santo André (SP), and Mauá (SP) created a great opportunity to expand this segment to new customers.



The reuse of water from sewage treatment is an initiative based on the concept of circular economy

Another project which is being implemented at STP Franca (SP), also includes the complete cycle of the Circular Economy concept in the management of an STP, transforming the entire process into an optimized resource recovery system.

It is an innovative experience in the sanitation sector in Brazil, as it is planned to integrate the solid, liquid, and gaseous phases of the sewage

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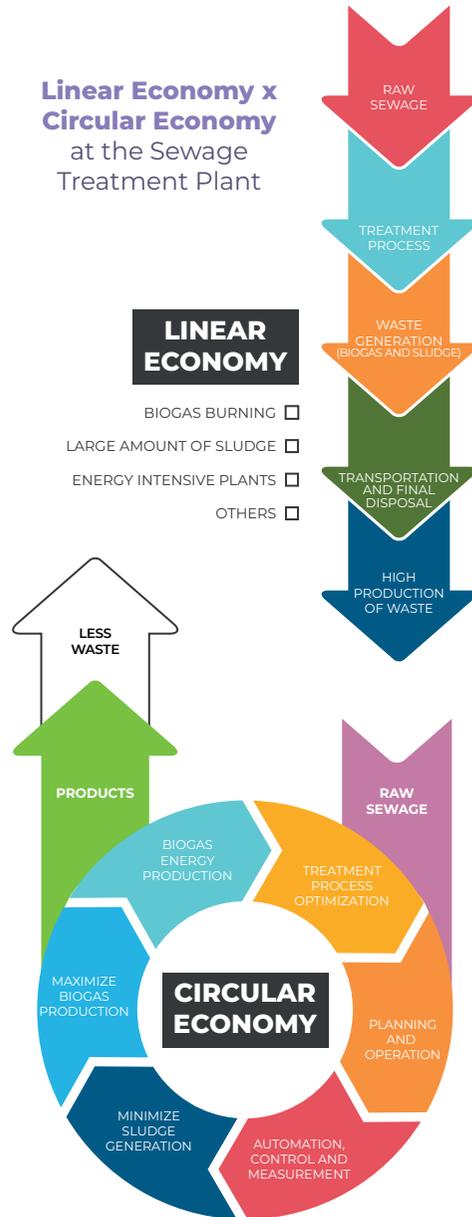
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Linear Economy x Circular Economy at the Sewage Treatment Plant



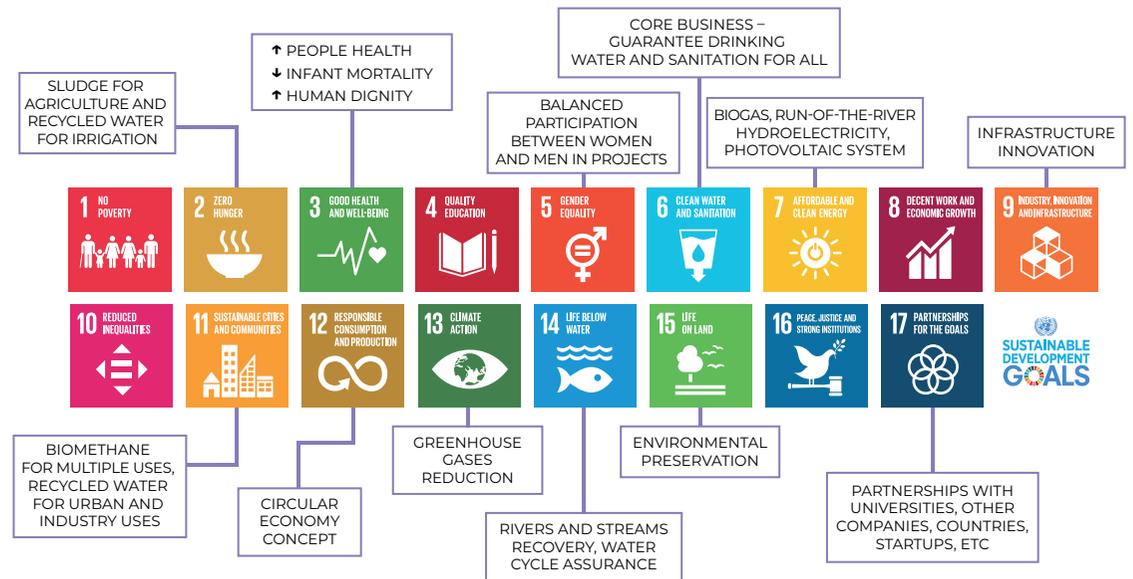
treatment process and has the potential to serve as a pilot to be replicated across the sector.

The circular economy project at our STP in Franca (SP) was recognized, in 2019, with first place in the "Convocatoria Ideas en Acción" award organized by the Inter-American Development Bank (IDB) and the International Water Association (IWA) in Guayaquil, Ecuador.

Among the actions developed for STP Franca (SP), the most structuring already implemented was the use of biogas generated in the sewage treatment process in the form of biomethane to supply our local fleet of 38 light vehicles adapted to compressed natural gas (CNG).

Resulting from the technical cooperation agreement with Germany's Fraunhofer IGB Institute, the initiative uses clean, renewable fuel with reduced greenhouse gas emissions to replace fossil fuel. This STP treats an average of 500 liters per second of sewage and produces around 2,500 Nm³ of biogas per day, enough to replace 1,500 liters daily of regular gasoline.

The project also foresees other actions in the planning and contracting phase, such as the use of water and solar energy, as well as other beneficial applications for biogas. Because of its scope, this circular economy project meets the UN's 12 Sustainable Development Goals (SDGs), as shown below.



Still under the concept of circular economy, we also have a partnership with Universidade Estadual Paulista (Unesp) to assess the technical and environmental feasibility of using Water Treatment Plant sludge as a raw material for sidewalk base and sub-base, adding value to a by-product. In 2020, the research was interrupted due to access restrictions to laboratories as a security measure in view of the Covid-19 pandemic.

Solid waste management

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

Conventionally, sludge from water and sewage treatment systems is sent to landfills. On the other hand, in SPMR and in more densely populated regions of the State's countryside state, we treat the leachate generated in municipal landfills in order to reduce its environmental impact.

In recent years, however, we have carried out a series of studies and innovative projects within the concept of circular economy and focused on the final destination of sludge, in search of economically feasible and environmentally more sustainable solutions.

Our STP Barueri, the largest sewage treatment plant in South America and responsible for more than half of the total volume of sewage treated in SPMR, concentrates important initiatives with this objective. One of them is the thermal treatment of sludge with plasma technology, funded by FINEP.

In 2019, we filed with Cetesb the licensing process of this project, which converts sludge into glassy residue with great potential for reuse in civil construction, among other uses. The conversion is done by exposing the sludge to high temperatures (around 1.500 °C), drastically reducing the volume of waste to be transported and disposed of in landfills.

Our STP Barueri was also the place chosen for implementation of Waste to Energy, a project that will promote the thermal treatment and the environmentally adequate destination of sludge, associated with the generation of electric energy from the biogas produced in the

plant, producing part of the energy needed for STP's operations.

In the plants in the State's countryside, we have initiatives for drying sludge by solar irradiation in greenhouses. In addition, at the STP Lageado (SP), in the municipality of Botucatu, in 2018 we obtained approval from the Ministry of Agriculture for the production and sale of Sabesfértil, the product resulting from the transformation of sludge into high quality organic fertilizer. The current processing capacity is 25 tons/day.

In addition, the recent CONAMA resolution 498/2020, which was prepared taking into consideration Sabesp's technical contribution, provided new guidelines for the use of sewage sludge in the soil apart from the agricultural use, enabling its use for the recovery of degraded soils.

This change offers an initial perspective for the use of STP sewage sludge in the soil in the countryside of the State, because of the closeness with the agricultural production market and the favorable conditions of sludge. Sludge generated by Sabesp in the countryside corresponds to the treatment of sewage of an area of approximately 8 million inhabitants.

These technological innovation actions contribute to add a number of environmental services related to the minimization of waste generation and its return to the environment in more favorable conditions, to the use of a cleaner, renewable and sustainable energy matrix, to the reduction of GHG emissions, as well as to the reduction of operational costs by reducing the amount of sludge to be transported and disposed of in landfills.

Click on the image to watch the video: Sewage path



Automation in the operations of the treatment plants

We continue with the implementation of the automated system for the operation of the WTPs in our operated area, through a technology internally developed and initially operationalized in the Vale do Ribeira region.

The use of the technology was possible by means of a data shelter that controls the treatment process, the technology allows data storage, leading to an improvement in the application of chemicals and monitored parameters. With automation, better control over processes, reduction in energy and chemical consumption and lower internal water losses is obtained.

In Botucatu, effluent from sewage treatment is used for the production of fertilizer



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In the countryside and coastal regions, 116 plants already have automatized systems. In 2020, bidding processes were conducted for the acquisition of analytical data for another 11 WTPs. Project Shelter, a modeling project started in the SPMR, was implemented in 2015, and consists of purchasing analytical data with performance-based remuneration, instead of purchasing equipment, allowing for the safe automation of both WTPs and STPs.

Because of that, Sabesp developed an artificial intelligence and machine learning software to automate the process of dosing chemicals in WTPs, generating savings of up to 30% with coagulants in the six plants operating with this technology in Greater São Paulo. Another 16 plants will start operating in 2021. Given the unprecedented nature of the project in the sanitation sector on a global scale, Sabesp started the process of registering the intellectual property of this software with the INPI (National Institute of Intellectual Property).

In January 2021, the University of São Paulo (USP) officially delivered to Sabesp a Plan for Operating Systems Integration (PISO), which is the result of an agreement made in 2019 between USP, Sabesp and the World Bank. The plan consists of a guideline for the implementation of automation in Sabesp's operational systems. The second stage, called PISO 2, is already under development and will prepare Sabesp for industry level 4.0 automation, also known as "Smart Sanitation".

The processes of STPs Barueri, São Miguel, ABC, Parque Novo Mundo, and Suzano, responsible for the treatment of 28,000 liters per second of sewage, will be automated with the unprecedented modeling in sanitation of analytical data purchase based on performance. The contract is valid for ten years and the company who was awarded the contract is in the qualification phase.

Research and development

Our way to work to promote research and technological development in this area was recognized by several agencies, such as IDB, FINEP and FAPESP. An example in 2020, was the Ideas en Acción award, promoted by IDB to encourage innovative projects in the sanitation sector in Latin America and the Caribbean. We were recognized as the only company selected in the "Business Management for Innovation" category, which made us a reference in business innovation and transformation in the segment.

In 2020, we allocated approximately R\$ 20.5 million to Research, Technological Development and Innovation projects (RD&I) with our own resources or with funds raised with development agencies. In the last three years, approximately R\$ 48 million have been invested in the search for increased productivity and efficiency in service delivery.

Besides the circular economy, our fronts are organized in different project lines to meet

internal demands: process improvement for construction and operation of water and sewage systems; water and sewage treatment solutions; asset control and management; clean and renewable energy generation processes; energy efficiency; customer relationship technologies; and loss reduction.

With these lines established, for over one decade we have been acting systemically and dedicated to prospecting, channeling and encouraging the adoption and dissemination of innovative and sustainable solutions, new business models and new organizational processes.

Within the contract signed with Finep in 2015 (Sabesp's Technological Innovations Plan) in the amount of R\$ 48 million, we are developing projects aimed at controlling the smell in sewage pumping plants, drying sludge by solar irradiation in greenhouses and a plasma gasification system for solid waste from sewage treatment plants.

Another important initiative, maintained since 2009, refers to the Cooperation Agreement between Sabesp and Fapesp that has already resulted in the implementation of 17 research projects.

The agreement provides non-reimbursable funding of R\$ 50 million, equally divided between Sabesp and Fapesp, aiming to finance research projects in Higher Education institutions in the São Paulo state under the Partnership Program to Support Research for Technological Innovation (PITE).

The agreement is currently in its third call for projects, in which R\$ 18 million will be invested. The submitted projects are under technical and scientific merit analysis by Fapesp's ad-hoc reviewers.

Investments in RD&I, around R\$ 48 million in the last three years, seek greater productivity, operational sustainability and efficiency in the provision of services

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In 2020, we prepared a technological innovation projects portfolio, based on the assumptions established by Arsesp and within the approval granted in 2018, to use the 0.05% required from direct revenue as RD&I investments starting in 2020.

This has been happening for years in the electric power and piped gas sectors, but Sabesp is the first Brazilian public sanitation services company to establish this type of project with the regulatory agency. The projects were analyzed and prioritized for the first edition of the Program. However, due to the impacts of the Covid-19 pandemic on revenues, Arsesp has suspended the implementation of this Program until 2021.

Also in 2020, we signed a technical cooperation agreement with IDB to finance actions for improvement and technological innovation of the operational instruments for water supply management in water crisis situations.

The partnership aims to fully systematize the plan used to manage the last water crisis faced by the São Paulo state, including the identification and assessment of innovative technologies used as instruments to mitigate this type of event, as well as the identification and development of projects focused on operational technologies to be applied in the context of water crisis management.

A total of US\$ 328,000, non-reimbursable, to be debited from the Bank's ordinary capital resources aimed to the Strategic Program for Infrastructure Development should be invested, as well as US\$ 30,000 from Sabesp.

More innovative initiatives

Tests with companies that manufacture aerators powered by photovoltaic energy were concluded, aiming to improve the efficiency of sewage treatment using a clean and renewable energy matrix. The tests proven to have great replicability for other plants, after making necessary adjustments.

To reduce odor emissions into the atmosphere, which may cause nuisance to the surrounding population, Biofiltration Units were created with funding from FINEP, to be implemented in the Pinheiros and Pomar sewage pumping plants (SPPs).

Regarding the monitoring of water quality of our streams and rivers, we are developing a project to use the total organic carbon parameter as a supplementary parameter to those currently used, such as the Biochemical Oxygen Demand (BOD) and the Chemical Oxygen Demand (COD). The goal is to speed up the preparation of results and increase the productivity and monitoring capacity of our sanitary control laboratories.



Click on the image to watch the video: Sewage Pumping Plant



Aquapolo Ambiental,
South America's largest industrial reuse water production plant

Open innovation

We are investing in the development and implementation of Open Innovation actions, integrating ideas, thoughts, processes and research coming from players from several internal and external segments, aiming at the improvement of processes, products and services.

In this sense, in 2020, we tested several pilot-scale solutions resulting from the Pitch Sabesp, held in 2018, through a Public Call, which launched 27 challenges in five different operating areas, with the purpose of selecting and testing innovative solutions for the challenges previously defined by Sabesp.

Some of the solutions tested proved suitable for future real-world implementations on an operational scale, while others failed to do so under the conditions in which they were evaluated. Because of the pandemic, some tests were delayed during the process and are still pending for completion in 2021.

Furthermore, a technical cooperation signed with IDB provides for the assessment, systematization and improvement of open innovation public calls, such as Pitch Sabesp, to be replicated in the Company.

In the concept of open innovation, we also conducted tests with innovative solutions emerging from the market, in different evolutionary stages of development to assess their potential application in Sabesp and in the sanitation sector in general.

These technological cooperation initiatives create opportunities for companies to test solutions in our operations, evaluating their effectiveness or detecting opportunities for

improvement. In turn, Sabesp has the opportunity to identify solutions potentially capable of adding technological benefits that improve its processes and services in a sustainable way.

Thus, with the objective of accelerating projects developed through startups, in 2020 the negotiations to carry out the first public call for projects of the Small Business Innovative Research Program (PIPE), our second agreement with Fapesp, were resumed. It is focused on the support to the execution of scientific and/or technological research in

micro, small and medium-sized companies in São Paulo, encouraging innovations and technological advances.

In addition, Sabesp publishes DAE Magazine on a quarterly basis, with technical scientific articles on sanitary and environmental engineering. Accordingly, we seek to encourage and disseminate improvements in processes, innovations, and technological advances in the segment. In 2020, we published 227 issues. The publication was nominated to the B1 category in the Qualis/CAPES system, effective for the 2021-2024 period. 

MORE TECHNOLOGY, EFFICIENCY AND SECURITY TO THE ADMINISTRATIVE ROUTINE

In August 2020, we implemented the electronic signature system (1Doc), at a crucial moment for the development of the administrative work, since all professionals involved in management were working remotely, in isolation. The system came to speed up the processing of documents, which is now fully computerized.

From August to December, more than 10,000 documents were daily transmitted, leading to savings of approximately 30,000 sheets of paper and fuel consumption, since it is no longer necessary to use vehicles to transport this material. Another unquestionable gain was the ease of access and traceability, resulting in greater security and less time to complete the processes.

Consequently, the average time required to conclude a signature was reduced to a tenth of what was previously required for a physical signature. For its importance and increased efficiency in the administrative routine won the Innovation in Sanitation Management Award, of the National Quality Award in Sanitation (PNQS) in 2020.

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Environmental Management at Sabesp is part of the business strategy and aims to work towards improvement and operational compliance of the water and sewage system installations and to disseminate the culture of environmental appreciation among our stakeholders.

This strategy is guided by systemic vision, allowing integrated planning and sustainability of processes in economic, environmental and social dimensions and the sustainable use of natural resources, according to the ESG agenda.

The guidelines for environmental management are expressed in our Environmental Policy and we have an Environmental Committee that monitors the development of corporate environmental management programs and participates in the company's strategic decisions.

To raise efficiency levels and achieve the organization's goals, considering the geographical dispersion of the areas, the local diversities and the different sizes and conceptions of the operated systems, the corporate environmental programs are disseminated by means of Environmental Management Centers (NGAs, in Portuguese).

The NGAs are represented by environmental management agents located in each business unit, who pass on corporate guidelines to the operational area and report local demands to be solved within the corporate context.

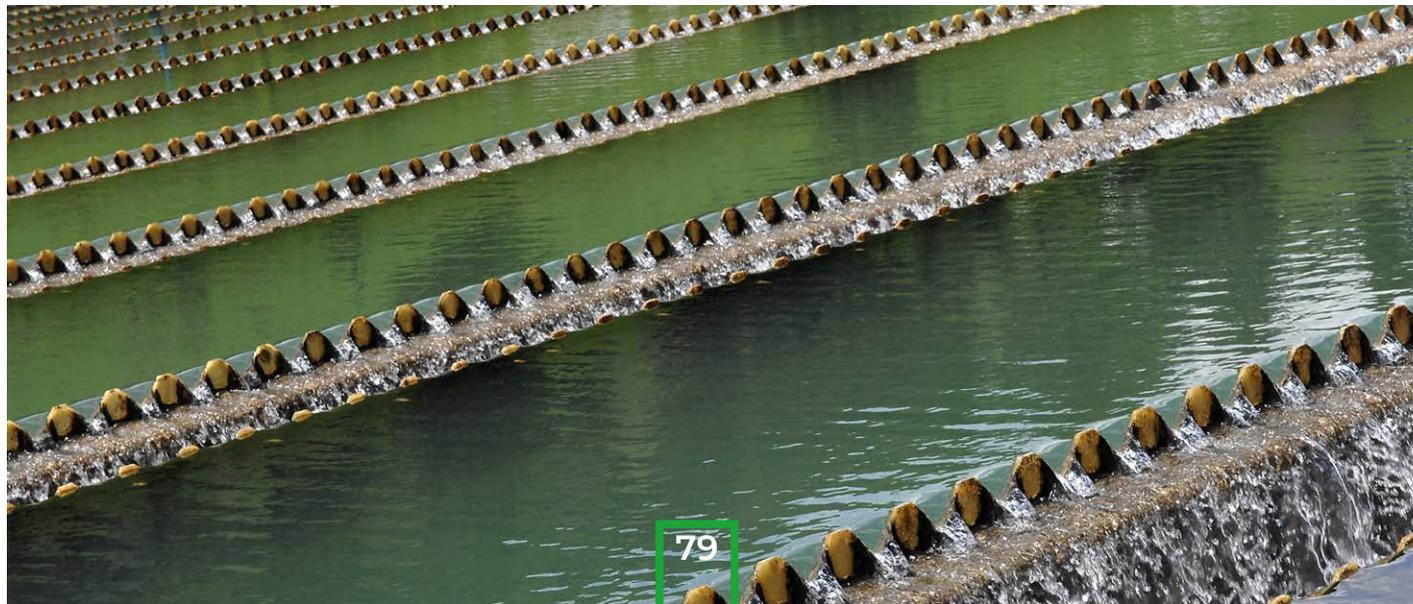
To support environmental management at Sabesp, there are Corporate Programs designed to ensure evolution of the actions and achievement

of the desired results in the operational and environmental awareness spheres.

Integrated environmental compliance

Within Environmental Management, we seek compliance structured through programs and actions aimed at sustainability. However, it is necessary not only to achieve, but also to maintain the compliance. For this reason, compliance and culture change are operationalized simultaneously, seeking continuous development of the teams on these two fronts.

We approach environmental issues considering the integrated vision of the Company. Thus, to



Guaraú WTP, in São Paulo: since 2017 the Environmental Management System is implemented on Sabesp's largest water treatment plant



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equate the environmental actions and inquiries, we have started to establish Conduct Adjustment Terms (TACs) and Judicial Agreements (AJs), which makes it possible to plan work constructions within feasible terms.

Our Corporate Programs for Obtaining and Maintaining Licenses for Water Treatment Plants (WTPs), Sewage Treatment Plants (STPs) and Sewage Pumping Plants (SPPs) have made it possible to meet the licensing agency's requirements, in addition to structuring the processes for renewing and maintaining these authorizations.

Similarly, there is the Corporate Program for Obtaining and Maintaining Water Resource Use Grants, contemplating the proceedings related to grants for water catchments, treated sewage discharge and dams. The grant provides the necessary elements to support the process of use and payment for water resources. Sabesp is the top payer for water use in the state.

In 2020, the Company disbursed R\$ 82.4 million in payments for the use of water, an amount lower than expected, given the the pandemic interferences, however, the expectation is to pay R\$ 100 million in 2021.

In view of the environmental compensation obligations arising from the licensing processes of enterprises, Sabesp has a Corporate Program for Environmental Recovery Commitment Terms (TCRAs) aimed at planting and maintaining one million seedlings of regional native species, over a period of ten years.

This is a sufficient quantity to meet the existing TCRAs, remaining a positive balance for future commitments provisions. This program is in line with the São Paulo State Government's Nascentes Program.

However, given the understanding that the effort put into actions aimed at environmental compliance is not enough to elevate the Company to a condition of environmental excellence, it is necessary to invest in preventive actions, towards sustainability, according to the corporate programs and initiatives described below.

Environmental Management System in STPs and WTPs (SGA-Sabesp)

In 2009, we started the voluntary implementation of the Environmental Management System (SGA) in the WTPs and STPs, aiming at improving the efficiency of the systems, managing risks and implementing preventive actions to avoid impacts to the environment, considering the relevance of these plants in relation to the company's core business: providing drinking water and treating the sewage generated by the population.

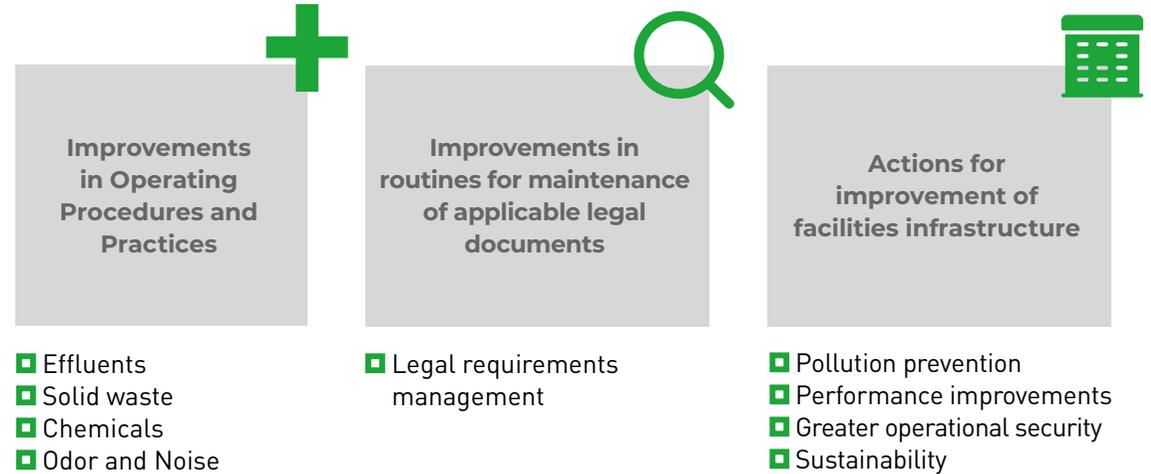
Our goal is to implement the SGA in all WTPs and STPs by December 2024, considering the positive impacts of the SGA on the operation, which recognizes its importance as a vector for achieving operational excellence.

To evolve in this task, we have adopted the strategy of using two environmental management models, in which the ISO 14001 model continues to be kept at the certified plants, while for the other plants Sabesp's own environmental management model, SGA-Sabesp, is being applied.

The strategy of having part of the scope certified by ISO 14001, in addition to showing our commitment to the environment, keeps the Company up to date with international standards and practices and also serves as a benchmark to improve our model.

The success of this process was gradual, but SGA-Sabesp is currently consolidated at Sabesp as an effective instrument to

Objectives of Environmental Management System (SGA)



disseminate good environmental practices in addition to contemplating actions to improve the infrastructure of the facilities aiming at greater operational safety.



STP Porto Novo in Caraguatatuba (North Coastal Region) is one of 36 certified with ISO 140001

In 2020, the SGA was implemented in 138 plants (water and sewage). In all, the SGA is present in 530 Sabesp plants (64% of the total) and we have annual expansion targets, aiming at implementation in all plants in operation by 2024. We received ISO 14001 certification in another plant, totaling 36 plants

Sustainable STP Program

The Sustainable STP Corporate Program, launched in 2019, was established to develop and disseminate the culture of sustainability. The program considers the implementation of actions that make it possible to transform the by-products generated at the STPs such as biogas, sludge and effluents, into sustainable resources, considering their energy use and, in some cases, market opportunities.

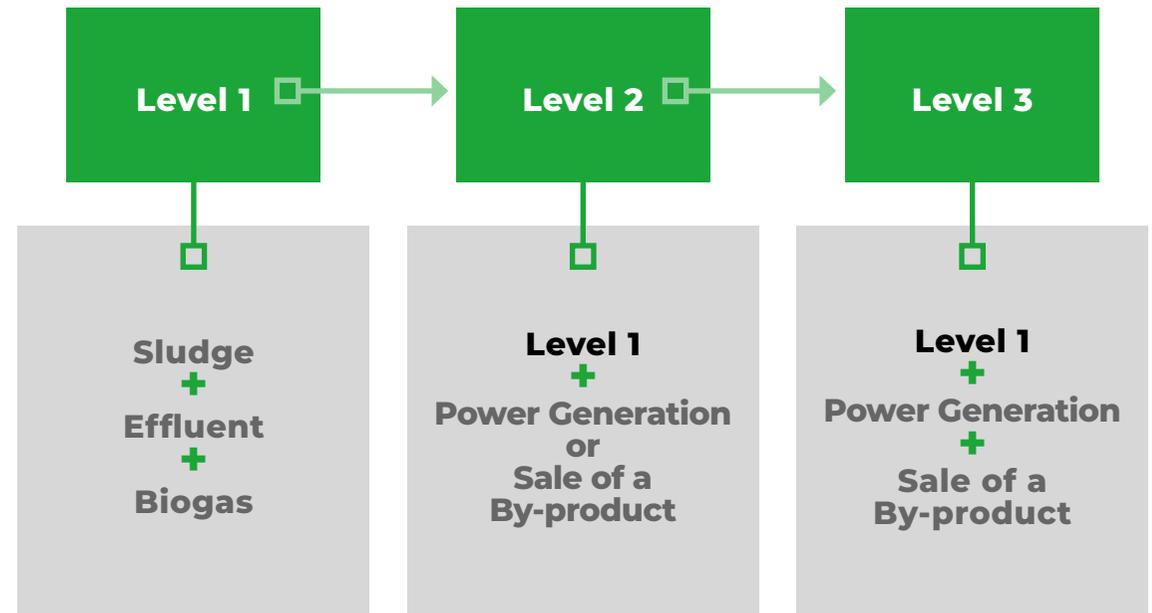
The Program presents its own certification system, with three levels of progress, as shown below. To receive Level 1 Sustainability Seal, the plant must have implemented sustainable

solutions for the disposal of sludge, effluent and gases generated by treatment.

To obtain Level 2, in addition to those in Level 1, actions are required for energy generation or sale of a product generated from the solutions adopted, and Level 3 considers, in addition to those of Level 1, actions for energy generation and also sale of products to be used in the market.

Currently, the Program includes 18 plants, five of which have the Level 1 Sustainability Seal and one with the Level 2 Seal. The plants that have not been certified yet are in phase of study and infrastructure improvement and the scope of the Program is expected to expand in the coming years.

Evolution Levels of the Corporate Program for Sustainable Sewage Treatment Plants



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Sustainable STPs are seek to minimize the consumption of natural resources and energy through the beneficial use of their by-products.

Environmental Education to induce Cultural Change

To promote the cultural change regarding environmental issues, we count on the Corporate Environmental Education Program – PEA Sabesp, which contributes to the awareness and mobilization of our internal and external publics on the subject of sanitation and environmental protection.

The work is directed towards collectively strengthening the perception of the value of sanitation services in relation to water treatment and distribution and sewage collection and treatment, in addition to developing actions concerning hygiene habits and preventive health.

Through our Corporate Training Plan in Environmental Management, development opportunities are offered in environmental

management topics in sanitation, considering the various professional levels and involvement of the teams. In the last twelve years, we have trained over 20,000 people, among the internal and external public, to become multipliers of good environmental practices.

20 thousand people trained in Environmental Management in 12 years – internal and external audiences

Participation in environmental and water resource forums

Seeking the involvement with civil society organizations for good environmental and water resources management, Sabesp has Institutional Representatives in the National and State Water Resources Management System, with 162 employees acting in such forums.

Greenhouse gas management (GHG)

Considering that sanitation activities are directly impacted by climate conditions and extreme events, and in alignment with the State Climate Change Policy guidelines, we continued our Corporate Greenhouse Gas (GHG) Emissions Management Program.

Thus, in 2020 we elaborated the corporate GHG inventory for 2019, totaling 2,326.3 thousand tons of CO₂ equivalent (tCO₂e), with the largest sources of GHG emissions being generated from sewage collection and treatment.

Due to the nature of the activity and the constant expansion of services towards the universalization of sanitation, the tendency of the GHG inventory results is of growth.

Emissions in 2020 thousands of tCO ₂ e	
Scope 1	2,116.9
Scope 2	192.3
Scope 3	17.1
Total	2,326.3

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

However, we have sought to apply new technologies, especially those aimed at Cleaner Production (P+L), encouraging best practices that result in good management of greenhouse gas emissions in operations such as initiatives for the beneficial use of sludge generated, energy efficiency projects, among others.

As a way to ratify the corporate direction of the theme in question, we have adhered to the São Paulo Environmental Agreement, which provides recognition of the signatories as members of the community of leaders in climate change, in the context of sustainable development.

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Energy efficiency

Energy consumption is of great relevance in providing basic sanitation services and the growth of the population served as well as expansion of the municipalities of the operated base make the total consumption of electricity grow over time. Our strategy for more efficient energy management is based on reducing expenses and electric energy consumption and the use of generation potentials, resulting in several environmental benefits.

Among the actions taken, we developed a methodology for contracting motor-pump sets considering the value of energy consumption projected for the first three years of operation as well. We also perform assessments for equipment replacement using the International Performance Measurement and Verification Protocol and the International Water Association – indicator, the Ph5.

Regarding the use of energy generation potentials, in 2019 we began structuring a Distributed Generation Program – Photovoltaic Energy, expected to be concluded in 2023 and totaling a power of 60 MW, distributed in 30 locations, corresponding to 4.5% of the Company’s total consumption. The expected annual energy production could contribute with 8,923 metric tons of CO₂ equivalent (tCO₂e) that will no longer be released into the atmosphere, thus helping to reduce greenhouse gas emissions from both Sabesp’s energy management processes and the national energy grid.

In early 2021, we began producing energy in our first UFV of the Program, in the municipality of

Orindiúva, adding to a series of projects developed to reduce energy consumption and diversify the energy matrix of our operations, as described below.

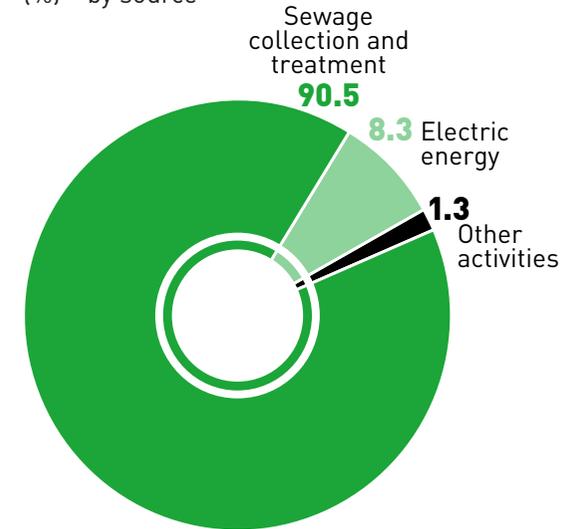
Also part of the list of initiatives for improving our energy efficiency is the use of photovoltaic energy for other operational processes such as

- ▣ data transmission from reservoirs via radio;
- ▣ flow measurement systems in STPs;
- ▣ effluent disinfection systems;
- ▣ lighting in administrative buildings;
- ▣ thermo-solar systems for optimizing the STP sludge drying process.

ENVIRONMENTAL ADVANTAGES OF DISTRIBUTED GENERATION

The production of energy close to the place of consumption allows the mitigation of environmental impacts that would be generated by the construction of large hydroelectric plants and transmission lines, and helps to reduce losses.

Greenhouse Gas Emissions (GHG) [%] – by source



[2] Considering the Average Annual Emission Factor of the National Interconnected System (SIN) between 2010 and 2020 (0.08061 tCO₂/MWh).

Fleet renewal

Aiming at optimizing management of the corporate vehicle fleet, we opted for continuous use lease contracts and, through the Fleet Renewal program, 91.6% of the light vehicles and 78.7% of the heavy vehicles were replaced, achieving several benefits.

One highlight was the reduction in annual gasoline consumption from 3,206,444 liters in 2011 to 520,184 liters in 2019, resulting in an 88% reduction in GHG emissions from this source, as shown in the graph below.

We also contracted a Strategic Plan for Sustainable Corporate Mobility by 2030, defined according the results of previous pilot studies for the adoption of sustainable motorized vehicles.

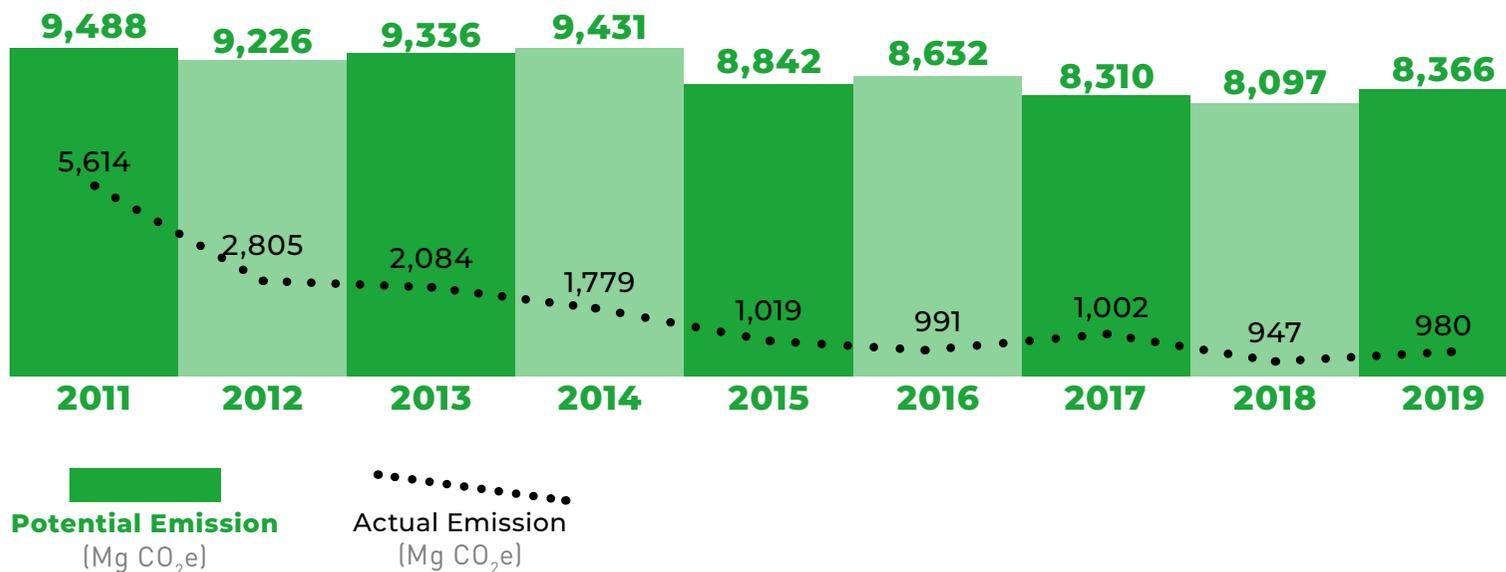
In this context, we can also highlight the use of biogas energy in STPs plants to supply as fuel the vehicle fleet. Since April 2018, we have been using the biogas generated in the sewage treatment to fill up the operational fleet in Franca, in the State's countryside. See more details on this initiative on page 76. ■

In less than a decade, a reduction in gasoline consumption by the Company's fleet resulted in an 88% drop in GHG emissions from this source



Potential Emission versus Actual Emission

(Use of ethanol to replace gasoline - 70%)



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GRI 103-1 | 103-2 | 103-3 The year 2020 was especially challenging. In order to simultaneously face the economic crisis and the Covid-19 pandemic, the Company was required to reallocate its available resources, adapting them to new market conditions in which revenues fell while defaults, uncertainties and exchange rate volatility increased.

We know that water is an even more essential resource for preserving the population's health during a pandemic and thus our first objective was to make the economic and financial conditions feasible for the Company to ensure operations and access to services were maintained, mainly for the more socially vulnerable population.

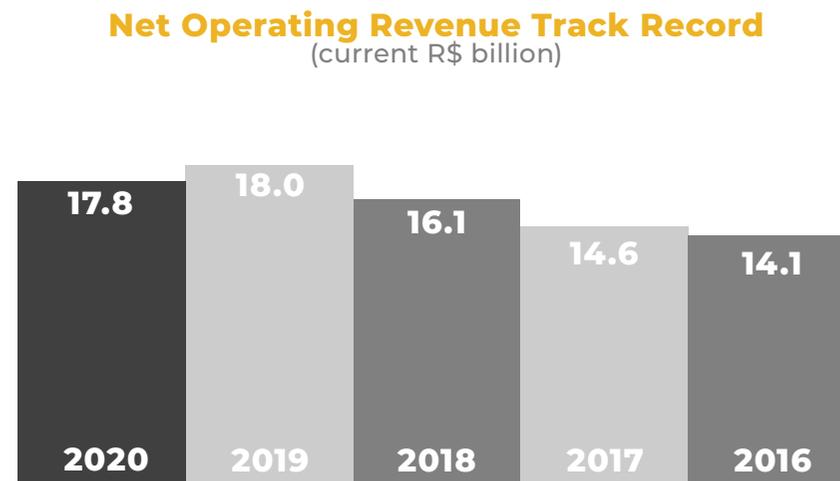
The quarantine decree in the state of São Paulo directly impacted the Company's revenues as a consequence of the change in the consumption mix, caused by the increase in volumes in the residential categories and reduction in the commercial, industrial and public categories whose average tariffs are higher, leading to a reduction in the total average tariff. Our revenues from the residential sector were also affected since consumers in the "Residencial Social" and "Residencial Favela" categories were exempted from paying water and sewage bills between the months of April and August.

To face the challenge, we have taken several measures to strengthen the Company's liquidity and offset the effects from the drop in revenue, the increase in uncertainties and the

exchange rate volatility and thus that we would maintain the investments necessary to meet our goals assumed in contracts signed with the operated municipalities.

Additionally, we advanced in our policy to expand market share and took over the water supply services in the municipality of Mauá (SP), moving it from wholesale supply to retail supply, exchanging a historical debt for a long-term service contract that, in addition, expands direct contact with the population.

In the regulatory environment, the year 2020 was marked by the enactment of Federal Law 14,026/2020, which approved the New Basic Sanitation Legal Framework and among other measures, extinguished the Program Contract, ▶



increasing competition in the sanitation sector and attributed the National Water and Sanitation Agency (ANA) with the authority to establish guidelines for the actions of state and municipal regulatory agencies, minimizing regulatory uncertainties and creating an attractive environment for investments in the sector. On March 17, 2021, the National Congress upheld the presidential vetoes.

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The Company is aware of the increase in competition resulting from the approval of the New Sanitation Regulatory Framework

Overall, despite turbulences, the Company managed to stay on track with its strong financial management, record fund-raising and reduction in expenses, all of which made it possible to preserve its liquidity and its investments without neglecting social protection measures within its radius of action.

Regulation of Services and Tariffs

The services provided by Sabesp are regulated and inspected by the São Paulo State Public Services Regulatory Agency (Artesp). The tariff reviews and adjustments follow the guidelines established by the Basic Sanitation Law and Artesp's regulations.

The reviews take place every four years and the Third Ordinary Tariff Revision has its final result scheduled for April 9, when a new four-year cycle will begin (2021-2024). In parallel, a Tariff Structure Revision is also taking place, which has been in effect since the 70s, having undergone minor changes in 1997.

Gross operating revenue track record – current R\$ billion

	2020	2019	2018	2017	2016
Total	18.9	19.1	17.1	15.4	14.8
Construction	3.7	3.0	2.8	3.2	3.7
Sanitation	15.2	16.1	14.3	12.2	11.1

Water and sewage billed volume⁽¹⁾ per customer category – million m³

	Water			Sewage			Water + Sewage		
	2020	2019	%	2020	2019	%	2020	2019	%
Residencial	1,754.3	1,710.1	2.6	1,518.9	1,471.8	3.2	3,273.2	3,181.9	2.9
Commercial	159.1	175.8	(9.5)	151.2	171.1	(11.6)	310.3	346.9	(10.6)
Industrial	30.7	32.7	(6.1)	35.1	39.6	(11.4)	65.8	72.3	(9.0)
Public	35.8	44.1	(18.8)	31.5	39.6	(20.5)	67.3	83.7	(19.6)
Total retail	1,979.9	1,962.7	0.9	1,736.7	1,722.1	0.8	3,716.6	3,684.8	0.9
Wholesale ⁽³⁾	50.1	48.1	4.2	14.5	16.0	(9.4)	64.6	64.1	0.8
Subtotal	2,030.0	2,010.8	1.0	1,751.2	1,738.1	0.8	3,781.2	3,748.9	0.9
Santo André ⁽⁴⁾	53.9	67.1	(19.7)	53.4	28.9	84.8	107.3	96.0	11.8
Mauá ⁽⁵⁾	29.5	34.8	(15.2)	–	–	–	29.5	34.8	(15.2)
Residencial Social/ Favela ⁽⁶⁾	45.8	–	–	35.3	–	–	81.1	–	–
Total	2,159.2	2,112.7	2.2	1,839.9	1,767.0	4.1	3,999.1	3,879.7	3.1

Water and sewage billed volume⁽¹⁾ per region – million m³

	Water			Sewage			Water + Sewage		
	2020	2019	%	2020	2019	%	2020	2019	%
Metropolitan	1,297.4	1,296.4	0.1	1,139.2	1,137.8	0.1	2,436.6	2,434.2	0.1
Regional ⁽²⁾	682.5	666.3	2.4	597.5	584.3	2.3	1,280.0	1,250.6	2.4
Total retail	1,979.9	1,962.7	0.9	1,736.7	1,722.1	0.8	3,716.6	3,684.8	0.9
Wholesale ⁽³⁾	50.1	48.1	4.2	14.5	16.0	(9.4)	64.6	64.1	0.8
Subtotal	2,030.0	2,010.8	1.0	1,751.2	1,738.1	0.8	3,781.2	3,748.9	0.9
Santo André ⁽⁴⁾	53.9	67.1	(19.7)	53.4	28.9	84.8	107.3	96.0	11.8
Mauá ⁽⁵⁾	29.5	34.8	(15.2)	–	–	–	29.5	34.8	(15.2)
Residencial Social/ Favela ⁽⁶⁾	45.8	–	–	35.3	–	–	81.1	–	–
Total	2,159.2	2,112.7	2.2	1,839.9	1,767.0	4.1	3,999.1	3,879.7	3.1

(1) Unaudited (2) Including coastal region and countryside. (3) Wholesale includes volumes of reuse water and non-domestic sewage. (4) Billed volume in the retail segment in 2020 and in the wholesale/retail segment in 2019. (5) Billed volume in the wholesale/retail in 2020 and in the wholesale segment in 2019. (6) Volume exempt from paying water and sewage bills.

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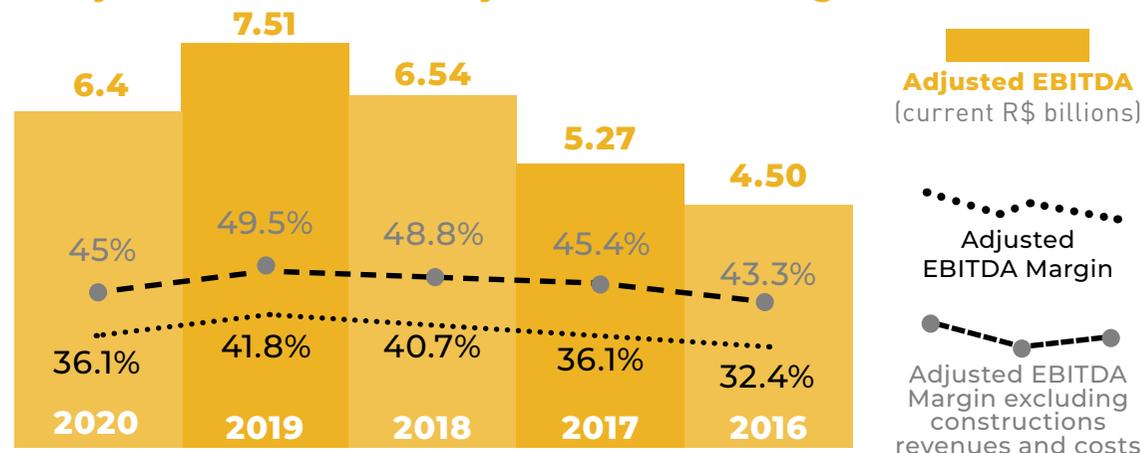
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In view of the complexity and the challenges to be faced when reviewing ARSESP's tariff structure, Arsesp opted to carry out a specific regulatory action, aiming to deepen the studies and allow the participation of several players in the sector. Based on the studies and discussions held with the public, the Agency defined the regulatory guidelines that would be followed by Sabesp in presenting its proposal for the new tariff structure, which, after analysis, resulted in the Tariff Structure Proposal, object of Public Consultation 04/2021. The process is being carried out along with the Third Ordinary Tariff Revision and both will be completed on April 9, 2021. ►

Adjusted EBITDA and Adjusted EBITDA Margin Track Record



Adjusted EBITDA Reconciliation¹ (Non-accounting measures) (R\$ millions)

	2020	2019	2018	2017	2016
Net income	973.3	3,367.5	2,835.1	2,519.3	2,947.1
Financial result	3,166.4	1,033.7	1,264.3	458.1	(699.4)
Depreciation and amortization	2,037.1	1,780.2	1,392.6	1,301.9	1,146.6
Income tax and social contribution	352.7	1,310.4	1,077.3	984.3	1,181.9
Other net operating revenues/expenses ²	(107.7)	18.7	(28.7)	5.7	(4.7)
Adjusted EBITDA	6,421.8	7,510.5	6,540.6	5,269.3	4,571.5
Adjusted EBITDA Margin	36.1	41.8	40.7	36.1	32.4
Construction revenue	(3,716.6)	(2,946.5)	(2,802.7)	(3,150.9)	(3,732.9)
Construction Cost	3,630.1	2,881.4	2,739.7	3,080.5	3,651.4
Adjusted EBITDA Margin without revenue or construction cost	6,335.3	7,445.3	6,477.6	5,198.9	4,490.0
Adjusted EBITDA Margin without revenue or construction cost	45.0	49.5	48.8	45.4	43.3

(1) Adjusted EBITDA corresponds to net profit before: (i) of depreciation and amortization expenses; (ii) of income and social contribution taxes; (iii) of financial income and (iv) other net operating income/expenses. Adjusted EBITDA is not a measure of financial performance according to the accounting practices adopted in Brazil, or IFRS – International Financial Reporting Standard; thus, it should not be considered in isolation, or as an alternative to net income, as a measure of operating performance, an alternative to operating cash flows, or a liquidity index. Adjusted EBITDA does not have a standardized definition, and the Company's definition of Adjusted EBITDA may not be comparable with those used by other companies. The Company's management believes that Adjusted EBITDA provides a useful measure of its performance, which is widely used by investors and analysts to assess performance and compare companies. The calculation of adjusted EBITDA by other companies may differ from the Company. Adjusted EBITDA is not part of the financial statements.

Adjusted EBITDA is intended to present an indicator of operational economic performance. Sabesp's Adjusted EBITDA corresponds to net profit before net financial expenses, of income tax and social contribution, depreciation and amortization and other net operating income/expenses. Sabesp's Adjusted EBITDA serves as a general indicator of economic performance and is not affected by debt restructuring, interest rate fluctuations, changes in tax burden or depreciation and amortization levels. As a result, Adjusted EBITDA serves as a suitable instrument to compare operating performance on a regular basis. In addition, there is another formula to calculate the Adjusted EBITDA that is adopted in some financial commitment clauses. The Adjusted EBITDA provides a better understanding not only of operating performance but also the ability to meet the Company's obligations and to raise funds for investments in capital assets and working capital. Adjusted EBITDA, however, has limitations that prevent it from being used as a profitability indicator because it does not take other costs resulting from Sabesp's activities or some other costs into account that may considerably affect its profits, such as financial expenses, taxes, depreciation, capital expenditures and other related charges. (2) Other operating income is comprised of sale of property, plant and equipment, sale of contracts awarded in public bids, right to sell electricity, indemnities and reimbursement of expenses, fines and collaterals, property leases, reuse water, PURA projects and services, net of Cofins and Pasp. Other operating expenses consist mainly of nonrecognition of concessions assets due to obsolescence, discontinued construction works, unproductive wells, projects considered economically unfeasible, losses on property, plant and equipment and surplus cost of traded electricity]

Regulatory Agenda

Every year, Arsesp publishes a regulatory agenda with the main actions to be carried out in the following two years. On April 13, 2020, the Agency published the 2020-2021 Regulatory Agenda and, with regard to the Ordinary Tariff Revision, the following topics were discussed:

(a) On July 30, 2020, ARSESP published the result of Public Consultation no. 05/2020, which aimed to obtain subsidies on the definition of the methodology to be used to calculate the maximum tariff and the tariff structure for our Third Ordinary Tariff Revision. On the same date, it published the result of Public Consultation no. 06/2020, which deals with the definition of the Weighted Average Cost of Capital (WACC), which was set at 8.1% for the third cycle.

The same Technical Note that defined the average tariff calculation methodology established that for the third tariff cycle, a 4% limit will be recognized in the tariff as a transfer to municipal funds previously approved by Arsesp or those provided for in Article 15 of Arsesp Resolution 870/2019.

(b) In the Technical Note dated November 13, 2020, it published the result of Public Consultation 11/2020, which aimed to obtain subsidies on the methodology and calculation of the economic level of losses to establish the regulatory target for losses for our Third Ordinary Tariff Revision. This goal was set by Arsesp at 215.07 Liters/connection/day, for two tariff cycles (2021-2028), using 258.20 Liters/connection/day as the starting point.

(c) On December 30, 2020, ARSESP published the result of Public Consultation no. 16/2020,

which established the criteria for the classification and sharing of Alternative Revenues. Until the Second Ordinary Tariff Revision, which will be closed in April/2021, all the revenues earned by the Company were passed on to the consumer through the reasonable tariffs, in other words, it was considered in the composition of the required revenue to calculate the tariff. The result of the criteria that will be used in the third tariff cycle (2021-2024) will be released along with the final technical note of the Third Ordinary Tariff Revision.

(d) On February 4, 2021, it published the result of Public Consultation 24/2020, which aimed to obtain contributions about the General Quality Index to be applied in our readjustment and in the Third Ordinary Tariff Revision.

On February 19, 2021, it published the result of Public Consultation 02/2021, which aimed to obtain contributions for the proposed Regulatory Agenda for the 2021-2022 period. Additionally, the National Water and Sanitation Agency (ANA), in the scope of its new attributions, published the update of the

Annex to Resolution 64/2021 on March 8, 2021, which approves Thematic Axis 5 – Reference Standards for Sanitation, which integrates ANA's Regulatory Agenda for the 2020-2021 period.

Tariff Adjustment

In addition to the tariff reviews, which take place every four years, the tariffs are readjusted annually. On April 9, 2020, Arsesp released Resolution no. 980/2020 which authorized us to apply a tariff adjustment of 2.4924%, consisting of: (i) IPCA variation during the period of 3.3032%; (ii) the efficiency factor (X Factor) of 0.6920%; and (iii) the Quality Factor (Q Factor) of -0.1188%.

However, due to the state of public calamity resulting from the COVID-19 pandemic, Arsesp postponed this readjustment and on July 15 released Resolution no. 1,021/2020 authorizing us to apply a tariff adjustment of 3.4026% to existing tariffs, consisting of: (i) an annual adjustment of 2.4924% and (ii) a compensatory adjustment of 0.8881%. The compensatory

2020 Transparency Trophy online award ceremony: once more, the National Association for Finance Executives (ANEFAC) recognizes Sabesp's financial statements again among the ten most transparent in Brazil



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adjustment of 0.8881% refers to the compensation for the postponement of the annual tariff adjustment. This tariff adjustment became effective on August 15, 2020.

Covid-19 related measures

Among the measures to mitigate the economic effects of the Covid-19 pandemic on the population served, we announced the exemption from payment of water and sewage bills for customers in the "Residencial Social" and "Residencial Favela" categories, supported by Arsesp Resolutions no. 979, no. 1,005, no. 1,017 and no. 1,038/2020. This measure served over 2.5 million people in the entire state of São Paulo and was initially valid for three months (April, May, and June) for invoices issued as of April 1, but due to the extension of the effects of the pandemic, it was extended until September 15, 2020.

The effects of the payment exemption for the categories "Residencial Social" and "Residencial Favela" will be contemplated in the calculation of the P0 of the Third Ordinary Tariff Revision.

On April 17, 2020, Arsesp published Resolutions no. 985/2020 and no. 991/2020 on the short-term

revenue reduction resulting from the economic effects of the Covid-19 pandemic. Resolution no. 985/2020 suspends, on an exceptional and transitory basis, between May and December 2020, payment of the TRCF – Regulation, Control and Inspection Fee, paid by us to Arsesp. During this period, the amounts we transfer to the regulator will be reduced from 0.50% to 0.25% of our annual revenue. The postponed transfers will be monetarily updated and paid in 24 equal monthly installments. The first payment was in January 2021.

Resolution no. 991/2020 postponed to 2021 the implementation of the four-year Research and Technological Development Program for Innovation in Sanitation Services, previously scheduled for May 2020. The value of the authorized amount of financial resources for the year 2020 (Cycle 2017-2020), corrected by the IPCA of 2020, will be part of the calculation of the authorized amount to be invested in 2021 and 2022.

Among the measures to mitigate the economic effects of the COVID-19 pandemic, on February 3, 2021, our Executive Board approved a series of measures aimed at minimizing the economic impacts of the pandemic on our customers, allowing them to maintain their business during the pandemic and pay off their debts in the future, including: (i) suspension of supply cuts, renegotiation of debts for commercial and service customers residing in municipalities that are in the orange and red phases of the São Paulo state government's Plan to combat COVID-19; (ii) extension of the effectiveness of the measures until March 31, 2021; (iii) renegotiation of existing debts, including agreements signed during the pandemic period, without the application of fines and interest, limited only to monetary adjustments, in accordance with our policies and procedures;

(iv) installment payments in 12 months as of the renegotiation date of the outstanding balance; (v) no inclusion of debtors in the credit protection list until March 31, 2021; (vi) debtors that may have been included in the credit protection list during the COVID-19 pandemic will be removed, immediately after the debt is renegotiated. At a meeting held on March 16, the Executive Board extended these measures to April 30, 2021.

On February 11, 2021 Arsesp published Resolution 1,127/2021, which deals with the interruption of the suspension of basic sanitation public services due to default for users in the commercial and service segments with water consumption of up to 100 m³/month. This measure will be effective until March 31, 2021.

Investments

Despite the challenges faced in 2020 with the economic and health crisis, we were able to maintain the level of investments, totaling R\$ 4.4 billion in the year. Cash disbursed in 2020 regarding the Company's historical investments totaled R\$ 3.3 billion. The chart below shows investments broken down by to water, sewage, and region:

	Water	Sewage	Total
São Paulo Metropolitan Region	1,647.6	1,518.9	3,166.5
Regional Systems (countryside and coastal areas)	469.0	744.0	1,213.0
Total	2,116.6	2,262.9	4,379.5

Note: Does not include the commitments made with the Program Contracts (R\$ 58.3 million).

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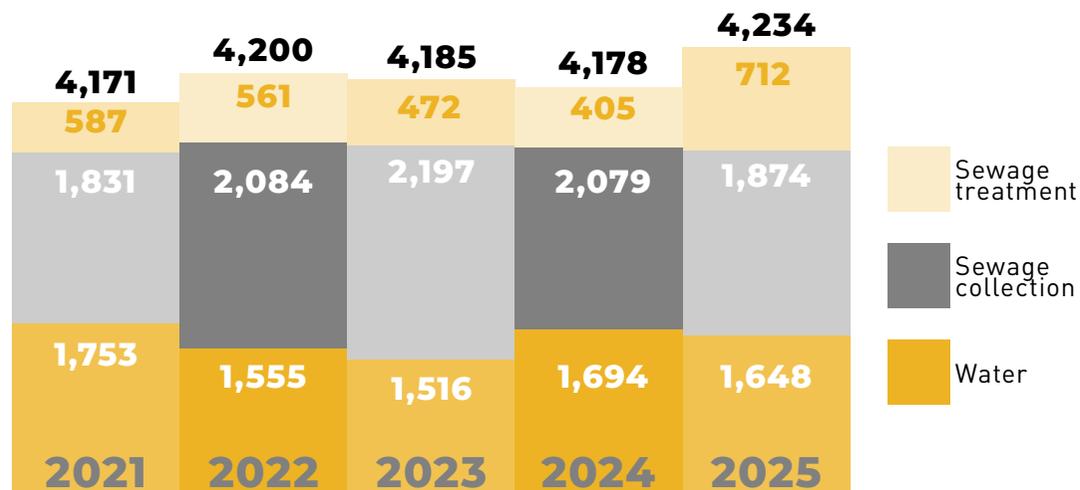
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**Confronting Covid-19:
2.5 million people were
exempt from paying water
and sewage bills**

2021-2025 Investment plan (R\$ million)



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Between 2021 and 2025, the Company plans to invest approximately R\$ 21.0 billion, R\$ 8.2 billion of which in water supply and R\$ 12.8 billion in sewage collection and treatment.

Debt

Due to the economic crisis already observed at the end of 2019, and its worsened by the Covid-19 pandemic, Sabesp intensified actions to seize opportunities to reduce its foreign exchange exposure and preserve the Company's liquidity indexes.

Total debt increased by 30.3%, from R\$ 13.2 billion in 2019 to R\$ 17.3 billion in 2020. Foreign currency debt decreased by 44.2%, from R\$ 6.3 billion in 2019 to R\$ 3.5 billion in 2020, corresponding to 20.6% of the Company's total debt at the end of the period (48.0% in 2019).

In the case of loans with multilateral institutions and official banks, the Company

renegotiated its loan with the IDB signed in 2010 to finance the third stage of the Tietê Project, converting the outstanding balance in dollars into local currency, with semi-annual payments and maturity in September 2035, at a rate of CDI + 0.06% p.a. and a variable margin for loans the bank's capital (0.8% in 2020), paid semi-annually. In September, the Company redeemed, in local currency, the total balance of the Eurobond 2020 contracted in dollars with the capital markets in 2010.

The Company also amortized the 1st and 3rd series of the 10th issue of debentures, in local currency, subscribed by BNDES in 2009. Total amortizations in local and foreign currency reached R\$ 3.2 billion in 2020.

At the end of 2020, we had R\$ 14.2 billion in long-term debt, R\$ 3.2 billion of which in foreign currency. Short-term debt totaled R\$ 3.0 billion, R\$ 0.3 billion of which in foreign currency.

New fundraisings

Even with the economic crisis that worsened during 2020, and the capital outflow from the Brazilian capital market, the Company maintained its access to credit. Sabesp has a good market reputation and solid relationships with public banks and multilateral agencies, both domestic and international.

This mix and diversity of sources allows us an extended debt amortization profile, at costs that are compatible with our investment cycle, especially for those granted by official Brazilian banks and multilateral credit organizations, as well as through the increasing issues of infrastructure debentures in the capital market.

In 2020, with the increase in exchange rate volatility, the Company favored contracting debt in local currency, totaling R\$ 4.4 billion, whose resources were used to finance its investment plan, recompose cash and refinance financial commitments. In addition, a R\$ 0.3 billion increase referred to reimbursement of investments in projects already financed in previous years.

In April, Sabesp launched its 25th Single Series Debentures Issue, in the amount of R\$ 1.45 billion, maturing in October 2021, with remuneration of CDI + 3.30% p.a. and a single amortization on maturity.

In July, the Company launched its 26th Infrastructure Debentures Issue, in the amount of R\$ 1.045 billion, in two series. The first series, in the amount of R\$ 600 million, has a remuneration rate of IPCA + 4.65% p.a., with an annual interest payments and maturity in July 2027.

The second series, in the amount of R\$ 445 million, has a remuneration rate of IPCA +



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4.95% p.a., with an annual interest payments and maturity in July 2030.

In December, Sabesp launched its 27th Debentures Issue, in the amount of R\$ 1 billion, in three series. The first series, in the amount of R\$ 300 million, has a remuneration rate of CDI + 1.60% p.a., with biannual interest payments and maturity in December 2023.

The second series, in the amount of R\$ 400 million, has a remuneration rate of CDI + 1.80% p.a., and maturity in December 2025. The third series, in the amount of R\$ 300 million, has a remuneration rate of CDI + 2.25% p.a., and maturity in December 2027.

In addition, the Company signed a loan agreement with IDB INVEST, an independent subsidiary of the Inter-American Development Bank in November, in the amount of R\$ 950 million, in two tranches, one maturing in August 2029 and the other in August 2034. The first tranche, in the amount of R\$ 442 million, has an interest rate of CDI + 1.90% p.a., with semi-annual amortization and interest payments. The second, in the amount of R\$ 508 million, has a remuneration of CDI + 2.70% p.a. and semi-annual amortization and interest payments.

Our credit ratings by rating agencies did not change in 2020, and continue as follows:

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

Despite the 30.3% increase in the Company's total debt, there was a significant reduction in the foreign currency debt, which reduces the impact of exchange rate volatility on our total debt. Although our covenant (financial indicator) "Total Debt/Adjusted EBITDA" ratio increased from 1.75 times in 2019 to 2.66 times in 2020, our debt level is still significantly lower than the contractual limit of 3.65 times, which is presented in our 17th Debenture Issuance and the AB Loan.

The following table shows the most restrictive clauses in 2020:

	Restrictive clauses
Adjusted EBITDA/ Adjusted Financial Expenses	Equal to or higher than 2.80
Adjusted Net Debt/ Adjusted EBITDA	Equal to or lower than 3.80
Adjusted Total Debt/ Adjusted EBITDA	Lower than 3.65
Other Onerous Debt ⁽¹⁾ / Adjusted EBITDA	Equal to or lower than 1.30
Adjusted Current Ratio	Higher than 1.00
EBITDA/ Financial Expenses Paid	Equal to or higher than 2.35
Net Debt/Adjusted EBITDA	Equal to or lower than 3.50

(1) "Other Onerous Debts" correspond to the sum of pension obligations and healthcare plan, installment payment of tax debts and installment payment of debts with the electricity supplier.

As of December 31, 2020, the Company had met all the requirements of its loans and financing agreements.

Expansion of market share and credit recovery

Historically, the Company has supplied wholesale water to some municipalities in the São Paulo Metropolitan Region and it is their responsibility to distribute the water to the final consumers.

Over the past few years, the Company has been reducing its exposure in this segment, with the incorporation of these municipalities into the retail segment and equating existing business relationships and debt.

In the first half of 2020, after extensive negotiations with the municipality of Mauá, Sabesp signed, in June (i) a Contract for Provision of Public Services with the state of São Paulo and the Municipality of Mauá (SP) and; (ii) the Term of Adjustment for Payment and Receipt of the Debt with the agency responsible for the municipality's water supply (Saneamento Básico do Município de Mauá – SAMA). These contracts allow Sabesp to provide quality services directly to the population, ensuring legal, financial and asset security to the Company, its shareholders and creditors.

Economic and Financial Performance

In 2020, the Company recorded net income of R\$ 973.3 million, down from the R\$ 3.4 billion recorded in 2019, a decrease of 71.1%.

Net operating revenue (which includes construction revenue) totaled R\$ 17.8 billion, a decrease of 1.0% over the previous year.

The gross operating revenue related to sanitation services (excluding construction revenue), totaled R\$ 15,2 billion in 2020, a

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decrease of R\$ 976.2 million, or 6.1%, when compared to the R\$ 16.1 billion recorded in 2019. The decrease shown in gross operating revenue is mainly the result of the following factors: (i) signing of the agreement with the municipality of Santo André (SP) in 2019, generating non-recurring revenue of R\$ 1,261.7 million; (ii) lower billed volume in the commercial, industrial and public categories, resulting in a reduction of approximately R\$ 805.0 million, when compared to the previous year; and (iii) reduction of R\$ 40.2 million in revenues from the "Residencial Social" and "Residencial Favela" use categories, due to the exemption from charging water and sewage bills between the months of April and August.

The decrease in revenue was mitigated by the following factors: (i) consent of agreement with the municipality of Mauá (SP) in June 2020, generating an increase of R\$ 204.1 million; (ii) higher billed volume in the residential category, generating an approximate increase of R\$ 840.0 million; (iii) higher revenue from retail sales in the municipality of Santo André, in the amount of R\$ 214.2 million; and (iv) tariff adjustment of 3.4% since August 2020.

In 2020, construction revenue increased by R\$ 770.1 million, or 26.1%, when compared to 2019. The increase is mainly due to the higher investments made in asset construction in 2020.

In 2020, general costs, administrative & selling expenses, and construction costs increased by 9.5% (R\$ 1,169.9 million). Excluding the effects from construction costs, this increase was 4.5% (R\$ 421.2 million).

Administrative & selling expenses and construction costs as a percentage of net

revenues was 75.4% in 2020, up from the 68.2% reported in 2019. For more information on the composition and changes in costs and expenses, see the Results Press Release, available on the Company's website at <https://bit.ly/2UB70Jv>.

Adjusted EBITDA fell by 14.5% from R\$ 7,510.5 million in 2019 to R\$ 6,421.8 million in 2020, and the adjusted EBITDA margin reached 36.1%, compared to 41.8% in the previous year. Excluding the effects of revenue and construction cost, the adjusted EBITDA margin was 45.0% in 2020 (49.5% in 2019).

Dividends

According to the Company's Bylaws, the common shares are entitled to the minimum mandatory dividend, corresponding to 25% of the net profit for the year, obtained after the deductions determined or allowed by law and that can be paid as interest on own capital.

The dividend distribution policy foresees that the payment of the minimum mandatory dividend will be maintained until universalization of the basic sanitation services is reached in the operated area and that when paid as interest on equity, the income tax levied on the amount to be paid to the shareholder will be considered an additional dividend.

In 2020, Sabesp paid dividends as interest on capital in the amount of approximately R\$ 941.0 million, for the 2019 year, corresponding to about R\$ 1.3767 per common share, a pay-out of 27.9% and dividend yield of 2.3%.

Referring to the year 2020, the Board of Directors resolved on the proposal to pay interest on equity in the amount of

R\$ 272.0 million, corresponding to R\$ 0.3979 per common share, a pay-out of 27.9% and dividend yield of 0.9%, with payment scheduled to start on 28 of June 2021. ▶

Sabesp's shares have been traded on NYSE since 2002



Benedito Braga speaks at a Sabesp event at New York Stock Exchange

Stock Market

Sabesp's shares closed with a 26.6% drop in 2020, priced at R\$ 44.44. Among the main reasons for this pullback was the impact of the Covid-19 pandemic and its consequences on the economy, expectations regarding the Third Ordinary Tariff Review and the Tariff Structure Revision, as well as the vetoes of the new Legal Sanitation Framework can be highlighted. The Ibovespa index ended the year at a high of 2.52%.

Our shares participated in 100% of the B3 trading sessions and the annual financial volume was R\$ 48.2 billion, 37% higher than in 2019. In 2020, Sabesp's shareholder base followed the movement observed in the Brazilian capital market with a significant increase of 226% in the amount of individual shareholders, totaling 3.4% of the Capital Stock – an increase of 140% compared to 2019. The shares traded on B3 represented 37.3% of the capital stock and ADRs around 12.4%, traded on the NYSE.

ADRs depreciated by 42.9% under the same fundamentals as the local market and by the dollar appreciation in 2020 of 28.9%. In the same period, the North American indexes closed higher: Dow Jones +7.25% and S&P 500 +16.26%.

The Company is still included in the main B3 indexes and continues to be followed by the main financial institutions in the market. ■

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GRI 201-1 Economic Value Generated and Distributed

Component	2020	2019	2018	2017	2016
A – Direct Economic Value Generated	19,312,882	19,558,378	17,642,692	15,819,518	15,404,121
Revenue ^(a)	19,312,882	19,558,378	17,642,692	15,819,518	15,404,121
B – Distributed Economic Value	13,946,280	14,152,018	12,900,340	12,380,333	12,893,010
Operating costs ^(b)	8,158,526	7,513,695	6,545,164	6,495,739	7,114,963
Salaries and employee benefits ^(c)	2,643,295	2,680,198	2,680,512	2,613,041	2,180,531
Payments to equity holders ^(d)	1,418,975	1,537,678	1,385,597	1,256,522	1,421,057
Payments to government ^(e)	1,725,484	2,373,819	2,260,599	1,954,688	2,140,495
Equity investments ^(f)		46,628	28,468	60,342	35,964
Accumulated Economic Value (A-B)	5,366,602	5,406,360	4,742,352	3,439,185	2,511,111

NOTE:

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

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

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

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

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

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

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Sabesp's operational teams were especially important during the Covid-19 pandemic

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The strategic pillars for valuing and training our workforce are based on fostering an environment that encourages innovation and personal and professional development, providing continuous access to operational, technological and managerial knowledge applicable to the business. This is an essential action for reaching on our vision of being a world reference in the provision of sanitation services.

To this end, we have adopted the Competency-Based People Management model, which is continuously revised from the standpoint of innovation and flexibility, with a focus on continuous improvement, high performance and workforce engagement. Thus, we seek to enhance the organizational values to face future challenges and promote engagement with the corporate objectives and results to benefit from solid results, people and the environment.

Region	Total number of employees	Type of Contract
São Paulo Metropolitan Region	7,752	Permanent
Coastal region and countryside	5,054	Permanent

Among permanent contract employees (managers, academics, technicians, and operations), 1,456 had part-time contracts and 11,350 had full-time contracts.

Between 2019 and 2020, our staff was reduced by approximately 8%, mainly as a result of Knowledge Retention Program (1,017 employees). Sabesp does not employ outsourced labor, but only enters into service agreements, as the business requires.



12,806 employees



100% allocated in São Paulo State



2,481 women



10,325 men



11,350 full-time contracts



1,456 part-time contracts

Staff

GRI 102-8 | 401-1 Our staff is structured based on a Jobs and Wages Plan, divided into operational, technical, university and managerial categories, taking into consideration the level of education, professional experience, complexity of duties and required technical qualification.

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Number of employees by function	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Managers	485	139	624	491	156	647	465	163	628
University students	1,681	869	2,550	1,622	827	2,449	1,428	713	2,141
Technicians	4,223	1,656	5,879	4,040	1,590	5,630	3,702	1,422	5,124
Operational	5,202	194	5,396	5,029	190	5,219	4,730	183	4,913
Total	11,591	2,858	14,449	11,182	2,763	13,945	10,325	2,481	12,806

Number of employees by type of job	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Part-time	1,305	303	1,608	1,283	280	1,563	1,209	247	1,456
Full-time	10,286	2,555	12,841	9,899	2,483	12,382	9,116	2,234	11,350
Total	11,591	2,858	14,449	11,182	2,763	13,945	10,325	2,481	12,806

Hirings	2018		2019		2020	
	Total	%	Total	%	Total	%
Gender						
Men	850	7.33%	115	1.03%	50	0.48%
Women	169	5.91%	26	0.94%	12	0.48%
Age						
Up to 40 years old	813	25.96%	77	2.70%	45	1.75%
41 to 55 years old	181	2.42%	41	0.57%	13	0.19%
+55 years old	25	0.65%	23	0.58%	4	0.12%
Region						
SPMR	413	6.91%	117	1.32%	47	0.61%
Coastal region and countryside	606	7.88%	24	0.43%	15	0.30%
Sabesp Total	1,019	7.45%	141	0.98%	62	0.48%

Turnover	2018		2019		2020	
	Terminations	%	Terminations	%	Terminations	%
Gender						
Men	168	4.39%	508	2.79%	907	8.78%
Women	60	4.01%	126	2.75%	294	11.85%
Age						
Up to 40 years old	75	14.18%	80	2.75%	37	1.44%
41 to 55 years old	56	1.58%	108	1.04%	125	1.83%
+55 years old	97	1.59%	446	5.93%	1039	30.36%
Region						
SPMR	91	2.85%	450	3.48%	670	8.64%
Coastal region and countryside	137	6.64%	184	1.79%	531	10.51%
Sabesp Total	228	4.32%	634	2.78%	1,201	9.38%

Occupational Health and Safety Management System

GRI 403-1 | 403-8 Sabesp cares for the health and safety of its employees through a structured Occupational Health and Safety Management System, defined in the Occupational Health and Safety Business Procedure (PE-RH0001), following the standards established in the Regulatory Standards of the Ministry of Labor, with elements based on ISO 45001 – Occupational Health and Safety Management System. Sabesp also adopts the Management Excellence Model (MEG) to integrate the practices adopted with the objective of obtaining competitive and sustainable results.

Sabesp's Occupational Health and Safety Management System relies on the identification and analysis of risks; environmental assessment and biological monitoring; training and sensitization; communication, participation and consultation of employees; operational control; emergency preparation and response; records of non-compliance and investigation of near misses and occupational accidents, which, in line with the procedures established by the Company, are essential for the continuous identification of hazards, risk assessment and the implementation of necessary control measures.

Service providers follow occupational health and safety guidelines as defined in the Corporate Procedure for Occupational Health and Safety in Contracted Services and Works (PE-RH0003). These occupational safety requirements are necessary in the bidding process and also provided for in contractual clauses. Sabesp also formally designates a Contract Administrator to monitor and control the object of the contracted activities.



100% of Sabesp's 13,877 employees are covered by the occupational health and safety management system

including employees, interns and apprentices

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Outsourced services are monitored and controlled by means of inspections carried out by inspection teams.

Occupational health and safety issues, among other items, are monthly evaluated, resulting in conformity indexes, which are published in the Contractor's Auxiliary Evaluation Form (FAC). Administrative sanctions are applied if unsafe conditions and irregularities are identified.

Hazard identification, risk assessment and incident investigation

GRI 403-2 | 403-7 Sabesp uses the Preliminary Risk Analysis (APR) methodology to identify hazards, assess risks and adopt control measures in all activities. These processes are evaluated annually, or whenever necessary, and include their progress, necessary adjustments and the establishing of new goals and priorities. Employees can refuse to perform a service that exposes them to a situation of serious and imminent risk.

Sabesp has emergency plans in all its facilities, which are controlled, updated and available in a computerized system, including impacts on neighboring communities. It has 2,900 fire brigade personnel always ready to assist to emergencies, who are trained and prepared by means of simulations.

By means of the computerized system, all aspects related to occupational health and safety are recorded, generating programs and reports, allowing control and

management, seeking to guarantee the quality of the processes.

All non-conformities, near misses and work accidents are analyzed, the causes are identified, and corrective and preventive actions are defined. The investigation team (SESMT, CIPA and manager of the injured person/area involved or his/her representative) uses cause analysis tools, such as: fishbone, five whys or tree of causes.

Denunciations are made through the Whistleblowing Channel and are analyzed by Sabesp's Ethics Committee and by the Audit Superintendence in an impartial way. To avoid retaliation and protect the whistleblower, the whistleblowing process includes preserving anonymity and ensuring confidentiality.

Health promotion

GRI 403-3 | 403-6 Sabesp has programs that allow a health profile to be drawn up for all employees, apprentices and trainees, and that subsidize measures related to health and quality of life. Occupational evaluation is standardized for the entire company Sabesp and occupational examinations are established based on the risks to which employees are exposed. The computerized system controls the process by listing the employees to the obligatory exams, equally treating every employee.

Personal information related to the employees' health is confidential and of exclusive access to the occupational medicine doctors. The computerized system used by Sabesp has a division of roles that

define access to the contents recorded, ensuring absolute secrecy of information. Based on its Code of Ethics and Conduct, Sabesp promotes equal opportunities, respect for diversity and professional development of its employees.

Our employees, apprentices and trainees are encouraged to follow the adult vaccination schedule proposed by the São Paulo State Health Secretariat. In 2020, we applied the typhoid vaccine to employees potentially exposed to sewage, including new employees and those who needed a booster dose.

Nine years ago we carried out the influenza vaccination, with a great mobilization for the immunization of all employees. In 2020, we applied 11,198 doses of the vaccine, covering 71% of the Company's employees. We also promoted vaccination against pneumonia for employees aged 50 and older, an action of great importance to facilitate the diagnosis of Covid-19, totaling 6,081 vaccinated employees. Since 2017, we have a computerized application for vaccination registration and control.

In addition to these services, Sabesp provides a health plan managed by Vivest to interested employees, facilitating access to medical and health services.

The Company implemented a computerized system to monitor employees with Covid-19, with the objective of keeping an updated map of the disease, allowing the adoption of specific and/or collective actions. At the same time, it implemented a follow-up procedure and guidance on the removal of its employees who have contact with people suspected of contamination and those contaminated.



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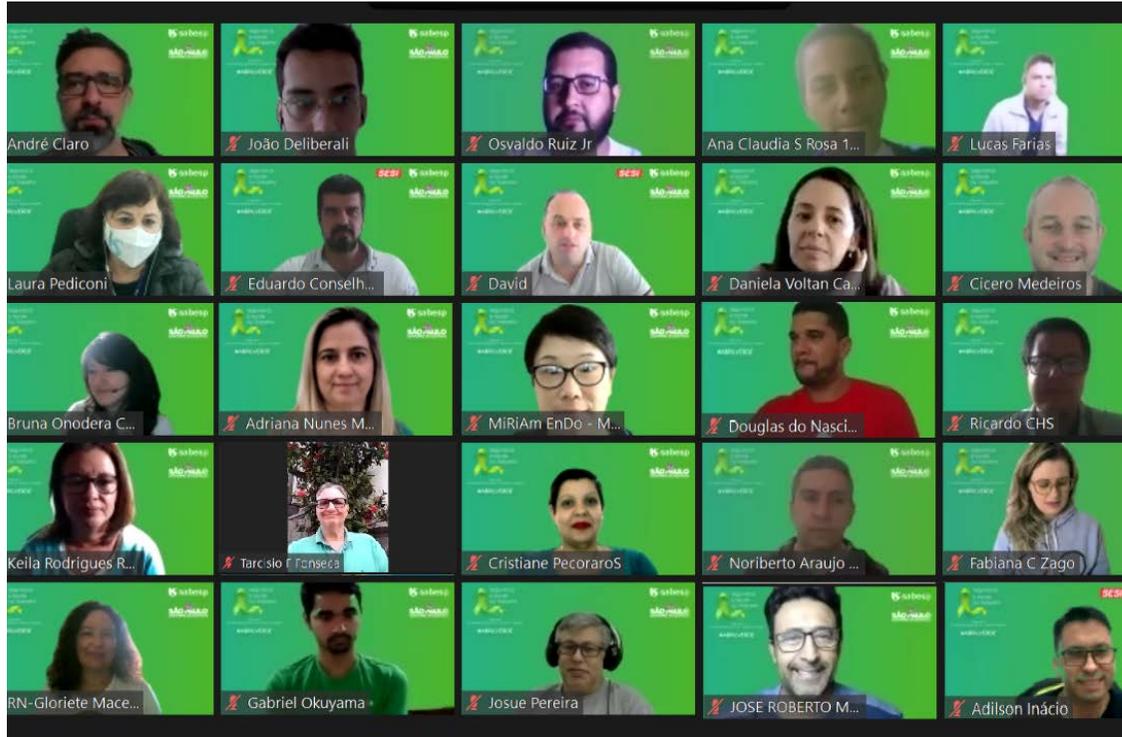
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Working remotely to prevent against the pandemic, teams were able to keep activities running

Communication, participation and consultation

GRI 403-4 Employees are heard about changes that might affect their health and safety at work by means of the Internal Commissions for Accident Prevention (CIPA), which has representatives from the employees and the employer. Sabesp has 142 CIPAs, composed of 1,017 CIPA members, and 375 CIPA appointees in places where there is no obligation to set up a commission.

In addition, employees are informed by their leaders about the occupational risks that may arise in the workplace and the control measures adopted.

The Prevention Minute, organized by CIPA, SESMT, and those in charge consist of quick discussions with employees about specific matters, Health and Safety alerts, informative articles, videos, links, and different media available.

In 2020, the Prevention Minutes focused on the prevention of Covid-19, highlighting the fact that professionals are to maintain basic hygiene practices and care at all times during the performance of their activities.

Also, information related to Occupational Health and Safety is disseminated through corporate communications via email and on Sabesp's portal.

Training and sensibilization

GRI 403-5 The mandatory training requirements are defined according to the training needs in occupational health and safety and to the activities carried out by the employees. Service providers follow the same training guidelines adopted by the Company. Employees performing risky activities undergo specific training: shoring up trenches, operating lifting and cargo-handling equipment, operating machinery, chemicals, safety on boats, safety in confined spaces, electrical services, laboratories, welding, operating pressure vessels, working at height and transporting chemical products.

This year, on-site and virtual trainings were carried out by the Sabesp Business University (UES). During the pandemic, all mandatory training was carried out by Distance Education (EAD), ensuring that the mandatory practical content was carried out safely, in accordance with the Sanitary Protocol.

The Internal Occupational Accident Prevention Week (Sipat) 2020 had the participation of the Industry Social Service (Sesi) and was a key initiative for all employees that took place entirely virtually due to the Covid-19 pandemic and the need for social distancing. A total of 29,893 accesses were registered.

Fully virtual Accident Prevention Week had over

30,000 views



Control and auditing

GRI 403-9 | 403-10 Sabesp has 97 professionals in the health and safety area, including Occupational Safety Engineers, Occupational Medicine Doctors, Nurses, Occupational Safety Technicians and Nursing Technicians who advise the company's leadership and contribute to the best care of employees regarding issues related to occupational health and safety.

Scheduled inspections are carried out by Sabesp's SESMT and CIPAs to monitor the actions and adopt control measures. In 2020, 3,000 safety inspections were carried out, with computerized records for control, including corrective and preventive actions. In addition to routine safety inspections, inspections focused on compliance with Sabesp's Sanitary Protocol were carried out.

All sanitary protocols for those working on the streets



From the information recorded in the computerized system, OHS indicators are generated and points for improvement and priorities are identified, providing subsidies for critical analyses. Critical analyses are carried out in the different organizational levels, and the issues relating to the organizational level are addressed, ensuring the quality of these processes for the continuous improvement of the OHS Management System.

The number of accidents was reduced by 25.4% in 2020, compared to 2019. Even though it was a different year due to Covid-19, Sabesp maintained its occupational accident prevention actions.

Occupational safety and health indicators

Main indicators	2016	2017	2018	2019	2020
Occupational injury	158	180	126	126	94
Occupational health check	16,313	12,184	13,299	13,743	8,000**
Employees vaccinated against influenza	16,264	11,586	11,087	11,442	11,198
Absenteeism*	1.80%	1.60%	2.20%	3.30%	2.46%

*Percentage that measures the decrease in total hours worked due to work absences.
 ** Decrease from the scheduled working hours because of measures to fight Covid-19.

	2018			2019			2020		
	M	W	Total	M	W	Total	M	W	Total
Sabesp									
Attendance rate	4.97	2.09	4.4	5.07	1.75	4.41	4.94	0.51	3.61
Severity rate	827	57	673	378	9.44	303	526	2	369
Occupational disease	6	1	7	1	0	1	8	0	8
Deaths	2	0	2	1	0	1	1	0	1
Region 1 (SPMR, Vale do Paraíba and Santos Coastal Region)									
Attendance rate	4.37	2.79	4.05	4.73	1.94	4.17	4.79	0.37	3.46
Severity rate	661	82	545	111	11	91	677	2	474
Occupational disease	2	1	3	1	0	1	5	0	5
Deaths	1	0	1	0	0	0	1	0	1
Region 2 (Regional Systems except for Vale do Paraíba Santos Coastal Region)									
Attendance rate	6.28	0.56	5.14	5.95	1.25	5.01	5.31	0.85	3.97
Severity rate	1194	0.56	955	1,062	6	851	176	3	124
Occupational disease	4	0	4	0	0	0	3	0	3
Deaths	1	0	1	1	0	1	0	0	0

Definitions:

M: Men

W: Women

Attendance rate: Number of occupational accidents with injuries and lost time per million man/hours worked, per year.

Severity rate: Days lost plus days charged for occupational accidents per million man/hours worked per year.

Occupational disease: Number of employees on leave due to illness caused or triggered by their work.

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Quality of Life Program (PQV)

In addition to accident prevention and health promotion, we seek to promote employees' physical, mental and social well-being through the Quality of Life program. With this, we developed several campaigns with newsletters, lectures, and preventive actions. The year 2020 was marked by care and prevention actions against the coronavirus and guidance during social distancing. Even with all efforts, we recorded the contamination of 724 employees and 9 deaths.

Emotional Health Survey: pulse survey to monitor the psychological state and needs of employees during the pandemic. Average participation of 4,000 employees in biweekly surveys.

Home Office do Bem: program to care for the quality of life of employees focusing on the consequences of the pandemic. The program was based on the use of social media for engagement, posting of virtual content and webinars. We had more than 20,000 accesses to the social media, 33 webinars, and almost 15,000 views.

Emotional Support Program: hiring of a company specialized in psychological assistance and social service to act during the pandemic.

Organizational climate

The purpose of the Organizational Climate Management is to diagnose the level of employee satisfaction, identify the best internal and external practices, and implement actions that improve the work environment, and employee satisfaction and motivation regarding diversity.

The last survey was conducted in 2019, with a Favorability Ratio of 71%. In 2020, Climate improvement plans designed based on local and global results were implemented. The next Climate Survey is expected to occur in 2021.

Organizational culture

The purpose of the Organizational Culture is to implement actions for cultural change aiming at reducing support and rules and increase innovation and focus on results, considering the diagnosis concluded in 2019.

This activity is developed through surveys, focus groups for dissemination, engagement, and identification of opportunities for change, as well as for the implementation of institutional and local change initiatives. All organizational levels are involved in this process, which has been in effect since 2018. In 2020, we deepened the diagnosis with 12 focus groups and 51 Organizational Culture Change workshops.

Career management

Our Jobs and Wages Plan also guides the Career Management of the professionals, establishing the evolution paths and allowing the employee to plan his or her career with a focus on continuous development.

This model is guided by a regulation aligned to the guidelines established by the controlling bodies of the São Paulo State Government. Accordingly, any changes must be approved by these bodies.

Employees and their leaders annually undergo a Skill and Performance Evaluation process, a

management tool to identify the individual development level. It is a key process to obtain feedback and observe career progress, leading to the creation of Individual Development Plans (PID) that guide the areas of progress in each professional skills, as well as salary changes.

Career progress is based on salary references that allow increases of 5% to 15% (promotions). Promotions are conditioned to budget availability and the due approval of the control bodies of the São Paulo state. In the last few years, the Evaluation cycles provided the following results:

	Changes
2015	There were no changes but 1% of payroll was applied to eligible employees, as personal benefit.
2016	4,527 (1% of payroll).
2017	There were no changes.
2018	6,104 (1.7% of payroll).
2019	4,221 (1% of payroll).
2020	6,712 (2% of payroll).

Internal Selection

Measure that allows the employees' human capital to be used. It has been increasingly adopted, providing motivation, recognition, and professional perspectives. In addition to being open and democratic, the process is a great opportunity for participating employees to assess their knowledge and identify opportunities for development. Seven processes with 740 employees enrolled were carried out in 2020.

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External Selection

Sabesp, as a publicly traded company, complies with the Federal and State Constitutions which require public qualification exam in order to select and hire employees, interns and apprentices. This is the recruitment and selection process adopted in order to ensure the hiring of competent, qualified, and motivated professionals, aligned to the corporate objectives.

The opening of public qualification exams is a democratic recruitment as it offers everyone the same chance to good positions, with no restrictions on social level, professional experience, ethnicity, or gender.

Positions filled in public qualification exam	2018	2019*	2020
Employees	1,002	-	-
Apprentices	-	516	-
Interns	956	947	-

* The 2019 opening of selection for public office for interns, which would end on August 15, 2020, was extended for another year, until August 15, 2021. We did not have opening of selection for public office in 2020.

Knowledge Retention Program

Created in 2018, it defined criteria and procedures for granting employees voluntary severance incentives. In 2020, 1,017 employees were dismissed, in a planned and staggered manner in order to ensure the transmission of knowledge and normality of the Company's activities.

Young Apprentice Program

It contributes to the development of citizenship and professional training of young people aged 14 to 22, boosting their inclusion in the job market. The program lasts 18 months and is aimed at young people in the first and second year of high school and includes practical and theoretical training activities (in partnership with Senai). The program complies with Law 10,097/2000. The apprentices have been working from home since March 19, as a Covid-19 prevention measure.

Interns Program

The purpose of the Program is contributing to the professional education of students, preparing them for the job market. Trainees are hired for up to two years and carry out professional activities to support the areas as a form of learning. They work six hours per day, not exceeding 120 hours a month, in compliance with Law 11,788/2008.

Sabesp currently has 896 interns, who have been working remotely since March 23, as a measure to protect themselves against the Covid-19 pandemic.

Number of interns and apprentices	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Interns	340	316	656	543	506	1,049	315	295	610
Apprentices	259	215	474	356	268	624	283	203	486
Total	599	531	1,130	899	774	1,673	598	498	1,096

Compensation and benefits

Sabesp adopts a wage policy linked to the Jobs and Wages Plan that, in line with the Competence Management model that attracts, retains and develops qualified and committed professionals, offering career and compensation perspectives compatible with the market. Furthermore, the policy seeks to maintain internal and external balance, based on salary surveys conducted annually by specialized external consultants.

Benefits granted by the Company

	Benefits granted by the Company	Legal benefits
	Meal Voucher and Food Voucher	
	In the flexible benefit format, the monthly credit in the amount of R\$1,289.84 corresponding to R\$ 900.00 of meal voucher and R\$389.84 of food voucher is distributed in the respective benefits according to the percentages available.	
	Extraordinary Break Time	
	Amount of R\$37.50 to those who extend the working day for at least 2 hours	
MESSAGES	Christmas Bonus	
	Additional credit of R\$389.84 to all employees on the Basic Food Supply card, in compliance with the Collective Agreement 2020/2021.	
PROFILE	Job Security	
	Employment guarantee to 98% of the staff on July 31, 2020 (except: dismissal for just cause, employee's initiative, retirement, death, termination of contract and voluntary/ incentive dismissal program)	
SOCIAL RESPONSIBILITY	Complementary Sickness Aid	
	Payment of the difference between the salary and the amount of the benefit paid by INSS, to the retired due to illness or accident at work, for a period of up to 6 months	
CORPORATE GOVERNANCE	Vacation Bonus	
	Fixed amount of R\$1,973.20 + 50% of the difference between the fixed value and the salary + Additional for time of service	
STRATEGY & VISION OF FUTURE	Medical Care	
	Payment of the difference between the salary and the amount of the benefit paid by INSS, to the retired due to illness or accident at work, for a period of up to 6 months	
ENVIRONMENTAL SANITATION	(Funcesp)	
	Health Plan Funcesp Digna (I, II and III) – employees' maximum contribution of 3.97% on the basic remuneration with the onlending of Sabesp. The benefit is extended to dependents without adding value.	
RESEARCH, DEVELOPMENT & INNOVATION	Private Pension Plan (Sabesprev Foundation)	
	Plano Sabesprev Mais (CD): closed for new adhesions as of December 1, 2020. Wages up to R\$5,604.20, contribution of 0.5% or 1%. Above this amount, an additional up to 8% of the difference is paid. Basic Benefit Plan (BD) – Suspended adhesions and is linked to compensation. Formula: Remuneration up to R\$5,604.20 x 2.9648% and above R\$5,604.20 x 25.1910%.	
ENVIRONMENT	Additional paym. Night Shift	
	Additional payment of 20% of the night-time base hourly wage, according to current legislation.	
ECONOMIC & FINANCIAL MANAGEMENT	Weekly Paid Rest	
	Compensation of overtime provided on holidays and paid rest at 100% of the regular time value, on the impossibility of granting compensatory leave in the following week	
PEOPLE MANAGEMENT	Overtime	
	Paid with a 100% increase over the base hourly wage.	
RELATIONSHIP WITH SUPPLIERS	Hazard Pay – Healthiness	
	Payment to employees exposed to chemical, physical and biological agents (household sewage, noise, humidity, chlorine and others). Additional 20% to 40% of the minimum wage	
FINAL	Hazard Pay – Dangerousness	
	Payment to employees exposed to dangerous agents (flammable fuel, explosives, ionizing radiation and electric power). Additional payment of 30% of the employee's base salary.	
	Childcare and Special Daycare	
	Reimbursement of childcare expenses for employees with children in the age group: up to 1 year old: R\$R\$ 1,632.94; from 1 to 6 years old (incomplete): R\$ 544.31 and employees with children with disabilities: R\$ 1,497.24.	
	Uniform Cleansing	
	Monthly supply for washing and disinfectin uniforms, to employees working in activities with risks of contamination by biological agent (sewage).	
	Remote Shifts	
	Additional paid at the rate of 1/3 of normal hourly salary for employees who remain on notice	
	Transportation Voucher	
	Provided per request, the Comany subsidizes expenses that exceed 6% of the employee's basic salary, according to legislation	



Other Benefits

Social Service	PARE – Service to employees who are chemical dependents of alcohol, tobacco and other drugs, with subsidized treatments in specialized clinics (hospitalization, outpatient care and social work).
Group Life Insurance	Through the Sabesp Association, the Company offers a Group Life Insurance plan that guarantees compensation in the event of death or disability corresponding to 20.9 base salaries (without subsidies from Sabesp).
Supermarket/ Drug Store Card	Agreements with supermarkets and drug stores, in which purchases are deducted from the next month's salary (without subsidies from Sabesp).
Engineer Minimum Wage	According to the collective bargaining agreement, the minimum wage for engineers is 8.5 minimum wages applied on the base date – August R\$ 8,882.50 (August/2020)

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Healthcare Plan, Dental Care and Private Pension Plan

With the consolidation of the implementation of the new health plans in the second half of 2019, the year 2020 elapsed in an atypical manner due to the Covid-19 pandemic. If at first, the beneficiaries reduced use of the health care services, with a reduction in consultations, exams and elective hospitalizations. However, the number of people assisted for causes related to the novel coronavirus have shown a potential high impact on health care costs. This occurs because hospital admissions are prolonged and many require the use of ICU resources, which are the most costly ones.

Additionally, after the first months of the pandemic, with the measure relaxation, elective care returned to its usual levels. Sabesp has been closely monitoring these indicators together with Vivest. Regarding the dental plan, we transferred Sabesprev's contract management Sintaema in 2020, under the same previous conditions, totaling coverage to more than 10,000 people.

In the pension plan area, the expected presentation of a proposal by Vivest to take over management of the pension plans did not materialize. Thus, the BD, Mais and Reinforcement plans continue to be managed by

Sabesprev. However, the implementation of the new Sabesp CD plan with Vivest, allowed new employees and those not joining the Sabesprev plans, to rely on this option to join the benefit.

Profit sharing (PPR)

The company adopts a Profit Sharing Program, which is used annually to stimulate the efforts of the employees adhering to the organizational objectives. The program follows the general guidelines established by Federal Law 10,101/2000 and State Decree 59.598/2013, and is annually negotiated with the Unions.

In 2020, a new PPR structure was approved by the Executive Board and Board of Directors. Previously, a general assessment was made with indicators that were valid for the entire

company and everyone collaborated for achieving a single result. In 2020, in addition to the indicators that measure the company's total performance, indicators with a sectorial dimension were included to assess the accomplishments of the Business Units, sharing the responsibility for the results with the support and administration areas of all Executive Boards. The results will be monitored and presented on a quarterly basis to the Executive Board, Board of Directors and Unions.

In 2017, 2018 and 2019, 100%, 100% and 96%, respectively, of the goals established were achieved. The calculation of PPR 2020 results will begin in March 2021. The economic-financial indicator follow the corporate legislation, and the information will only be included after its disclosure to the market with the publication of the Balance Sheet.

Professional category	2017	2018	2019
Operational	R\$ 3,975.00	R\$ 3,966.00	R\$ 4,094.00
Technicians	R\$ 5,244.00	R\$ 5,274.00	R\$ 5,398.00
University students	R\$ 8,927.00	R\$ 9,105.00	R\$ 9,157.00
Managers	R\$ 17,884.00	R\$ 17,056.00	R\$ 16,450.00
Average – Sabesp	R\$ 6,041.00	R\$ 5,991.00	R\$ 6,130.00

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Innovation in labor relations

Remote working regime: in 2020, Sabesp implemented the remote working regime, with activities carried out mainly outside the Company's facilities, using IT and communication that is not classified as external work. Rules, areas and staff were defined, a system to monitor and manage employees' remote working was created, and the Procedure and Implementation of the Pilot was 100% approved. Additionally, employees received training on safety and health and behaviors towards remote work. Implemented in August, the pilot project has nearly 380 employees.

Online hiring: in 2020, we digitalized the hiring process and hired 25 employees and 72 interns.

Hiring of temporary work company: a Sabesp has been hiring temporary work companies to meet the need for additional service demands, mainly of a periodic or seasonal nature, in regions where there is a significant increase in the temporary population during the summer and vacation seasons. The company hired provided 271 temporary employees for up to six months until May 2020, and 300 employees hired for the new period.

Relationship with representative entities and collective negotiation

Sabesp has historically maintained a good relationship with representative entities (unions and associations), seeking to meet the main demands of employees, always respecting the limits of its financial capacity and legal and governmental guidelines.

In its labor relations, the Company prioritizes negotiation as a means of resolving conflicts, substantially reducing the occurrence of strikes, to ensure efficiency and operating results. Of the total employees, approximately 66% are union members.

In 2020, Sabesp postponed the negotiations and based on the prerogative offered by Provisional Measure 927/2020, extended the validity of the 2019/2020 Collective Agreement until July 2020. After the end of the extension, Sabesp signed the 2020/2021 collective bargaining agreement

with trade unions, maintaining the conditions of the previous negotiation until April 2021, without readjustment in wages and benefits, except for the readjustment of the Engineers' wage floor, in compliance with the legislation in effect and the correction of the value of the Day Care Aid, already provided for in the 2019/2020 collective agreement.

However, there were no financial impacts since the adjustment counted on funds from the closing of CCI. The main unions of the several professional categories are:

UNIONS	Representativeness		
	Sabesp Base	Number of partners	% of partners in the base
Sintaema (Union of Water, Sewage and Environment Employees of the São Paulo State)	8,237	6,742	81.85
Sintius (Union of Employees in the Urban Industries in Santos, Santos Coastal Region, South Coast and Vale do Ribeira)	743	693	93.27
Seesp (Engineers Union in the São Paulo State)	883	141	15.96
SASP (São Paulo Lawyers Union)	144	33	22.91
Sintec SINTEC (Union of Industrial Technicians with Secondary School of the São Paulo State)	2096	197	9.39
Other	703	-	-

In a pilot project, 380 employees were trained in safety and health for better performance in telework



The main representative entities are:

ENTITY	Partners
Sabesp Association: development of leisure, sports, social and cultural activities.	4,945
Sabesp's Association of Retirees and Pensioners (AAPS): support to retirees, pensioners and active employees eligible for retirement, as well as the improvement of their quality of life.	248
Sabesp's Association of University Professionals (APU): represents employees of all backgrounds, to collaborate and influence the management of sanitation, broaden the participation channels in the Company's management and enhance the development of professionals.	285
Association of Sabesp Administrators (ADMSABESP): support to interests and wishes, promoting professional valorization, watching over the strict compliance with professional ethics.	84
Association of Sabesp Engineers (AESABESP): integration and support to national and international projection interests and promotion of technical and cultural development.	896
Sabesp Employees' Savings and Mutual Credit Cooperative (CECRES): offers credit lines with more accessible interest rates.	8,131
Fundação Sabesp de Seguridade Social (Sabesprev): closed private pension entity responsible for managing pension plans.	12,687
Brazilian Association of Sanitary and Environmental Engineering (ABES): contributes to the knowledge and improvement of the quality of life of the Brazilian society. It participates at the national and state level of CONAMA, the National Council of Water Resources (CNRH), CONFEA, State Environmental Councils, and others.	
Brazilian Association of Infrastructure and Basic Industries (ABDIB): development of the Brazilian infrastructure market and national basic industry and its strengthening in international competitiveness standards.	

Mitigation of labor liabilities

Since 2018, we have adopted actions to improve the people and information system management process, with the aim of contributing to organizational performance and reducing litigation in this area. The actions focus mainly on communication, engagement and orientation of leaders and employees on best labor practices.

Extrajudicial Consultative Action: all consultations are processed and responded by means of a system linked to SLA, increasing speed and objectivity. A total of 110 claims were solved, 97.3% on time and with 91.8% of internal customers satisfied or very satisfied.

Creation of the Permanent Forum for Labor Matters:

Sabesp created a number of communication, integration and cooperation actions with the participation of labor lawyers from all over the Company. The CHT communication initiative was evaluated with a score of 4.62, from a maximum score of 5.0.

Stimulating innovation and corporate entrepreneurship

Sabesp Entrepreneur Award: implemented in 2018, the Sabesp Entrepreneur Award seeks to develop and encourage the culture of innovation and entrepreneurship through the generation and sharing of ideas among employees. The 2020 edition was restructured

based on the cultural change desired by Sabesp, with a greater focus on results and innovation. There were 469 papers from 603 participants in four categories.

In addition to an increase of the award, the Award received a new assessment model focused on developing initial ideas and improvement through mentoring based on agile methods and fully remote dynamics. This new method accelerated the innovation process by connecting the generation of ideas towards prototyping, low-scale deployment and verification of results.

Operator's Championship: aims to promote the development of new techniques as well as to recognize the professionals responsible for Sabesp's operational excellence. The 2020 edition had a new format, completely virtual due to the COVID-19 health protocol and was based on the theme Operational Innovation. Twenty-seven awards were given out, totaling R\$ 27,000 and recognizing 48 people.

Employee development

Efficient, dedicated, and trained employees are the basis for us to develop in our mission and strategies. They are responsible for putting our activities into practice, ensuring the quality of the services offered and the assistance provided to our stakeholders.

In this sense, the training and development process is essential to our purpose of fostering organizational transformation and improving employees' quality of life. In the new reality imposed by the New Legal Sanitation Framework, workforce development becomes even more important, focusing on people with better skills, more creative and innovative and more focused on results.



Sabesp Corporate University

For 18 years, the management employee training and development has been coordinated by the Sabesp Business University (UES), which identifies needs and establishes the Training and Development Planning (PCD), as shown below with the ongoing actions:

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TRAINING AND DEVELOPMENT PROCESS

Origin of the need	Feasibility	Description
	Technical Training	UES provides all the necessary training for the exercise of professional duties and for safety in the workplace, either by contracting "in company" training or by enrolling employees in external courses in classes open to the market.
<ul style="list-style-type: none"> • Strategic, Tactical and Operational Planning • Process Needs (Functional Authorities) 	Distance Learning	There are more than 500 courses available in AVA with free access on subjects such as Business Management, Sabesp Information Systems (SiS – SAP ERP), Microinformatics, Occupational Health and Safety, Ethics and Conduct, etc. AVA allows courses to be taken on desktops or mobile devices, the management of the courses taken, the creation of virtual communities to share knowledge, and the creation of Learning Tracks, among others.
<ul style="list-style-type: none"> • Occupational Health and Safety (GHE) • Quality Management Systems • Leadership and Successor Training 	Education Grants	By means of the More Knowledge Program, employees can be refunded up to 80% of enrollment and tuition fees for high school technical, undergraduate, post-graduate, university extension, and language courses. The intention is to raise employees' training level, in addition to promoting professional recognition. Still under the scope of the More Knowledge Program, UES offers an MBA course in Environmental Sanitation, in partnership with the São Paulo School of Sociology and Politics Foundation (FESPSP), which also has an international module taught by the London School of Economics and Political Science (LSE). Due to the importance of the course to the business, a grant of 90% is approved.
<ul style="list-style-type: none"> • Leadership and Successor Training • Organizational Climate Survey • Individual Needs (PID) 	International Training	Employees are recommended to participate in congresses, conferences and technical visits abroad, based on the affinity of their attributions, autonomy and competence to articulate and represent the company, and the capacity to share the knowledge acquired.
	Educational Agreement	Employees and their families can benefit with discounts of 5% to 40% in educational institutions associated with Sabesp.



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Knowledge development

UES coordinated the Mapping of Relevant Knowledge of the value chain macroprocesses, as well as internal experts, in order to promote knowledge protection and sharing strategies. A total of 79 pieces of relevant knowledge were identified.

UES also carried out the Knowledge Curatorship, prospecting trends and emerging knowledge in the market for the various organizational processes, in order to identify new competencies to be developed and to foster Innovation in the organization. 215 pieces of emerging knowledge were identified for 21 processes.

More Knowledge Program

It offers educational grants, of up to 80% of the tuition fees for high school technical, undergraduate, graduate, university extension, and language courses, with the objective of improving employees' education and qualification. The grant is 100% for professional certification exams.

In 2020, UES also strengthened strategic partnerships for the development of MBAs with a business focus (Environmental Sanitation, Asset Management, PPP and Concessions, and Automation of Sanitation Systems Operation). More than 1,200 grants were awarded in the year, with investments of R\$ 5.8 million.

Annual workforce training index (Total hours of training/actual)		
YEAR	Category	Annual workforce training index (h)
2018	Executives	53
	Operational	22
	Technicians	32
	University students	36
	Total	30
2019	Executives	61
	Operational	22
	Technicians	28
	University students	40
	Total	29
2020	Executives	80
	Operational	22
	Technicians	45
	University students	49
	Total	39

**In 2020,
R\$ 5.8 million
were allocated
in educational
subsidies for the
improvement and
training of our
professionals**

Leader Development Program (PDL)

The program aims to develop transforming leadership that leads actions aimed at establishing a new organizational culture, with greater focus on results, innovation and competitiveness. It covers employees in the technical and university categories, as well as managers and superintendents, with a focus on Performance, Succession and Managerial Development.

All Superintendents, Executive Assistants, Advisors and Managers participated in PDL, as well as 3,313 employees in the technical and university categories, of which 150 were selected for the management succession preparation phase.



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Diversity

Although our hiring is conditioned to opening of selection for public office, Sabesp has initiatives aimed at promoting the diversity among employees, which begins with the inclusion of principles and rules expected to be met regarding differences and non-discrimination in our Code of Conduct and Integrity.

Through internal communication vehicles and training initiatives, we also seek to involve this topic as a key point of awareness to the Company's leadership and other organizational levels.

We also have the Diversity Management project, which seeks to study the challenges of this matter in society and to learn about the good practices of other organizations in order to identify opportunities for Sabesp to improve the discussion of the matter in the Company. 

Internal program encourages innovation and competitiveness, preparing professionals for succession in the Company's leadership positions



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Launched in 2019, New Pinheiros River Program will reintegrate into the city the main tributary of the Tietê River

QUALIFIED, MONITORED AND RESPONSIBLE SUPPLY CHAIN

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GRI 102-9 Our supply chain management goes beyond the procurement of products, materials, and services. We believe that our suppliers are our partners, with an essential role in the development of our business and, for this reason, we seek to share our values and principles.

The main contracting categories, with the highest percentage of expenditures in the year correspond to technical engineering services, electrical energy, chemicals for water and sewage treatment and computer/telephone services.

Type of supplier	Number of suppliers approved/accredited to participate in bidding processes	Amounts contracted in 2020 (R\$)
Technical engineering services (project, work management, work execution and water and sewage operation)	1,553	4,035,064,264.00
Electricity	21	54,499,714.57
Chemicals for treatment of water and sewage	70	285,289,465.38
Computer and telephony services	214	21,835,477.52
Other	8,508	1,949,061,968.49
Total	10,366	6,345,750,889.96

Supplier selection

The selection of these suppliers is done through bidding procedures based on Sabesp's Internal Regulation for Bidding and Contracting, which specifies the procedures to be adopted in compliance with article 40 of Federal Law 13,303 of June 30, 2016.

In this process, we require documents and assumptions that prove the company's qualification for the commercial relationship and we instruct supplier regarding the need to comply with laws and good social and environmental practices:

- We demand respect for labor, tax and environmental laws, assuming the responsibility for irregular acts or facts performed by any subcontractor and/or outsourcer, on its own behalf, or on behalf of its employees and representatives;

- We define the necessary environmental actions based on the Outsourced Services Studies of the São Paulo State Government – Specific Socio-Environmental Instructions, defining requirements such as: rational use of water and energy and electricity, reduction of solid waste production, among others. These initiatives can be carried out through employee training, awareness-raising of those involved or concrete actions pointed out especially in the Technical Specifications and obligations of Sabesp and the contractor; and

- Our contracts have clauses requiring the fulfillment of Municipal ordinances and State and Federal legal provisions that interfere in the execution of the works or services, especially the environmental law and the Conama Resolutions and State Law 12,684/07.

Besides the objective of rendering accountability on the performance of Sabesp's contracting areas, this instrument offers

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important information on the good practices of suppliers and their awareness and actions for sustainable development. The toxicological risks of the products used are also assessed in order to ensure their safe use both in the water treatment plant and by the end consumer. This process also includes the following analyses:

- Evaluation of the production process, from raw materials to the final product;
- Verification of aspects related to the environment and social responsibility; and
- Encouragement of fair trade, selecting suppliers with the same level of quality and, within these circumstances, seeking for the lowest price.

We encourage participation and contracting of local suppliers, as well as ensure the treatment provided by Supplementary Law 123/06 and its additions.

Supplier training and product qualification

Upon purchasing strategic materials, we have a process for qualifying suppliers and their products, which covers various requirements such as assessing the production process, from raw materials to the final product, including aspects of environmental responsibility such as the product's toxicological risks and social responsibility, such as combating forced labor and the use of child labor.

It is worth noting the training of fluosilicic acid suppliers, known as fluoride, which is added at the end of the water treatment, as required by law.

This material undergoes strict quality control, being evaluated according to procedures established by ABNT Standard

NBR 15.784:2017 and must also meet the parameters established by Ordinance PRC 5, of September 28, 2017 (Ministry of Health), which determine that fluoride must result from the reuse and purification of materials arising from the processing of phosphate rock, which contributes to the preservation of natural resources while protecting the oral health of the population, strengthening tooth enamel.

We share our database of qualified suppliers and strategic materials with other public sanitation companies owned by states and municipalities. This sharing offers companies the possibility to request material inspection using our team of technicians.

Procurement and contracting transparency

In our procurement and contracting processes we seek to give the greatest possible publicity to the market, using electronic bidding procedures, providing greater agility, cost reduction and transparency.

We disclose in advance the conditions for participation, the requirements for contracting and the guidelines, standards and principles of the Internal Regulations for Tendering and Contracting.

Another important point to put into practice our commitment to ethics and compliance is the requirement that suppliers assimilate, accept and execute the general requirements of anti-corruption laws, with a statement in which they confirm they legally conduct their business.

In all contracting processes, regardless of the amount involved, our potential suppliers declare whether or not they are considered a "party related to Sabesp" in accordance with our Institutional Policy – Transactions with Related Parties. If a possible eligibility is confirmed, this does not preclude contracting, but requires proper disclosure by Sabesp.

For contracting processes with amounts equal to or higher than R\$ 10 million, we carry out an analysis of possible conflicts between our managers and the contracted parties, which is mandatory, after approval and before publication of the result and signing the contracts. We increased participation and contracting of local suppliers in our regions of operation, as well as ensuring, according to the legislation in effect, the treatment provided by Supplementary Law 123/06 and its additions.

In compliance with State Decree 53,336/08, which established the State Sustainable Public Contracting Program, every year we publish our Sustainable Public Procurement Report with the main socio-environmental actions and good practices applied to our supply chain.



Service provider collects sample for analysis of water quality from Billings Dam: contracts with suppliers require respect for labor and environmental laws

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Compliance

We continuously monitor and reassess the potential risks identified in the purchasing and inventory processes and, whenever necessary, create action plans to mitigate these risks.

We have a Procurement Policy, with Business Procedures, a Bidding Notice Committee that defines rules and standards for contracting, the Bidding Management System (SGL) and the Integrated Information System (SAP).

From SGL and SAP, it is possible to obtain managerial and operational information, which can be grouped, analyzed and monitored according to the Company's management needs.

Sabesp also has functional authorities in its action processes, establishing rules, procedures and standards for its activities. In addition, the requirements of the Sarbanes Oxley Act, the Anti-corruption Act, the Bidding Act, the Code of Conduct and Integrity, the Audit Committee, among others, must be met.

Child labor

Our bidding processes define as a condition of qualification that the bidder must declare its regular situation before the Ministry of Labor with regard to the prohibition of night work, dangerous or unhealthy work to minors under eighteen years of age, and any work to minors under sixteen years of age.

During the bidding phase, the failure to comply with this rule determines the ineligibility of the bidder. During contract execution, any breach disclosure to the rule may lead to the termination of the contract.

Forced labor

The measures we have adopted to eliminate all forms of forced labor or labor analogous to slavery are the result of a study conducted by the National Pact for the Eradication of Slave Labor on the production chains of employers that have used labor analogous to slavery.

Actions involving the registration of suppliers and the participation in bidding processes and contracting were sent, at the time, to the Managing Committee of the National Pact. Among the actions applied we highlight:

- ▣ Consultation of our registration area to the "dirty list" of the Ministry of Labor and Employment, to check whether there are suppliers using labor analogous to slavery;
- ▣ Requirement that bidders interested in participating in bidding processes or in qualifying their respective products at Sabesp declare that they do not use labor analogous to slavery in their production chain;
- ▣ Contractual provision that the contracted company will take responsibility for any use of labor analogous to slavery in its production chain; and
- ▣ The use of labor analogous to forced or compulsory labor is a reason for termination of contract with Sabesp.



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SANITATION SUPPLIERS SYMPOSIUM

Aware of the integration need between sanitation companies and their suppliers, and focused on encouraging innovation and sustainability, the Brazilian Association of Sanitary and Environmental Engineering – São Paulo Section (ABES-SP) and Sabesp promoted the Sanitation Suppliers Symposium in 2020.

Virtually held with the participation of 770 people, including suppliers and Sabesp employees, the meeting widely debated the changing scenario of the Legal Sanitation Framework and the new dynamics between sanitation service providers and their supply chain, jointly seeking solutions to the new national challenges.

Attended by the governor of São Paulo, the state's Secretary of Infrastructure and Environment, and Sabesp and ABES-SP representatives, the Symposium featured discussion panels on the New Regulatory Framework for Sanitation, works of the New Pinheiros River project, sustainable financing, asset management, digital transformation, and supplier relations.

The debates were expanded in thematic discussion rooms, which addressed relevant matters in the sector, focusing on the dynamics between sanitation service providers and their supply chain, with the participation of specialists.

The solutions presented at the event point the way forward for the Company in its relationship with its suppliers, while providing inputs that help Sabesp promote sustainability in its value chain. ■



Sabesp and the Brazilian Association of Sanitary and Environmental Engineering (ABES) promoted a symposium with 770 participants, including the Governor of São Paulo

2020 ANNUAL SOCIAL BALANCE

1 – Calculation Base		2020 amounts (R\$ thousand)			2019 amounts (R\$ thousand)		
Net revenue (RL)		17,797,541			17,983,654		
Operating result (RO)		4,492,373			5,711,623		
Gross payroll (FPB)		2,646,518			2,780,468		
2 – Internal Social Indicators		Amount (R\$)	% on FPB	% on RL	Amount (R\$)	% on FPB	% on RL
MESSAGES	Food	214,809	8.12%	1.21%	218,281	7.85%	1.21%
	Mandatory social charges	254,585	9.62%	1.43%	263,471	9.48%	1.47%
PROFILE	Private pension	53,376	2.02%	0.30%	69,460	2.50%	0.39%
	Health	212,681	8.04%	1.20%	306,958	11.04%	1.71%
	Occupational health and safety	15,002	0.57%	0.08%	13,104	0.47%	0.07%
SOCIAL RESPONSIBILITY	Education	4,120	0.16%	0.02%	3,883	0.14%	0.02%
	Culture	344	0.01%	0.00%	307	0.01%	0.00%
CORPORATE GOVERNANCE	Professional training and development	17,344	0.66%	0.10%	18,495	0.67%	0.10%
	Day care or day care assistance	2,045	0.08%	0.01%	2,044	0.07%	0.01%
STRATEGY & VISION OF FUTURE	Profit sharing	86,233	3.26%	0.48%	68,311	2.46%	0.38%
	Other	4,355	0.16%	0.02%	11,116	0.40%	0.06%
	Total – Internal social indicators	864,894	32.68%	4.86%	975,430	35.08%	5.42%
3 – External Social Indicators		Amount (R\$)	% on RO	% on RL	Amount (R\$)	% on FPB	% on RL
ENVIRONMENTAL SANITATION	Education	1,348	0.03%	0.01%	1,178	0.02%	0.01%
	Culture	9,228	0.21%	0.05%	22,562	0.40%	0.13%
RESEARCH, DEVELOPMENT & INNOVATION	Health and sanitation	3,334	0.07%	0.02%	12,284	0.22%	0.07%
	Sports	2,444	0.05%	0.01%	4,501	0.08%	0.03%
ENVIRONMENT	Fighting hunger and food safety	0	0.00%	0.00%	0	0.00%	0.00%
	Other	9,369	0.21%	0.05%	6,103	0.11%	0.03%
	Total contribution to society	25,723	0.57%	0.14%	46,628	0.82%	0.26%
ECONOMIC & FINANCIAL MANAGEMENT	Taxes (net of social charges)	1,617,679	36.01%	9.09%	3,037,019	53.17%	16.89%
	Total – External social indicators	1,643,402	36.58%	9.23%	3,083,647	53.99%	17.15%
4 – Environmental Indicators		Amount (R\$)	% on RO	% on RL	Amount (R\$)	% on FPB	% on RL
PEOPLE MANAGEMENT	Investments related to the company's production/operation	NA	NA	NA	NA	NA	NA
	Investments in external programs and/or projects	NA	NA	NA	NA	NA	NA
RELATIONSHIP WITH SUPPLIERS	Total investments in the environment	NA	NA	NA	NA	NA	NA
	Regarding the establishment of "annual targets" to reduce waste, general consumption regarding production/operation, and increasing the use of natural resources, the company	(X) has no targets () meets 51 to 75% () meets 0 to 50% () meets 76 to 100%	(X) has no targets () meets 51 to 75% () meets 0 to 50% () meets 76 to 100%				
5 – Employees' Indicators		2020		2019			
FINAL	No. of employees at the end of the	12,806		13,945			
	No. of new hires in the period	62		141			
	No. of outsourced employees	0		0			
	No. of interns	610		1,049			
	No. of employees with more than 45 years old	8,591		9,267			
	No. of women working at the company	2,481		2,763			
	% of management positions held by women	25.96%		24.11%			
	No. of afro-descendants working at the company	2,252		2,398			
	% of management positions held by afro-descendants	5.89%		5.56%			
	No. of persons with disability or special needs	152		155			

6 – Material information regarding the exercise of corporate citizenship		2020	2021 Goals
Relation between the highest and lowest compensation at the company		16.93	NA
Total occupational injury		94	NA
The social and environmental projects developed by the company were defined by:		<input type="checkbox"/> executive board <input checked="" type="checkbox"/> executive board and managers <input type="checkbox"/> all employees	<input type="checkbox"/> executive board <input checked="" type="checkbox"/> executive board and managers <input type="checkbox"/> all employees
MESSAGES	Health and safety standards in the workplace were defined by:	<input checked="" type="checkbox"/> executive board and managers <input type="checkbox"/> all employees <input type="checkbox"/> all + OSH commission	<input checked="" type="checkbox"/> executive board and managers <input type="checkbox"/> all employees <input type="checkbox"/> all + OSH commission
PROFILE	Regarding the freedom of association, collective bargaining rights and internal representation of workers, the company:	<input type="checkbox"/> does not get involved <input type="checkbox"/> follows ILO regulations <input checked="" type="checkbox"/> encourages and follows ILO regulations	<input type="checkbox"/> will not get involved <input type="checkbox"/> will follow ILO regulations <input checked="" type="checkbox"/> will encourage and follow ILO regulations
SOCIAL RESPONSIBILITY	Private pension plans cover:	<input type="checkbox"/> executive board <input type="checkbox"/> executive board and managers <input checked="" type="checkbox"/> all employees	<input type="checkbox"/> executive board <input type="checkbox"/> executive board and managers <input checked="" type="checkbox"/> all employees
CORPORATE GOVERNANCE	Profit sharing includes:	<input type="checkbox"/> executive board <input type="checkbox"/> executive board and managers <input checked="" type="checkbox"/> all employees	<input type="checkbox"/> executive board <input type="checkbox"/> executive board and managers <input checked="" type="checkbox"/> all employees
STRATEGY & VISION OF FUTURE	In the selection of suppliers, the same ethical, social responsibility and environmental standards adopted by the company:	<input type="checkbox"/> are not considered <input type="checkbox"/> are suggested <input checked="" type="checkbox"/> are required	<input type="checkbox"/> will not be considered <input type="checkbox"/> will be suggested <input checked="" type="checkbox"/> will be required
ENVIRONMENTAL SANITATION	Regarding the participation of employees in volunteering programs, the company:	<input type="checkbox"/> does not get involved <input type="checkbox"/> supports <input checked="" type="checkbox"/> organizes and encourages	<input type="checkbox"/> will not get involved <input type="checkbox"/> will support <input checked="" type="checkbox"/> will organize and encourage
RESEARCH, DEVELOPMENT & INNOVATION	Total number of consumer complaints and criticism:	in the company: 86,809 at Procon: 5,999 in Justice: – JEC/Conc NA	in the company: NA at Procon: NA in Justice: NA
ENVIRONMENT	% of complaints and criticisms responded or solved:	in the company: 99.77% at Procon: 99.98% in Justice: NA	in the company: NA at Procon: NA in Justice: NA
ECONOMIC & FINANCIAL MANAGEMENT	Total value added to be distributed (R\$ thousand):	In 2020: 8,948,857	In 2019: 10,534,420
PEOPLE MANAGEMENT	Value Added Distribution (DVA):	22.8% – Government; 26.9% – employees; 2.6% – shareholders; 39.4% – third parties; 8.3% – withheld	28.9% – Government; 23.0% – employees; 7.6% – shareholders; 16.1% – third parties; 24.4% – withheld

7 – Outras Informações

Sabesp does not employ outsourced labor, but only enters into service agreements, as the business requires. Accordingly, as of 2020, the Company no longer records an estimated number of service providers.

Given the direct relationship of environment activities with the company's enc activities, it is not possible so specifically separate expenses with the environment from the company's total operating expenses and investments. Accordingly, as of 2018, SABESP no longer reports the environment investment indicator.

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

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



GRI STANDARDS INDEX

GRI 102-55

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ADDITIONAL INFORMATION TO THE OF INDICATORS

GRI 102-13 Participations in associations and/or domestic/international defense organisms

Entidades	Participação
ABAPI – Brazilian Association of Industrial Property Agents	Member
FNQ National Quality Foundation	Member
ABEC Brazilian Association of Scientific Editors	Member
ABES – Brazilian Association of Sanitary and Environmental Engineering	Member Participation in thematic chambers and workgroups; strategic participation
ANPEI – National Association for Research and Development of Innovative Companies	Member Participation in committees and workgroups/technical chambers; strategic participation
ABIOGÁS Brazilian Biogas Association	Member Participation in committees, workgroups and projects; strategic because of the interaction with biogas and biomethane producers, and electricity generators from biogas, and with suppliers of technology for production and beneficial use.
ABAS Brazilian Groundwater Association	Member
IBGC Brazilian Institute of Corporate Governance	Member
ENRICH – European Network of Research and Innovation Centres and Hubs	Member

Entidades	Participação
ABNT Brazilian Association of Technical Standards	Sponsor partner. Active participation in Study Commissions In 2020, Sabesp participated in 30 Study Commissions (CEs), components of Technical Standardization Committees, with participation of 44 representatives appointed by their Executive Boards, contributing to the preparation and review of Brazilian Technical Standards (NBRs), whose topics are related to its activities. Among them, we point out the Brazilian Basic Sanitation Committee ABNT/CB-177, structured in three Subcommittees and six Study Commissions of water, sewage, drainage and solid waste services and products. The participation is strategic given that the technical specifications provided for in the NBRs define and underpin the quality of our procurements, material acquisition, inputs and services, thus justifying our direct interest in the technical quality of such documents. In addition, Sabesp's Technical Standards are important references for the preparation of ABNT's NBRs.
ABRHIDRO – Brazilian Water Resources Association	Member
AWWA – American Water Works Association	Member
IWA – International Water Association	Member
WEF – Water Environment Federation	Member

Percentage of employees covered by collective bargaining agreements

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100% of the Company's employees are covered by collective bargaining agreements.

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GRI 102-43

Approach adopted by the company to engage stakeholders and engagement frequency

	STAKEHOLDER	TYPE OF RELATIONSHIP	FREQUENCY	WHAT DOES THE STAKEHOLDER EXPECT FROM SABESP?	WHAT DOES SABESP EXPECTS FROM THE STAKEHOLDER?
MESSAGES	Controllers/ Shareholders	(1) Shareholders – Executive Board Meetings	(1) Monthly;	<ul style="list-style-type: none"> • Sustainable Growth. • Return on Investment. • Corporate Governance. • Positive Image. • Customer satisfaction. 	<ul style="list-style-type: none"> • Clear and Feasible Guidelines; • Investments in the Company; • Autonomy in Company Management; • Trust in the Company.
PROFILE		(2) Board of Directors' Meetings	(2) Monthly;		
SOCIAL RESPONSIBILITY	Customers	<p>(1) Through a specialized institute, we conduct quantitative and qualitative surveys with scientific methodology to understand customer needs and expectations as well as satisfaction regarding our products and services, NPS and image;</p> <p>(2) We also monitor satisfaction during customer's journey when requesting our services on a daily basis;</p> <p>(3) As of 2020 we will introduce research using neuroscience to understand the implicit, or non-verbalized customer associations with the Sabesp brand.</p> <p>In addition, we provide this public with the following channels:</p> <ul style="list-style-type: none"> • Digital Channels: Sabesp Mobile and Virtual Agency; • Assistance in person at Service Branches, Totems, Savings Center Stations (Poupatempo) and Mobile Unit; • Telephone Service (195) and Ombudsman; • Sabesp Fácil Hot site (self-reading); • Eimob: real estate enterprise attendance; • Blue Friday: debt negotiation task force; • Customer Satisfaction Survey; • Events to discuss innovative practices in the customer relationship process and market prospecting; • Large Consumers: scheduled visits, mailings, offering customized solutions for products and services; • Sabesp website, Social media: Twitter, Facebook and Youtube. 	(1) Monthly;	<ul style="list-style-type: none"> • General Supply; • Water Quality • Service Excellence; • Sewage Collection and Treatment; • Special Tariff. 	<ul style="list-style-type: none"> • Timely payment • Correct Use of Services; • Rational Use of Water; • Adhesion to Infrastructure Available; • Loyalty.
CORPORATE GOVERNANCE			(2) Daily;		
STRATEGY & VISION OF FUTURE			(3) Annual.		
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FINAL	Suppliers	(1) Registration, selection and training of suppliers through meetings and presentation of documents required by the pertinent legislation;	(1) Continuous;	<ul style="list-style-type: none"> • Fair Competition • Timely Payment; • Compliance with the Contract; • Clarity in Specifications; • Regular Supply; 	<ul style="list-style-type: none"> • Compliance with Contract; • Quality Supply; • Compliance with Legal Requirements; • Fair Competition; • Innovation.
		(2) Relationship events: Inova Sabesp, Meeting with Suppliers, The Future of Asset Management Workshop;	(2) On demand;		
		(3) Supplier satisfaction survey;	(3) Annual;		
		(4) Periodic meetings with suppliers and contract managers.	(4) Continuous.		

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	(1) Corporate Volunteer Program; (2) New Pinheiros River Program; (3) Young Apprentice Program and Intern Hiring; (4) Voluntary Adhesions: Ethos Institute, United Nations Global Compact, Abrinq Foundation, Agreement with Associação Amigos Metroviários dos Excepcionais, São Paulo State Government's Diversity Seal Certification and adherence to the Programa Empresa Amiga da Justiça do Tribunal de Justiça do Estado de São Paulo (TJSP); (5) Transparency Portal (available at http://bit.ly/32VDGhb), which provides clear and up-to-date information about our business; (6) Citizen Information Service (SIC), a service channel for citizens established in the Access to Information Law; (7) Opening of Selection for Public Offices: job opportunities to the public in general; (8) Sabesp Young Entrepreneur Award.	(1) Continuous actions throughout the year; (2) Monthly; (3) Annual; (4) Annual adhesion, continuous meetings as required; (5) Continuous; (6) Continuous; (7) On demand; (8) Annual.	<ul style="list-style-type: none"> • Socio-environmental Development; • Service Universalization; • Water Availability; • Job Opportunity; • Ethical Stance. 	<ul style="list-style-type: none"> • Environmentally Conscious Attitude; • Good Relationship; • Recognition of Sabesp's contribution for the Development of Society; • Social Participation; • Adhesion to Infrastructure Available.
Society	(1) Call Center; (2) Meeting with community leaders; (3) Meetings with granting authority; (4) Meetings and visits to the communities; (5) Sabesp website; (6) Social Media (Twitter, Facebook and YouTube); (7) Sustainability Report;	(1) Telephone assistance 24/7; (2) Biannual; (3) Periodic; (4) Constant; (5) Daily; (6) Constant; (7) Annual review.		
	Prosecution Office, CETESB and NGOs, Community Associations, OSCIPs, and other representative segments The main means of communication are the participation in forums and committees of interest to the sanitation sector and society; the Communication of Operational Events (CEO) prepared by the Corporate Communication and Communication Pole of the BUs areas, in partnership with the operations and engineering areas, which ensures appropriate and systematized processing of information to customers, society and other stakeholders.	Interaction is based on the needs presented by Sabesp, or by the interested parties, and can be weekly, fortnightly or monthly. In case of contractual relationship, frequency is contractually defined.		

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Workforce	<p>(1) Jobs and Wages Plan: guidelines on the career management of the professionals, establishing the evolution paths and allowing the employee to plan his or her career with a focus on continuous development;</p> <p>(2) Evaluation based on Skills and Performance, with annual promotion for eligible employees;</p> <p>(3) Internal Selection: selection process with development opportunities;</p> <p>(4) Organizational Climate Survey and focus groups: application of the online survey to analyze the internal environment and employee satisfaction. Formation of focal groups at the Units to discuss improvement actions and implementation of action plans;</p> <p>(5) Availability of the Trust Channel, Whistleblowing Channel and Dissemination of the Code of Conduct and Integrity to all employees;</p> <p>(6) Periodical meetings between leaders and teams, Critical Analysis Meetings (RAT) and Structured Meetings (RE), Human Resources Commission Meetings;</p> <p>(7) Sabesp Entrepreneur Award;</p> <p>(8) Sabesp Corporate University;</p> <p>(9) Quality of Life Program: actions for the employees' physical, mental health and well-being;</p> <p>(10) Listen in order to Serve Survey: carried out with the Superintendencies of the C-Board on the quality of services provided internally;</p> <p>(11) HR and CH Communication Open Channel: emails and telephone numbers available to employees for questions, contributions, complaints, suggestions;</p> <p>(12) Periodical meetings of the permanent Labor Issues Forum.</p>	<p>(1) Continuous;</p> <p>(2) Annual;</p> <p>(3) On demand;</p> <p>(4) The survey occurs every two years. The improvement action plan is continuous;</p> <p>(5) Continuous;</p> <p>(6) Continuous;</p> <p>(7) Continuous;</p> <p>(8) Continuous;</p> <p>(9) Continuous;</p> <p>(10) Annual;</p> <p>(11) Continuous;</p> <p>(12) Continuous.</p>	<ul style="list-style-type: none"> • Career Growth; • Proper Work Environment; • Job Stability; • Equal Opportunities; • Professional Recognition. 	<ul style="list-style-type: none"> • Proactivity; • Achievement of Goals and Tasks; • Productivity; • Sharing Knowledge; • Ethical Behavior.
Granting authority	<p>Annual, on demand meeting; Meetings with mayors and councilors to address matters of interest to the municipality and the population, sharing decisions, prioritizing investments and accountability.</p>	<p>Annual and on demand.</p>	<ul style="list-style-type: none"> • Compliance with the Contract; • Population Satisfaction; • Investment in the Municipalities; • Meeting the Demands; • Transparency and Accountability. 	<ul style="list-style-type: none"> • Execution of Contracts; • Compliance with Contract; • Contract Continuity; • Urban Planning; • Good Relationship.

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Regulatory Bodies	Regulatory Bodies Arsesp Alignment of guidelines, concepts, and topics related to meeting the needs and expectations of customers and to the company's economic-financial balance (tariff adjustment)..	Meeting and visits – constant.	<ul style="list-style-type: none"> • Compliance with Regulatory Requirements; • Achievement of Contract Goals; • Quality Service; • Social Efficiency; • Technical Efficiency. 	<ul style="list-style-type: none"> • Appropriate Regulatory Agenda; • Higher Flexibility; • Feasible Goals; • Communication Channel; • Fair Tariff.
Unions	<ul style="list-style-type: none"> • Legal relation governed by Binding Agreement; • Sabesp meetings with its representatives in the Decision-Making Board and Fiscal Council; • Meetings related to improvement projects and audits carried out; • Periodic contacts between areas that exchange information (Sabesprev's social security area and Payroll, for example). 	At least monthly, with extraordinary meetings when necessary.	<ul style="list-style-type: none"> • Compliance with Collective Agreements; • Engagement in Labor Decisions; • Better Workforce Conditions; • Compliance with Labor Obligations; • Fair Workforce Compensation. 	<ul style="list-style-type: none"> • Flexibility in Negotiations; • Ethical Stance; • Good Relationship.
Investors/ Funders	<ol style="list-style-type: none"> (1) Meetings; (2) Contact by telephone and email; (3) Investor conferences; (4) Results Conference Calls. 	<ol style="list-style-type: none"> (1) Constant; (2) Constant; (3) Constant; (4) Every quarter. 	<ul style="list-style-type: none"> • Economic-Financial Balance; • Return on Investment; • Compliance with Financial Obligations • Compliance with Contracts; • Sustainability. 	<ul style="list-style-type: none"> • Good Relationship; • Credit Availability; • Competitive Interest and Rates.
Media	Appropriate communication tools for each situation, such as press releases, flyers and posters, sound cars, messages via cell phones, face-to-face or virtual meetings, among others.	Constant.	<ul style="list-style-type: none"> • Information transparency; • Access to Information; • Fast Response; • Partnership for Disclosure in the Media. 	<ul style="list-style-type: none"> • Respect to the Company; • Impartial and Transparent Disclosure of Information; • Good Relationship; • Ascertainment and Knowledge of the Actual Fact before Disclosure; • Disclosure Partnership.

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Control or Supervision Bodies	Institutional Representation – Centralization of all demands from TCE/SP, analysis and request Sabesp's Units responsible for any necessary actions for the fulfillment, where applicable, of the governing legislation and instructions. Meetings with agents of the Inspection teams and in the Advisors' offices for instruction and follow-up of Sabesp's Accountability and Hiring processes.	<p>Assistance to TCESP is a continuous work as TCESP is constitutionally and legally responsible for the accounting, financial, budget and property inspection of Sabesp and its agents that perform management acts, such as using, collecting, keeping, managing or administering money, assets and public values.</p> <p>It daily receives requests of information and documents for the instruction of the processes, as well as receives orders from Advisors with deadlines for the rendering of accounts.</p> <p>Frequent contacts are made whenever the need for detailed clarifications of acts practiced is identified, as well as alignment of actions to meet deadlines, presentation of defenses and justifications in the production of evidence.</p>	<ul style="list-style-type: none"> • Respect to Costumers; • Efficient Management of Financial Resources; • Integrity and Accountability; • Environmental Compliance; • Compliance with the Legislation. 	<ul style="list-style-type: none"> • Feasible Rules; • Fast Declarations/ Decisions; • Fairness; • Coherence; • Clear Declarations.
Partners	By means of confidentiality agreements, cooperation agreements, memoranda of understanding, protocols of intent, participation in working groups and internal and external committees of the sanitation and innovation chain.	Monthly, bimonthly, bi-annually, as required by the partner.	<ul style="list-style-type: none"> • Business Opportunities; • Compliance with Obligations; • Fostering of Innovation; • Good Relationship. 	<ul style="list-style-type: none"> • Innovation; • Compliance with Obligations; • Knowledge; • Market Expansion; • Service Quality.
Regional Development Ministry – MDR	Meetings, contact by telephone and email.	Regularly.	<ul style="list-style-type: none"> • Feasible Projects; • Compliance with the Guidelines; • Sustainability. 	<ul style="list-style-type: none"> • Sanitation Development; • Resources; • Support.

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Basin Committees	Institutional Representation – by means of participation of Sabesp’s representatives in diverse forums, such as the National Water Resources Council (CNRH), the State Council (CRH), the 21 State Water Basin Committees, the four Interstate Committees and in several technical chambers established in the respective councils. Sabesp has 162 representatives in all these forums. It is worth noting that Sabesp’s representation in CNRH is through AESBE Sanitation Companies), and in the CRH, Sabesp’s participation is through SIMA (Secretary of Infrastructure and Environment).	<ul style="list-style-type: none"> •(CNRH) up to six meetings a year; •(CRH) up to 12 meetings a year; •(Committees), it depends on each committee, but at least six meetings a year. 	<ul style="list-style-type: none"> • Proper Management of Water Resources; • Compliance with the Legislations; • Environment Protection and Restoration Actions; • Water Security; • Active Participation. 	<ul style="list-style-type: none"> • Integrated Planning; • Systemic Sanitation Vision; • Networking for Conservation of Water Resources; • Sabesp’s Participation in Decision-Making Levels; • Fast Decision-Making
Sabesprev	<ul style="list-style-type: none"> • Legal relation governed by Binding Agreement; • Sabesp meetings with its representatives in the Decision-Making Board and Fiscal Council; • Meetings related to improvement projects and audits carried out; • Periodic contacts between areas that exchange information (Sabesprev’s social security area and Payroll, for example). 	At least monthly, with extraordinary meetings when necessary.	<ul style="list-style-type: none"> • Maintenance of the Member Portfolio; • Compliance with Contracts; • Contribution to the Sustainability of the Plans; • Readiness. 	<ul style="list-style-type: none"> • Proper Management; • Transparency; • Competitive Profitability.
Vivest	<ul style="list-style-type: none"> • Legal relation governed by Binding Agreement; • Periodic meetings between Sabesp’s People Management Superintendence and Vivest’s Benefits Board to solve requests related to Health and Pension Plans, as well as to propose improvements; • Daily contacts related to the exchange of information and assistance to the beneficiaries of Vivest’s health and pension plans. 	Daily for day-to-day matters, and monthly for tactical/strategic matters.	<ul style="list-style-type: none"> • Compliance with Contract; • Maintenance of the Member Portfolio; • Financial Health of the Plans; • Maintenance of the Member Portfolio; • Maintenance of the Sponsorships. 	<ul style="list-style-type: none"> • Compliance with the Contract; • Economic-Financial Balance; • Service Excellence; • Sustainability.
SIMA	Relationship with SIMA and other GESP bodies by means of specific meetings and face-to-face, online, and telephone contacts, whereby Sabesp’s official representative is appointed to be part of GSPOFP (SIMA Comptrollership). Mainly in the cycles of preparation and monitoring of the PPA – LOA – LDO and Public Hearings.	Monthly meetings and follow-up of Goals. Specific WhatsApp group and information via email, such as new decrees, laws and guidelines from the controlling bodies.	<ul style="list-style-type: none"> • Compliance with the Environmental Law; • Efficient Management of Resources; • Commitment to Government Goals. 	<ul style="list-style-type: none"> • Clear Guidelines; • Promptness; • Partnership.

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List of entities included in the financial statements

GRI 102-45 The financial statements include companies in which Sabesp operates by providing sanitation services as minority shareholder in four other municipalities through Águas de Castilho S.A., Águas de Andrada S.A., Saneaqua Mairinque S.A. and SESAMM (Serviços de Saneamento de Mogi Mirim S.A.). We also hold interest in Aquapolo Ambiental (reuse water), Attend Ambiental (non-domestic sewage) and Paulista Geradora de Energia S.A. (electricity), the latter being in the pre-operating phase. For further information on these companies, see Note 12 to the Financial statements available on <https://bit.ly/3hR7nYp>.

Financial aid received from the government

GRI 201-4 The Company did not receive financial aid from the government in 2020.

Total number of lawsuits due to unfair competition, trust practices and their results

GRI 206-1 The Company did not file any lawsuit due to trust or unfair competition in 2020.

Occupational injury GRI 403-9

Number of deaths	Mortality rate	Hours worked	Type of contract
1	0,038	26.019.965,94	Own employees

NOTE: The number informed includes employees, interns and apprentices. The Mortality Rate was calculated on a base of 1,000,000. In case of work-related death, Sabesp follows PE-RH0001 and PE-RH0003 guidelines. Among the actions taken in case of fatal accident with own or outsourced employees, we can mention the analysis of the accident conducted by CIPA in extraordinary meeting, and by the investigation team (SESMT, CIPA, manager of the injured person/area involved or his/her representative), in addition to the Minute of Prevention presentation on accidents to employees, apprentices, trainees and service providers involved. The service providers' Hours Worked is controlled by means of contract, and this information is not consolidated at Sabesp.

Number of serious injuries	Serious injury rate	Hours worked	Type of contract
24	0,922	26.019.965,94	Own employees

NOTE: Serious injuries include accidents with more than 15 days of absence. The rate was calculated on a base of 1,000,000. In case of serious work-related injuries, actions such as the analysis of the serious accident by CIPA in an extraordinary meeting, and by the investigation team (SESMT, CIPA, the manager of the injured person/area involved or his/her representative) are taken, in addition to the Minute of Prevention presentation on accidents to employees, apprentices, trainees, and service providers involved. In case of major accident, the actions follow PE-RH0001 and PE-RH0003 guidelines. The service providers' Hours Worked is controlled by means of contract, and this information is not consolidated at Sabesp.

Number of injuries recorded	Rate of injuries recorded	Hours worked	Type of contract
84	3,228	26.019.965,94	Own employees

NOTE: Includes all injuries with absence from work. The rate was calculated on a base of 1,000,000. All occupational injuries are recorded and addressed as per PE-RH0001 and PE-RH0003. Sabesp investigates all accidents and implements improvements and corrective and preventive actions. Below is the number of occupational injuries recorded. The service providers' Hours Worked is controlled by means of contract, and this information is not consolidated at Sabesp.

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Main types of occupational injuries and assessed risks

Sabesp carries out activities with risk of accidents, such as confined spaces, working at height, trench excavation, services with electricity and on-board activities. In these cases, specific entry permission forms with risk assessment are filled out. Corporate forms FE-RH0002 (Electricity hazard surveys), FE-RH0005 (Trench excavation), FE-RH0006 (Entry and work permit – PET – Confined space), FERH0055 (Work at height permit) are issued simultaneously with the Work Order in SAP. The main types of work-related injuries are: traumatism (20%), fracture (12%), injury (11.60%), contusion (6.80%), sprain (3.60%), disorder (3.60%), bite/sting (3.20%), burn (3.20%), dislocation (2.80%), pain (2.40%), fall (1.60%), rupture (1.60%), others grouped in 53 types of injuries (27.60%).

Occupational illnesses GRI 403-10

Number of deaths	Number of cases	Type of contract
0	6	Own employees

NOTE: All cases of health problems at Sabesp are evaluated and followed up by the Occupational Medicine Doctors. Employees' health is monitored by the Occupational Health Medical Control Program (PCMSO).

Percentage of operations with implemented local community engagement programs, impact assessment and/or local development

GRI 413-1 The company has community engagement actions throughout the operated area, but the initiatives vary based on the characteristics of the municipality operated. The structured action with the participation of community agents is conducted in regions with more needy communities, such as SPMR and the Santos Coastal Region. There is no percentage measurement of this action to all the 375 municipalities operated by the company.

Percentage of significant product and service categories for which health and safety impacts are assessed for improvement

GRI 416-1 The quality of all water distributed (100%) by Sabesp is monitored and water treatment is under permanent improvement, following the most strict standards of potability.

Total number of complaints related to breaches of customer privacy and loss of customer data

GRI 418-1 No complaints related to breach of privacy and loss of the Company's customer data was received in 2020.



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GRI 102-52 | 102-53

Suggestions or comments on this report

sustentabilidade@sabesp.com.br

Clarifications on the Code of Ethics

canaldeconfianca@sabesp.com.br

Complaints about the Code of Ethics:

www.contatoseguro.com.br/sabesp

Phone: **0800 900 8001**

Customer Service (SAC):

Emergency: **195** or Região Metropolitana de São Paulo: **0800 011 9911** Caixa Postal: 61.540 – CEP: 05424-970. In person or by conventional mail addressed to the Audit Superintendence (Rua Costa Carvalho, 300 – CEP: 05429-900)

Ombudsman: – 0800 055 0565

(toll-free) / e-mail: ouvidoria@sabesp.com.br. With the protocol number in hand, users can register complaints or make compliments about services already requested. From Monday to Friday, 8:00 a.m. to 6:00 p.m.

Trust Channel

canaldeconfianca@sabesp.com.br

Social Media



Virtual Agency

Request a copy of a bill, fix leaks, check consumption history and learn where make payments

<https://www9.sabesp.com.br/agenciavirtual>

Sabesp Mobile

Application compatible with Android or iOS operating systems. Request a copy, consumption history, information on automatic debit and notices on the maturity of debits and high consumption. Customers may also report water and sewage leaks.

Baixe o aplicativo para ANDROID utilizando o QR Code abaixo:



Baixe o aplicativo para iOS utilizando o QR Code abaixo:



Online services:

From Monday to Friday, from 8:00 a.m. to 9:00 p.m., and Saturdays, from 8:00 a.m. to 5:00 p.m.

sabesp.com.br • Option: atendimento online

Service agencies:

find the nearest service agency on the website or on the water bill delivered at hour residence.

sabesp.com.br • Option: clientes e serviços

Service Center:

195 (toll-free) for emergencies such as lack of water, leaks and blocked sewage. 24/7.

Commercial Services

For information on bills, request of bill copies (in case of loss or non-receipt), request for services, addresses, useful telephone numbers and explanatory folders.

São Paulo Metropolitan Region: **0800 011 9911** (toll-free). From Monday to Friday, from 7:00 a.m. to 9:00 p.m., and Saturdays, from 8:00 a.m. to 5:00 p.m.

Coastal Region and Countryside: **0800 055 0195** (toll-free) 24/7.