



sabesp

June 2024

**Roadshow**

# Notice to Recipient



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# Notice to Recipient

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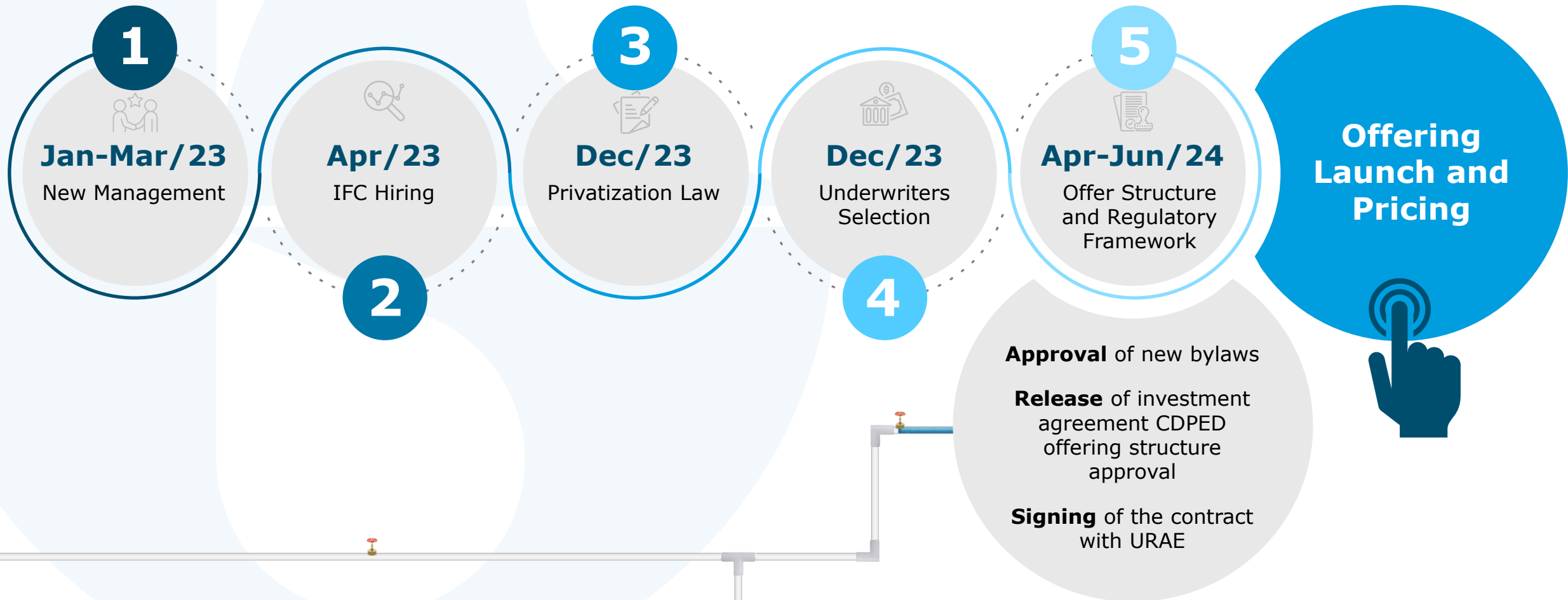
# Offering Summary

<b>Issuer</b>	 Companhia de Saneamento Básico do Estado de São Paulo – Sabesp
<b>Structure</b>	<ul style="list-style-type: none"> <li>Follow-on CVM 160 in Brazil and registered offering in the US</li> <li>Ordinary Shares (SBPS3) and ADS (SBS)</li> </ul>
<b>Base Offering Size</b>	<ul style="list-style-type: none"> <li>~192mm shares / ~ R\$13.8bn</li> </ul>
<b>Greenshoe</b>	<ul style="list-style-type: none"> <li>15% of Base Offering</li> <li>~29mm shares / ~R\$2.1bn</li> </ul>
<b>Total Offering Size</b>	<ul style="list-style-type: none"> <li>~220mm shares / ~ R\$15.9bn</li> </ul>
<b>Offering Composition</b>	<ul style="list-style-type: none"> <li>100% secondary</li> </ul>
<b>Selling Shareholder</b>	<ul style="list-style-type: none"> <li>State of São Paulo</li> </ul>
<b>Lock-up</b>	<ul style="list-style-type: none"> <li>Until 31/12/2029 for the Selected Reference Investor</li> </ul>
<b>Key Dates</b>	<ul style="list-style-type: none"> <li>Fri, Jun 21: Launch</li> <li>Mon, Jun 24 – Thu, Jul 18: Roadshow</li> <li>Mon, Jul 1 – Mon, Jul 15: Bookbuilding and Retail Offering</li> <li>Thu, Jul 18: Pricing</li> <li>Fri, Jul 19: B3 and NYSE First Day of Trading</li> <li>Mon, Jul 22: Settlement</li> </ul>
<b>Reference Investor Dates:</b>	<ul style="list-style-type: none"> <li>Thu, Jun 13 – Mon, Jun 17: Refence Investors Registration Process</li> <li>Mon, Jun 24 – Wed, Jun 26: Refence Investors Subscription</li> <li>Fri, Jun 28: Release of Two Finalist Reference Investors</li> <li>Mon, Jul 15: Release of Selected Refence Investor</li> </ul>
<b>Global Coordinators</b>	      <p>Lead-left Coordinator      Stabilization Agent      Investment Bank      Retail Coordinator      Company's Advisor</p>
<b>Joint Bookrunners</b>	      

# Sabesp's Main Steps to Become a Privately Held Company



## Timeline of the Privatization Process through a Follow-on



# Sabesp Follow-on Model

Model maximizes the financial return for the State, preserving the quality of investors and including a process for selecting a Reference Investor

## Two-Step Model

**1<sup>st</sup>**  
**step**

### Reference Investors

#### Price Competition

- Reference investors submit their orders
- **Up to two reference investors with the highest prices will move on to the 2<sup>nd</sup> step<sup>(1)</sup>**
- Prices must be higher than the minimum price

#### **Bookbuilding**

- Bookbuilding for the two finalist investors
- Professional investors must send orders (same or different) for each of the books
- The investor who brings the highest financial return to the State will be selected
- Right to match for the second place if it has a higher bookbuilding price (only if its price is above its bookbuilding)
- Financial compensation for the State if the selected investor has a price higher than its bookbuilding, in the minimum coverage

**2<sup>nd</sup>**  
**step**

### Potential Holdings



**18%**  
**São Paulo State**  
Stake after the offering



**15%**  
of the company's to the  
**Reference Investor**



# Definition Based On Volume Weighted Prices

## Definition Based On Volume Weighted Prices

### Alternative 1: Minimum Coverage Achieved on the Price of at Least One Finalist Reference Investor

- **The Finalist Reference Investor with the highest volume-weighted price will be the Selected Reference Investor**  
The volume-weighted price will always be limited to the individual price of each Finalist Reference Investor

### Alternative 2: Minimum Coverage Not Achieved in the Price of Any Finalist Reference Investor

- **Minimum Coverage achieved by at least one of the Finalist Reference Investors at prices below its price:**  
The Selected Reference Investor will be the one with the highest volume-weighted price
- **Minimum Coverage is not achieved by any of the Finalist Reference Investors, including below their price:**  
The State may choose to carry out the offer without the selection of a Reference Investor or to cancel it

#### Conditions to be Checked

✓ **1<sup>st</sup> Stage Documents + Minimum Price**

✓ **Escrow Account + New Letter of Guarantee**

✓ **Minimum Cover + Minimum Price**

# Shareholders' Agreement Overview

Signed between São Paulo State and Reference Investor, it defines the benefits and limitations of the actions of the Investor, State and privatized Sabesp

## How will board members be chosen?

### Board of Directors

**Composition: 9 members**

3 members appointed by the State of SP

3 members nominated by the Reference investor

3 independent

- 1 **Requirements for State of São Paulo Nominees**
  - Two with at least 5 years of experience in utilities (gas, sanitation, energy)
  - Independent member appointed by the State must comply with compliance rules
- 2 **Chairman of the Board and CEO**
  - Reference investor appoints chairman of the Board
  - State of São Paulo refrains from nominating candidate for CEO
- 3 **Executive Board**
  - Director of Engineering and Innovation and Director of Operation and Maintenance must have at least 10 years of experience in utilities (gas, sanitation, energy)
- 4 **Independent Member**
  - Three nominees selected by the Reference Investor, of whom at least two must be approved by the State, with the State having the option to nominate the third if required

## Non-Competition Clause

**There will be mechanisms to avoid conflicts of interest**

### In the State of São Paulo:

- Sabesp's exclusive right to compete for concessions

### Outside São Paulo:

- Sabesp has priority in opportunities involving municipalities or regional arrangements with more than 50 thousand inhabitants
- Strategic investors must consult the Board of Directors to compete for these opportunities

### Sabesp can:

- Bid for the concession in partnership with the reference investor
- Compete with the reference investor
- Permit the reference investor to participate in the competition.

## Lock-up



**Reference investor cannot sell Sabesp shares acquired in the public offering until December 31, 2029, during the universal sanitation cycle**

**After 2030, the Reference Investor will be able to sell their shares on the stock exchange or privately, under different conditions**

## Topics that will require consensus

**State of São Paulo and the Reference Investor will have to vote together on topics such as:**

### Changes in the Bylaws

### Decisions involving SABESPREV

Company's supplementary pension plan

### Changes in dividend policies



# Governance Changes & Dividend Policy

## Governance Changes in Sabesp's Bylaws

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- **Golden shares:** State of São Paulo still holds the power to veto changes in the company such as: name, company headquarters, social object
- **Voting power for the Group of Shareholders will be limited to 30% of the shares into which the voting capital is divided**
- **Poison Pill:** Trigger percentage set at participation of 30%, demanding the launch of a tender offer with a premium of 200%
- Additional statutory committees such as corporate sustainability and responsibility
- **Board of Directors:** 9 members, elected by slates, including 3 independents and a maximum of 3 state representatives

## Sabesp's New Dividend Policy

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### Company's new dividend policy will follow the following rule:

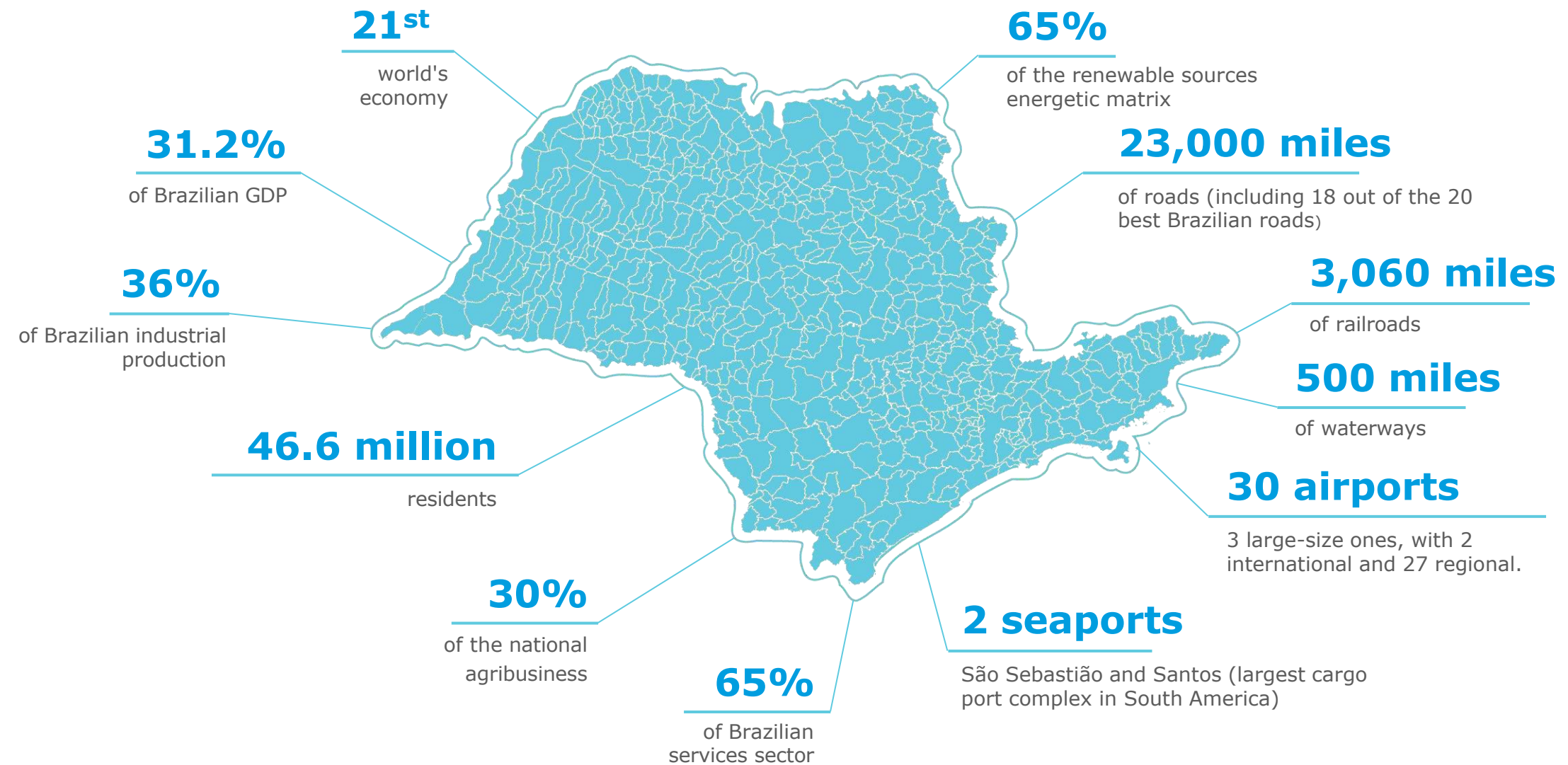
- Minimum Mandatory Dividend between 2024-2025
- Up to a 50% payout between 2026-2027
- Up to a 75% payout between 2028-2030
- Up to a 100% payout from 2030 onwards

### Also, the U-factor will have a crucial role in it:

- **U-factor equals to 0%:** no consequences
- **U-factor between 0% and 1%:** 80% of the allowed payout for the year
- **U-factor between 1% and 2%:** 60% of the allowed payout for the year
- **U-factor above 2%:** Payout limited to the minimum mandatory dividend

# WHY SÃO PAULO?

## South Hemisphere's largest economical and industrial center



Source: IBGE, Governo de São Paulo, Ranking de Competitividade dos Estados, 2022.



# Sabesp's Privatization: a Balance Between Social Objectives, Focusing on Improving People's Lives, and Attractivity to Investors



Located in São Paulo, the **country's largest and most diversified green economy market**

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**8-month privatization process**, including a new concession model that counted with the **adhesion of 371 municipalities in URAE**

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Seeking to **increase investments**, with the **anticipation (from 2033 to 2029) of the sanitation universalization**, maintaining assistance to the **vulnerable population**

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Priority to **attract a Reference Strategic Investor** focused on providing **support to the execution of the new investment cycle**, with a **stablished governance model**

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Sabesp will be **well positioned for its next equity story momentum**, which should be crucial to **unlock and create value** for investors



# Key Value Drivers & Opportunities



## Premier company in the Brazilian sanitation sector

SABESP is the largest sanitation company in Brazil and one of the largest in the world

1

## Regulated and predictable business model

SABESP's regulatory model is based on investments remuneration, aligns interests and ensures a higher level of predictability

2

## Several contracted growth and optimization opportunities

Large pipeline of contracted investments, with additional value creation from the efficiencies triggered by the privatization

3

## Lack of investments in the sanitation sector creates uncontracted opportunities to SABESP

A large amount of investments (~R\$900 bn) is required to universalize the access to water and sewage services in Brazil and this creates several opportunities for SABESP, which will be one of the most important players in the sanitation sector

4

## Result-oriented Management Philosophy

SABESP's ESG strategy is far broader than the universalization of water and sewage services

5

# 1 Sabesp at a Glance

## Overview of the Business Model And Key Highlights

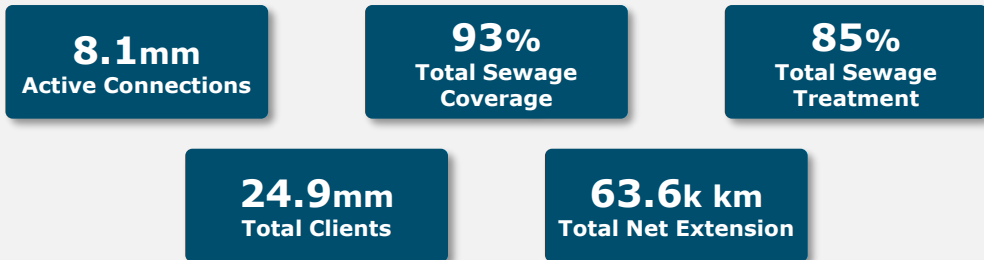
### 1Q24 Operational Figures for Coverage Area



Water



Sewage



### 1Q24 LTM Financial Highlight

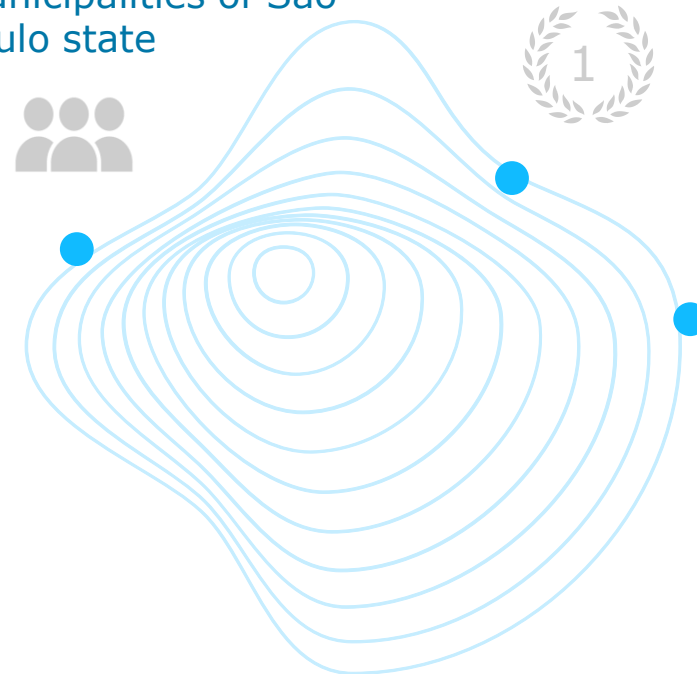


R\$ **26.4bn**  
Net Revenue

First B3-listed Green  
Equity Company

**S&P Global**  
Ratings

Serves approximately  
**68%** of the urban  
population and  
**58%** of  
municipalities of São  
Paulo state



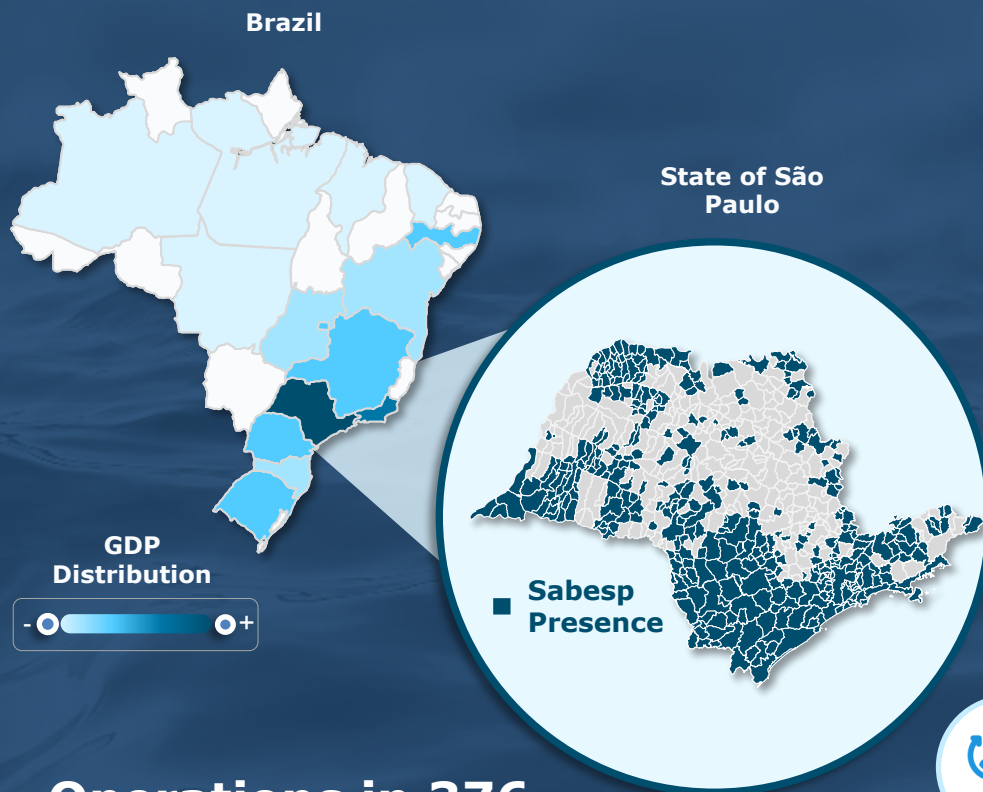
**2.32x** more  
active connections  
than the 2<sup>nd</sup> largest  
national peer



Sabesp alone makes up  
for over **30%** of total  
sanitation investments  
made in Brazil



# 1 Unique Platform to Participate in the Next Era of Sanitation in Brazil



**Operations in 376 municipalities in São Paulo, covering 68% of urban population**



**30.2%**  
of Brazil's total GDP<sup>2,3</sup>  
**#1** in the country



**R\$58.3k**  
GDP per capita<sup>2,4</sup> (vs R\$42.2k national average)



**0.806**  
HDI<sup>2,3</sup> (vs ~0.74 national average)

## Top-10 contracts with municipalities<sup>1</sup>

Contract	% of revenue
São Paulo	43.5%
Guarulhos	4.4%
São Bernardo do Campo	2.8%
Santo André	2.6%
Osasco	2.2%
Santos	2.1%
São José dos Campos	2.0%
Barueri	1.5%
Praia Grande	1.4%
Diadema	1.3%

**Low-risk contracted revenues coming from long-term contracts with municipalities in São Paulo state**

Sources: Sabesp, IBGE, newsrun.

Notes: 1. As of 1Q24; 2. Considers São Paulo state, as of 2021; 3. According to IBGE.

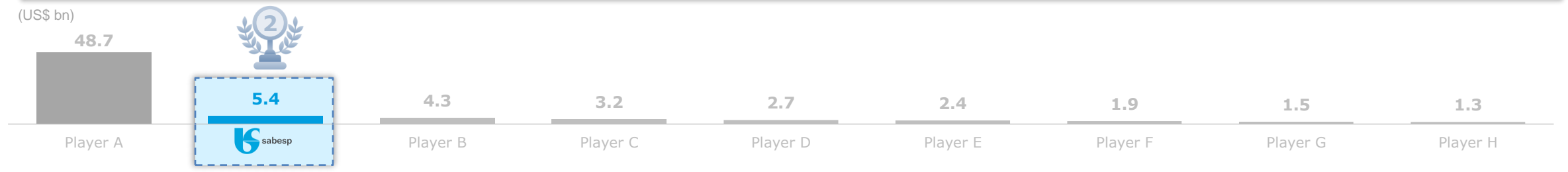
4. According to Exame, with data from IBGE.



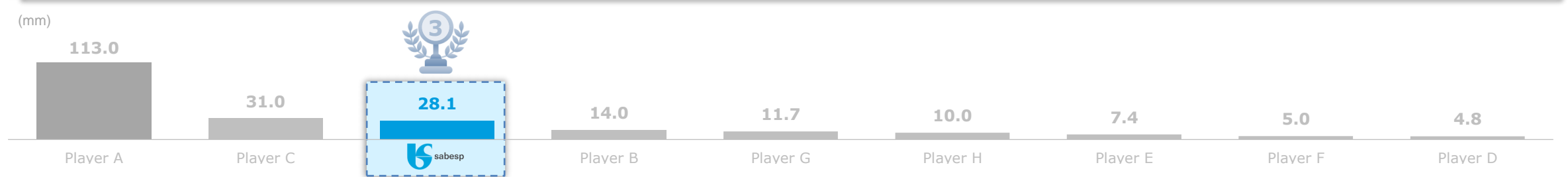
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# One of the Largest Water Utility Companies in the World

## Net Revenue 1Q24 LTM



## Population Served



## Market Cap<sup>1</sup>



 **Sabesp is the 2<sup>nd</sup> largest water utility company based on net revenue in the world**

Sources: Companies' publicly available reports and Factset.  
 Note: 1. As of May 15<sup>th</sup>, 2024

# New Contractual Model for SABESP

## A Less Discretionary Powers of the Regulatory Agency

- Simplified single contract covering all municipalities served by SABESP, providing greater predictability for the Company
- Greater detail and clarity of the costs covered by the tariff, including all municipal funds expenses
- Backward-Looking methodology on tariff reviews
- The regulatory terms will be included in the service contracts with municipalities, ensuring predictability and reduction the discretionary powers

## B CAPEX Incentives to Promote the Sanitation Universalization

- Annual review of the Regulatory Asset Base (RAB) in the first and second tariff cycle using a Backward-Looking methodology
- Universalization factor in the tariff review formula, which can apply up to a 10% discount on the tariff depending on the deployment of the investment
- U factor will assess investments in URAE 1 in 2024-2026, each municipality in 2027 and each municipality per area (urban, informal and rural) in 2028-2029

## C Tariff Increase Mitigation

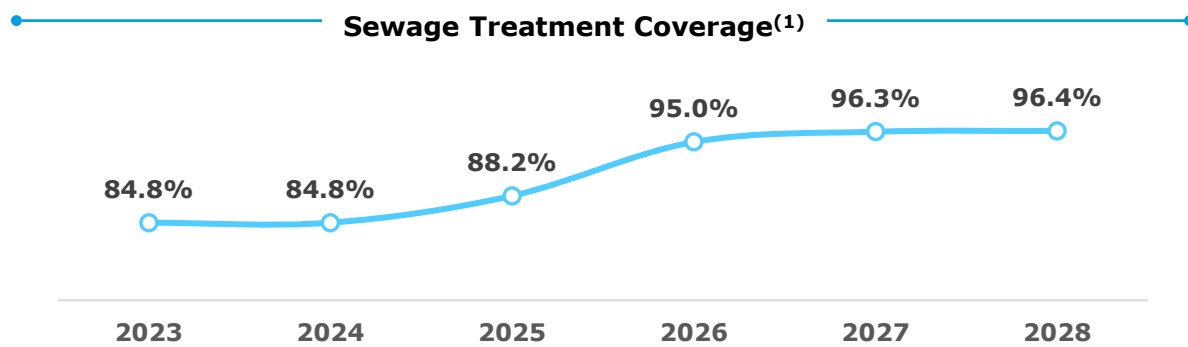
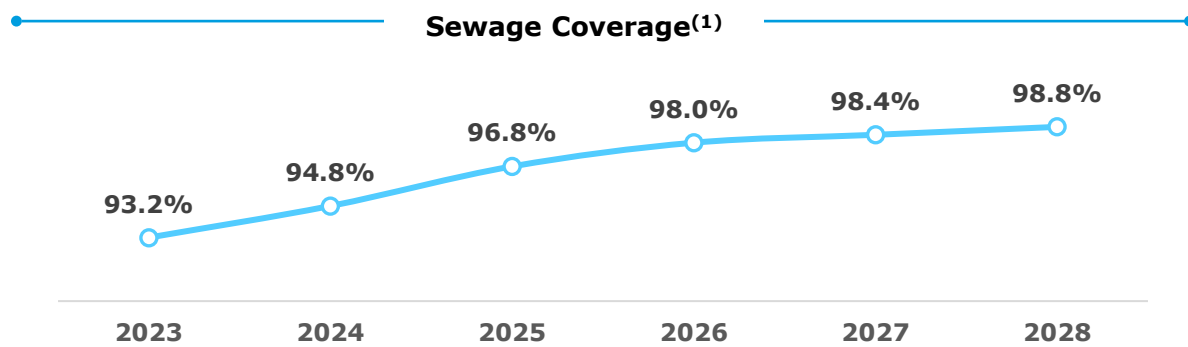
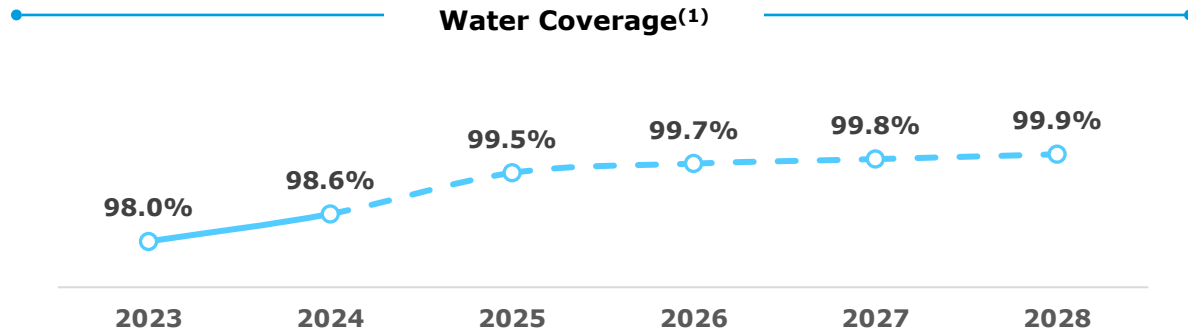
- FAUSP is a mechanism created by the privatization to control tariff increases for the following years
- Part of the offering proceeds and dividends paid to the state of São Paulo will be allocated to FAUSP, benefiting São Paulo's population and mitigating the tariff increase due to the increase of investments

## D Incentives to Improve Efficiency

- The regulatory Opex starting point will be based on 2022 costs, excluding costs not covered and adjusted by a historical technical efficiency factor (E-factor)
- No cost-efficiency sharing until 2029
- Sabesp will be able to retain 50% of the efficiency in the second cycle, 25% in the third cycle and 10% from the fourth onwards
- All tariff adjustments will incorporate Q<sup>(1)</sup> (quality: -2% to 2%) and X (technology cost efficiency sharing: set at 0.89% for the 1st cycle)

# Plan To Reach The Universalization Targets Are Already Ongoing

## The Company has a Clear Plan to Execute its CAPEX Pipeline



Source: Sabesp  
 Note: 1. Current contract serviceable area; 2. Data from 06/12/2024

## Projects to be carried out<sup>(2)</sup>

### São Paulo Metropolitan Region



**INTEGRA  
TIETÊ**

Formal and Informal areas

(R\$ mm)	2024	2025	2026	2027	2028
To be tendered	-	-	-	-	-
In tender process	80	3,157	3,996	3,143	2,829
In execution	921	1,009	483	288	95
<b>Total</b>	<b>1,001</b>	<b>4,166</b>	<b>4,479</b>	<b>3,431</b>	<b>2,924</b>

### Santos Metropolitan Area



- Praia Grande
- Santos
- São Vicente
- Itanhaém
- Bertióga
- Guarujá

(R\$ mm)	2024	2025	2026	2027	2028
To be tendered	3	110	446	746	591
In tender process	186	476	420	338	215
In execution	219	198	162	39	-
<b>Total</b>	<b>408</b>	<b>784</b>	<b>1,028</b>	<b>1,123</b>	<b>806</b>

### São Paulo North Coast



- Ubatuba
- Ilhabela
- São Sebastião
- Caraguatatuba

(R\$ mm)	2024	2025	2026	2027	2028
To be tendered	-	46	120	394	424
In tender process	32	426	107	77	103
In execution	254	73	11	-	-
<b>Total</b>	<b>286</b>	<b>545</b>	<b>238</b>	<b>471</b>	<b>527</b>

### Interior of São Paulo



- Projects to address environmental liabilities
- Vegetation growth
- Improvements and renewal of assets

# SABESP Has The Abilities To Implement Its CAPEX Pipeline

The SABESP's senior engineering team has a private sector background and has implemented several improvements in the CAPEX implementation process

## Optimal Tender Process for a State-Owned Company

- Implementation of performance metrics, based on the timetable, costs evolution and other project-specific metrics
- SABESP provides a detailed basic project, reducing the risks and costs
- The contracting model allocates a significant portion of the risks to the construction companies
- Consortia also reduce the risk of individual construction companies

## Mechanisms to Monitor and Support Ongoing Projects

- After the tender, SABESP uses its cutting-edge technology to develop the executive project, along with the contractor
- SABESP monitors all the ongoing projects through periodic meetings and using the PMBOK methodology, mitigating the risks
- Aid to the contractor in the licensing obtention process

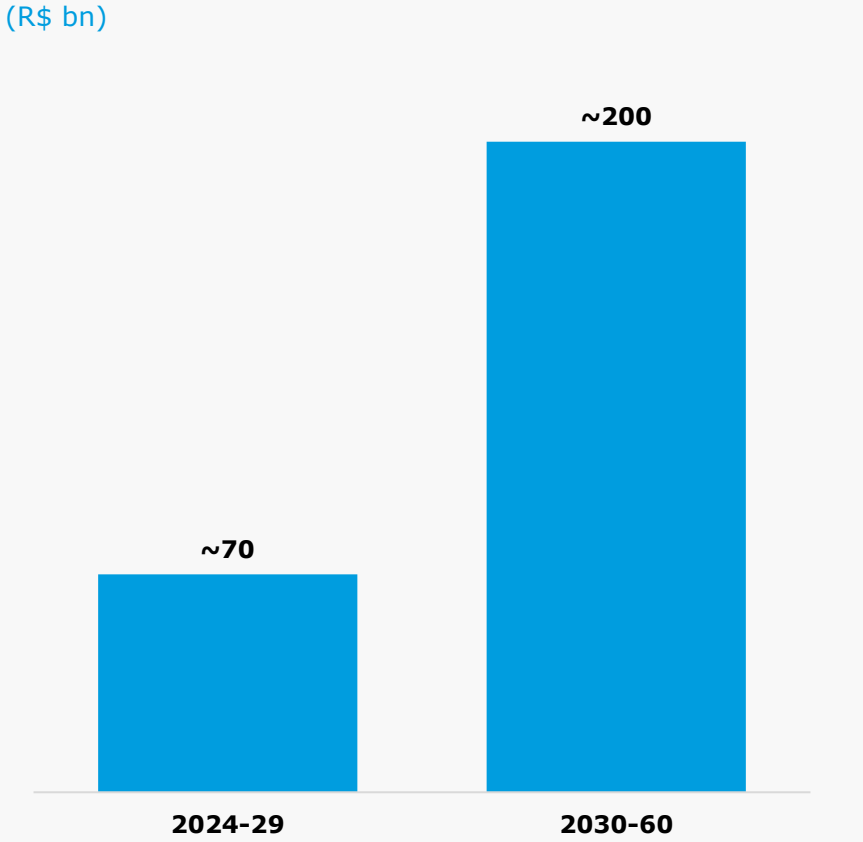
## Cutting Edge Technology in the Sanitation Industry

- SABESP uses its proprietary technology to facilitate the development of the basic and executive project, which uses the BIM technology
- Satellite images to analyze areas outside of SABESP's current coverage,
- Artificial intelligence for data processing, including estimating the number of economies and its locations

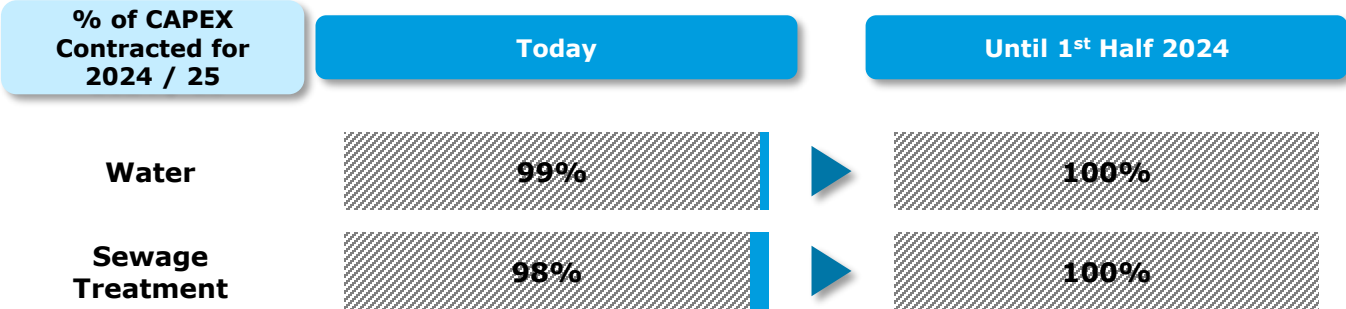
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# Private Company Is Positioned To Efficiently Implement The CAPEX Pipeline

## Relevant Future Contracted Investment Cycles



Sabesp has already started the bidding process for the majority of the CAPEX for the 2024/25 cycle...



The capex contracted in the last twelve months is 80% above the historical average

## ...And the Capex Contracting Process Should Gain Efficiency After the Privatization



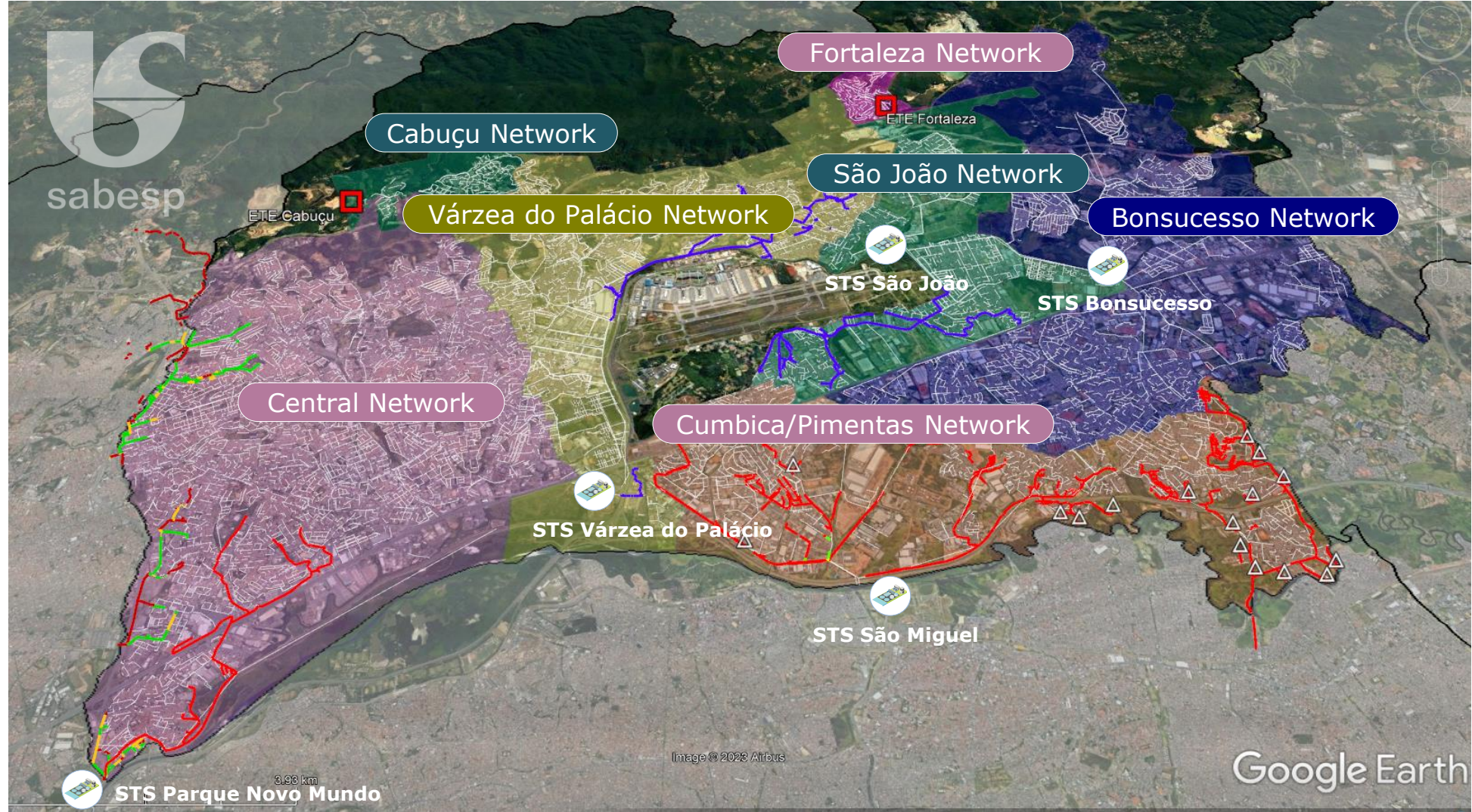
Given SABESP Services' Characteristics, the Contracted Capex Should have Minimum Demand Risk and Will Yield Returns



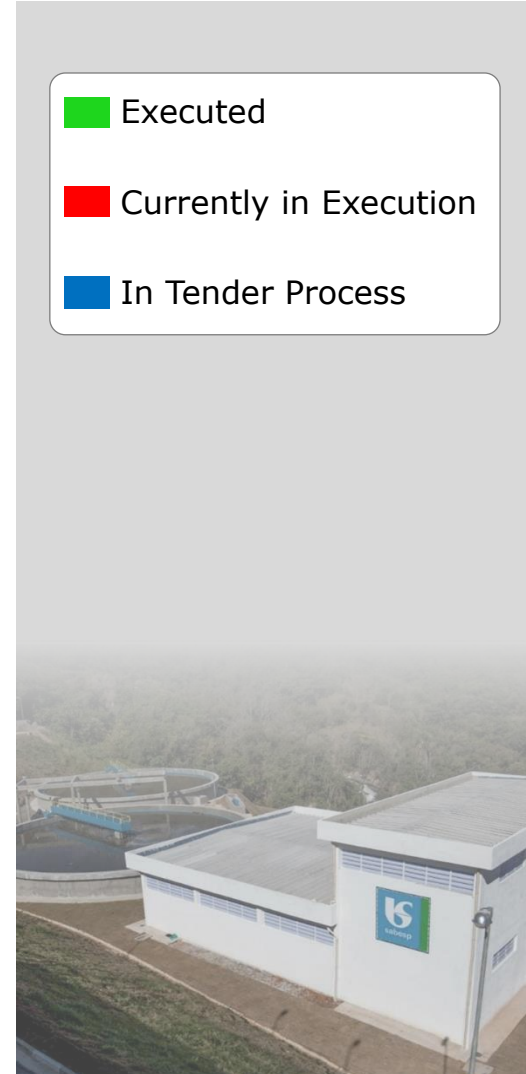
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# Private Company Is Positioned To Efficiently Implement The CAPEX Pipeline (cont'd)

## Guarulhos – Distribution of Projects of Sanitary Sewage Systems

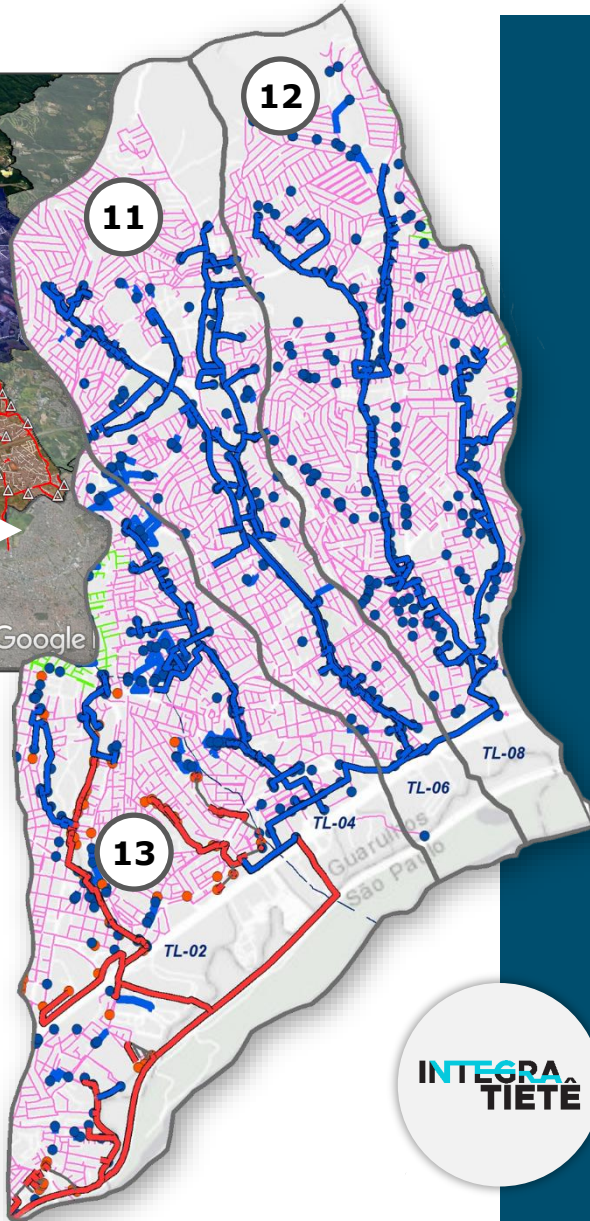
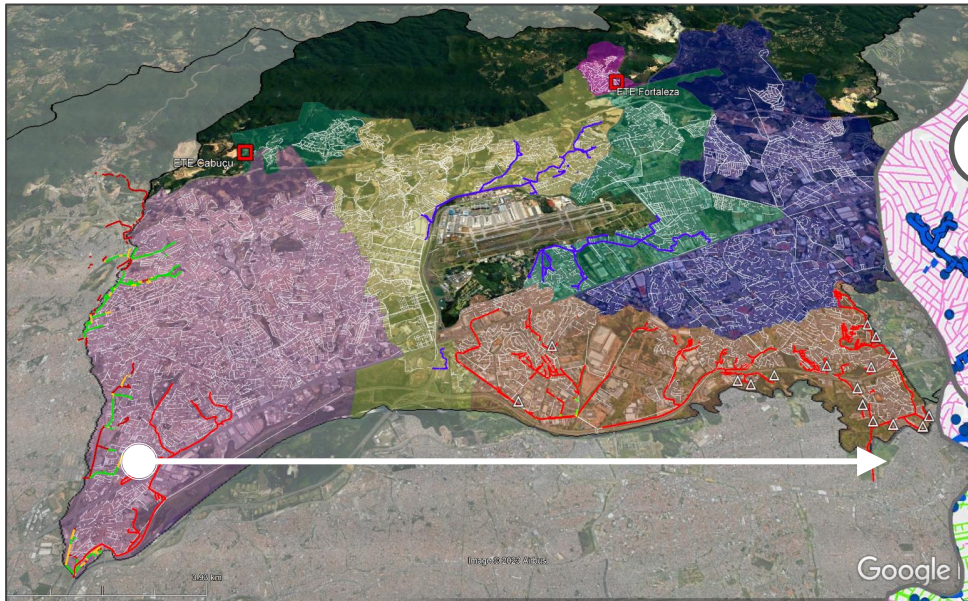


- Executed
- Currently in Execution
- In Tender Process





# Private Company Is Positioned To Efficiently Implement The CAPEX Pipeline (cont'd)



- Projects Under Execution**
  - Collectors / Networks / Interconnection
  - Discharge Points
- Projects To Be Executed**
  - Collectors / Networks / Interconnection
  - Discharge Points
- Sewer Collector**
  - Does not conduct to the treatment facilities
  - Conducts to the treatment facilities



## Benefits

These works complement the existing Sewer Collection System and Treatment System in the Municipality, through the implementation of pumping stations, pumping lines, interceptors, collectors, and interconnections

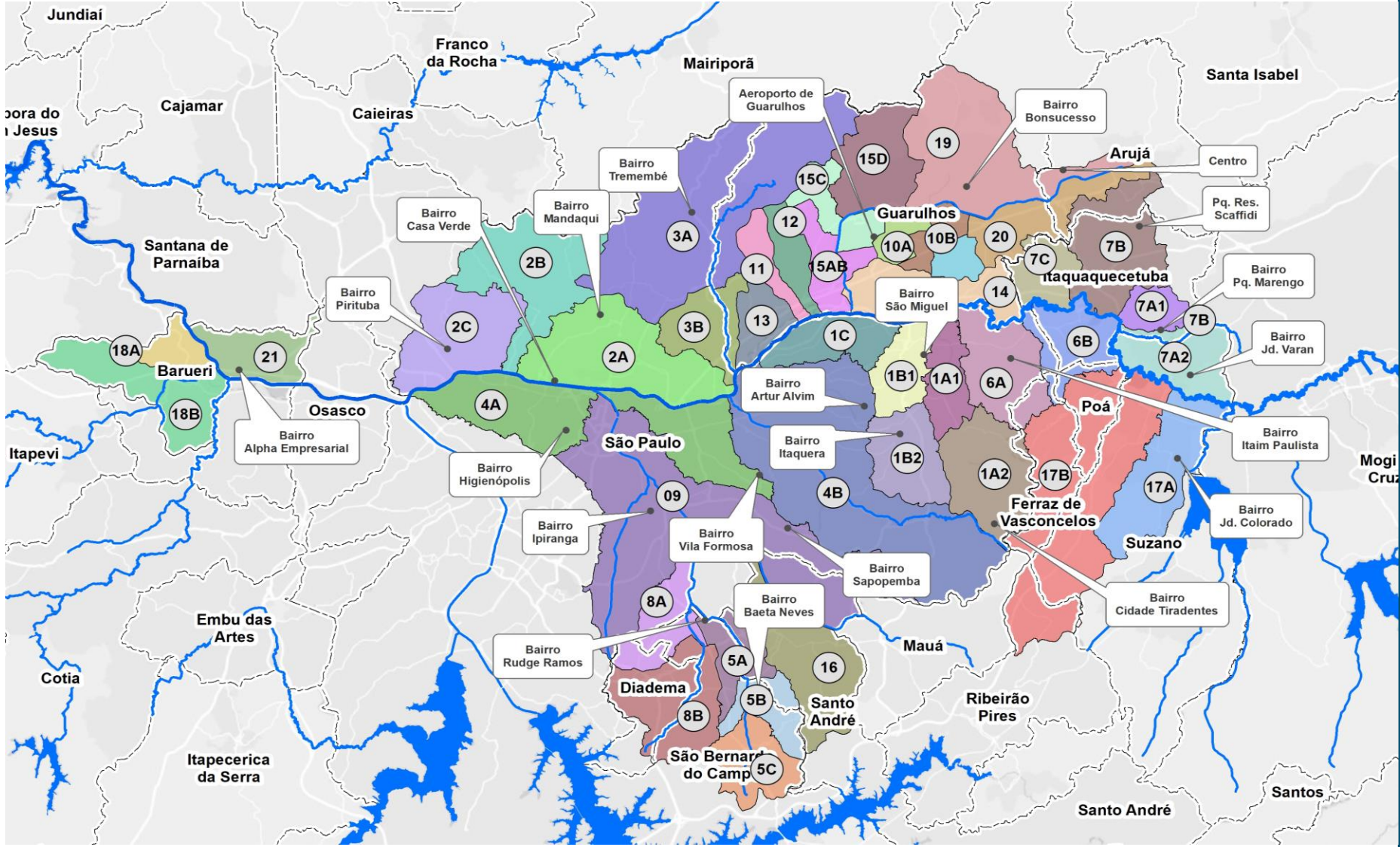
**+ 1.29 mm people** with sewage collection and treatment

**+ 404 k new economies** for treatment



# Private Company Is Positioned To Efficiently Implement The CAPEX Pipeline (cont'd)

## Integra Tietê



### Scope:

- 600 km of trunk sewers and interceptors
- 470 km of collection networks
- 227 pumping stations
- 6 WWTPs: +17.3 m3/s

### Tender Packages:

- Linear: 42 packages
- WWTPs: 6 (BAR, PNM, SM, SJ, VP, BS)
- Execution Deadline: until December/26, except for the Barueri WWTP in December/27

### Status of Linear Bidding Notices Publication:

- 43 published between March and May/24

### Status of WWTPs Bidding Notices Publication:

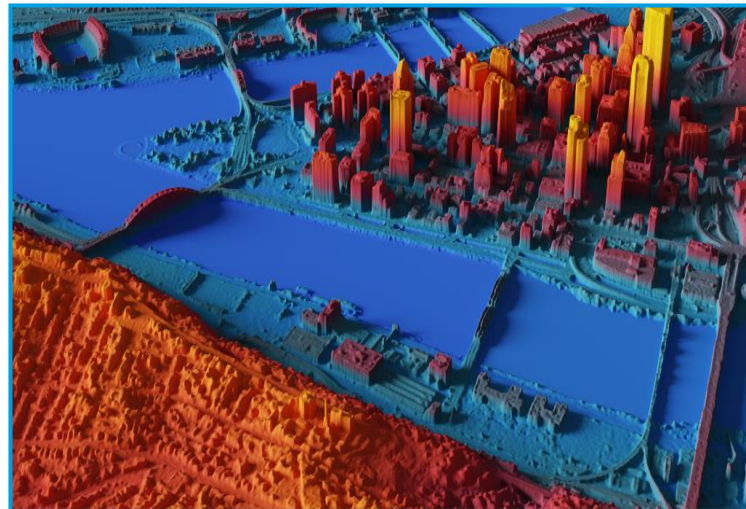
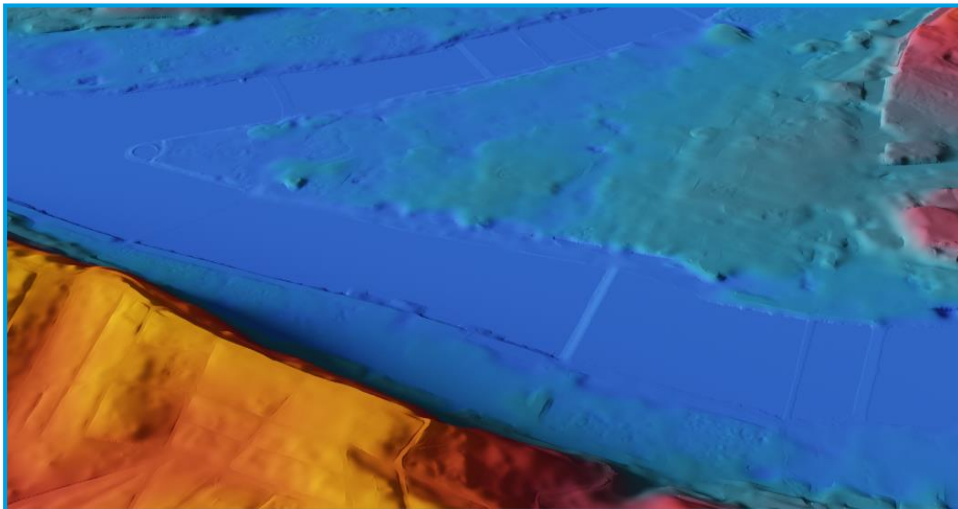
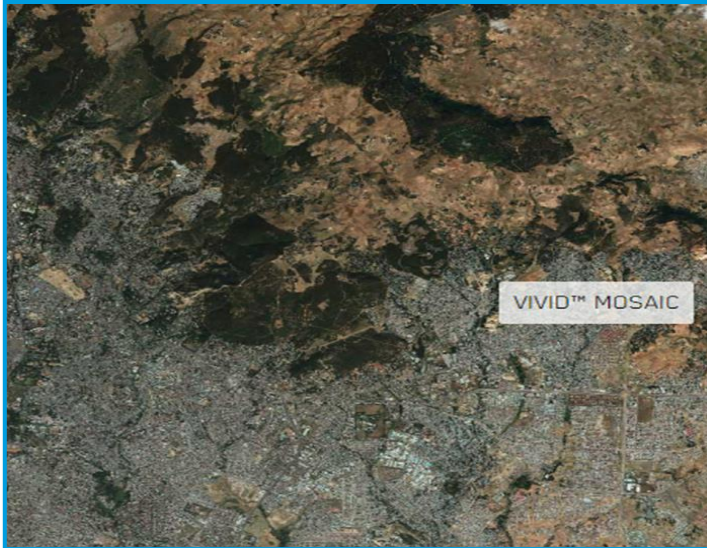
- 6 published between December/23 and May/24



3

# Private Company Is Positioned To Efficiently Implement The CAPEX Pipeline (cont'd)

## Satellite Image



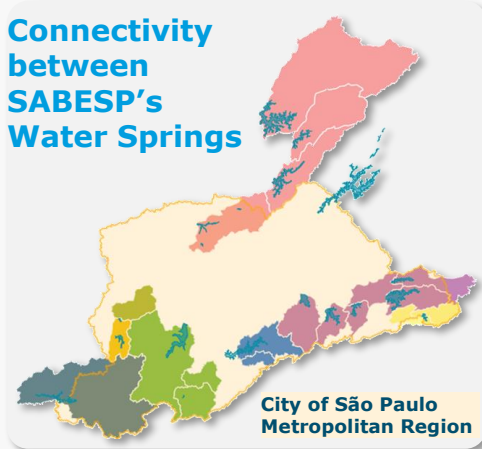
**AI for household counting**

# Long-term Optimization Initiatives

The Company has been developing multiple water management initiatives in the last decade

## Investments in water spring connectivity to reduce drought risk

### Use of Water Sources and Connectivity Between Them



	2013	2023
Maximum storage capacity(hm <sup>3</sup> )	1,816	1,945
Transfers between springs(m <sup>3</sup> /s)	10.2	26.8

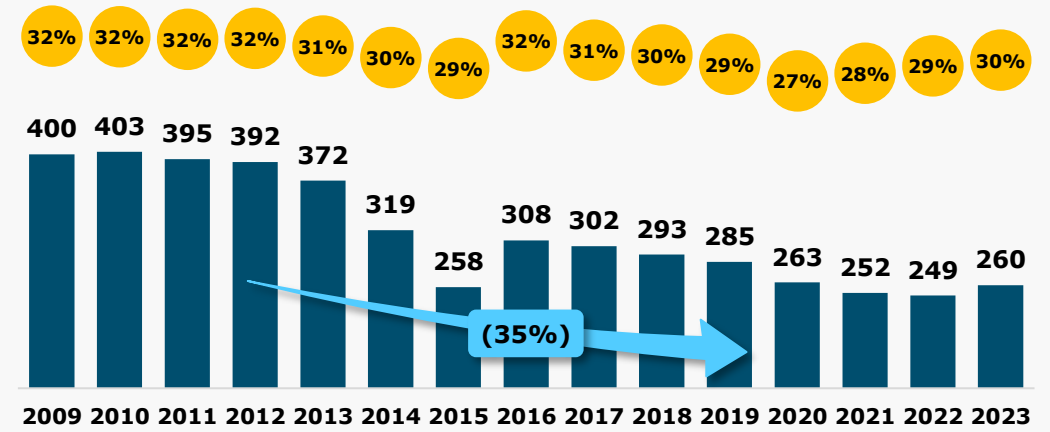
#### Highlights

- 1) The main climate risk to which SABESP is exposed to is the risk of drought
- 2) However, this risk has been mitigated through investments to increase the water transfer between the production system sources
- 3) The investments resulted in a much more balanced water source usage, mitigating supply problems in the city

## SABESP's water loss reduction program has proven to be efficient

### Water Loss per Connection

(liters/connection/day, %)



#### Highlights

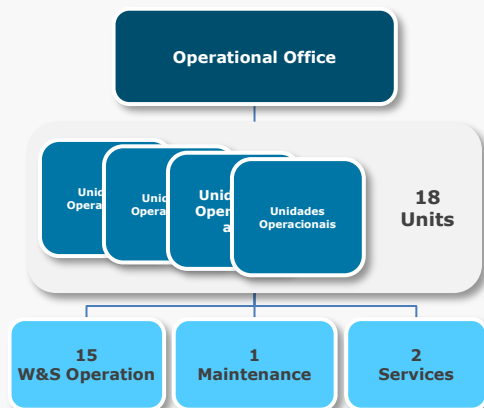
- 1) Sabesp has invested more than R\$8.3 billion in its water loss reduction program, with R\$965 million in 2022 alone
- 2) By 2022, the program had met its goal of having an indicator of losses per connection of less than 250 liters per connection per day

# What We Have Already Done

SABESP's management has been transforming the company since 2023

## Corporate structure reorganization to reduce costs

### New Operational Structure

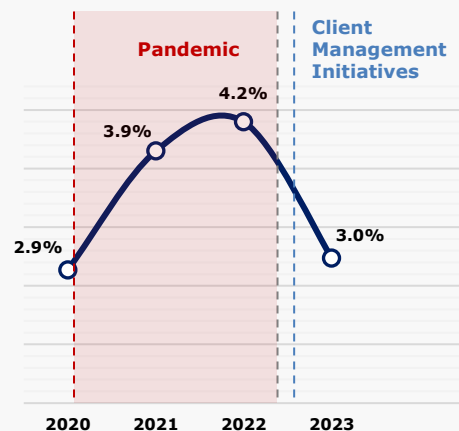


#### Highlights

- 1) Merger of two operational offices
- 2) Optimization of the leadership structure through the implementation of the SSC (Shared Service Center)
- 3) Integration of processes to reduce costs

## Client management, leading to a reduction in the delinquency

### Delinquency Rate (%)

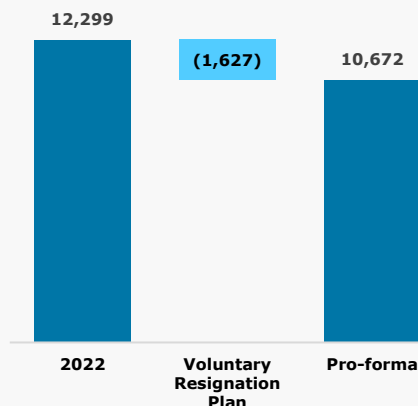


#### Highlights

- 1) Client Data Analysis
- 2) Billing Processes Improvements
- 3) Massive Credit Recovery Campaigns

## Headcount reduction from the voluntary resignation program

### Layoff Cost Cutting (#)



#### Highlights

- 1) Layoff allowed by the new operational corporate structure

## Smart energy usage to reduce costs

### Key Energy Initiatives

#### Energy Generation

- 4.5% of SABESP's energy consumption will be supplied until 2025
- Now, we already have 22 photovoltaic plants in operation, representing 1.8% of the Company's energy consumption

#### Self-Production Contracts

62% of SABESP's energy consumption will be supplied until 2027

#### Biogás Consumption

Biogas generated in Franca already supplies part of SABESP's car fleet

#### Highlights

- 1) New contracted PPAs at Sabesp's best price ever
- 2) All new energy initiatives only considers renewable energy sources

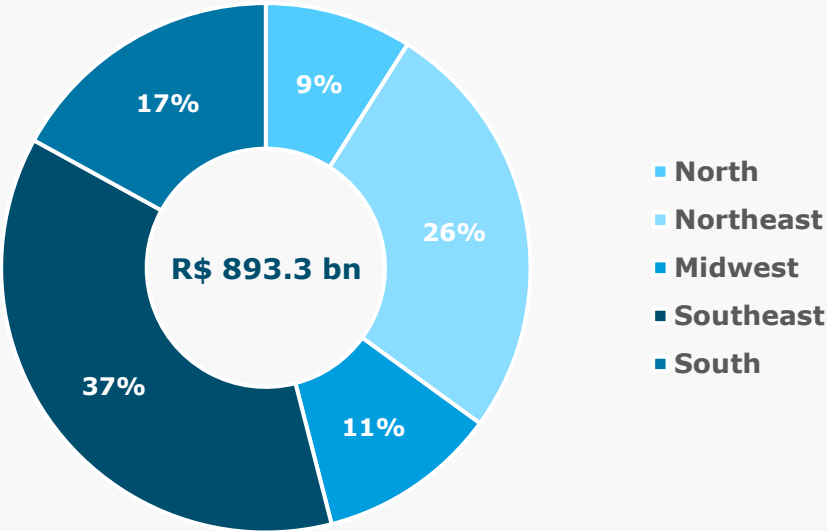


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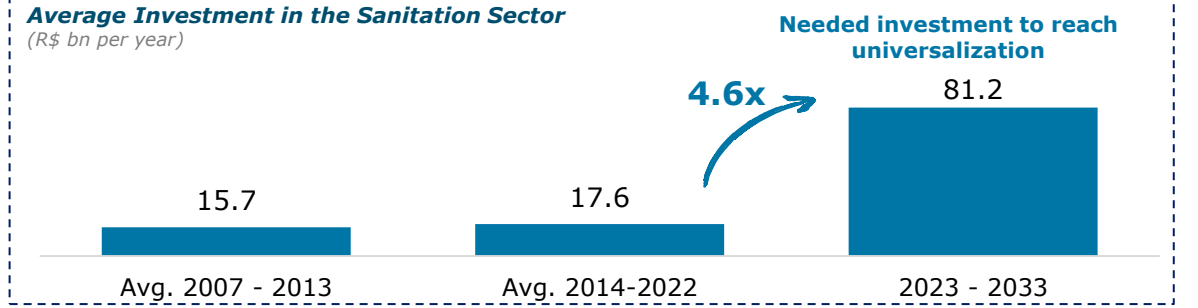
# Investments for the Universalization and the Private Sector

At current investment rates, a shortfall of Plansab's goals is inevitable...

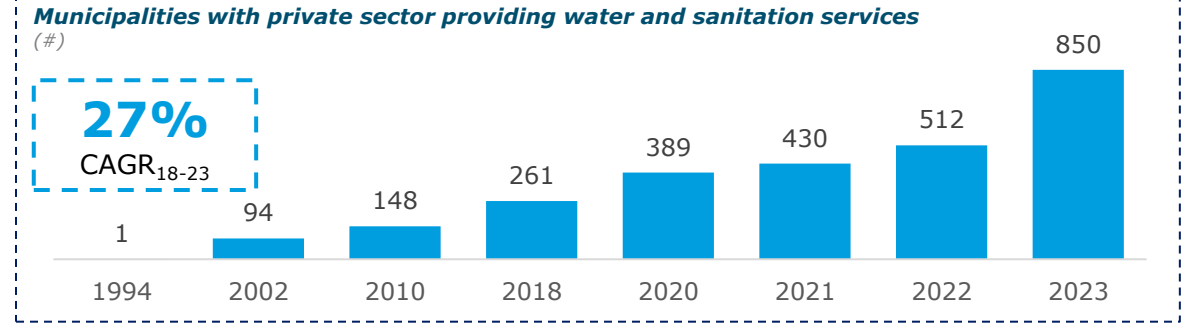
**Investment needed to achieve universal access to sanitation services, by region (%)**



... investment rate will have to aggressively pick up, and the private sector will be essential...



... a trend which is being observed in the past few years, as some private players increase their footprint in the sector



**Investment needs in the sanitation sector creates uncontracted growth opportunity for SABESP**

Source: Abcon Sindcon



# 4 Solid Track Record and Scale with Strong Balance Sheet Capacity

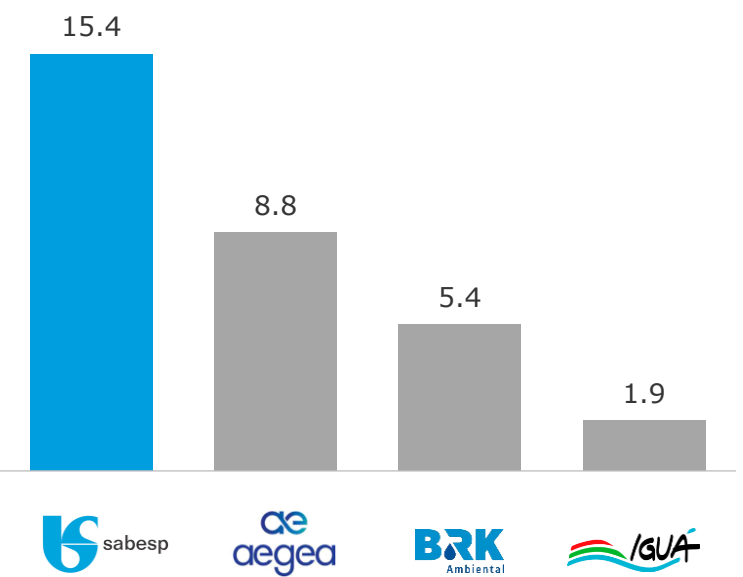


With a market directorate and a qualified technical team, **we deliver results**

<p><b>+80%</b></p> <p>of Board of Directors with masters or MBA</p>	<p><b>+70%</b></p> <p>of Directors with masters or MBA</p>	<p><b>868</b></p> <p># of employees graduated in engineering</p>	<p><b>21</b></p> <p>Avg. years at Sabesp per employee</p>
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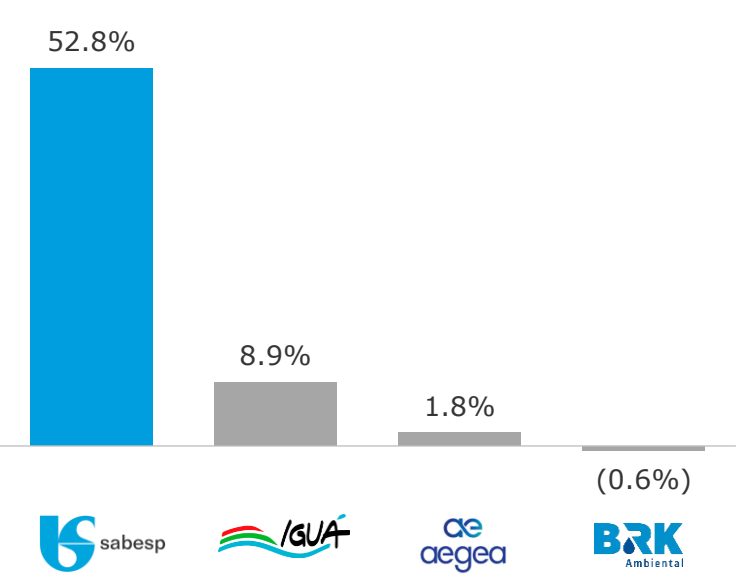
## We are the company that has invested the most...

Capex from 2020 to 1Q24 (R\$ bn)



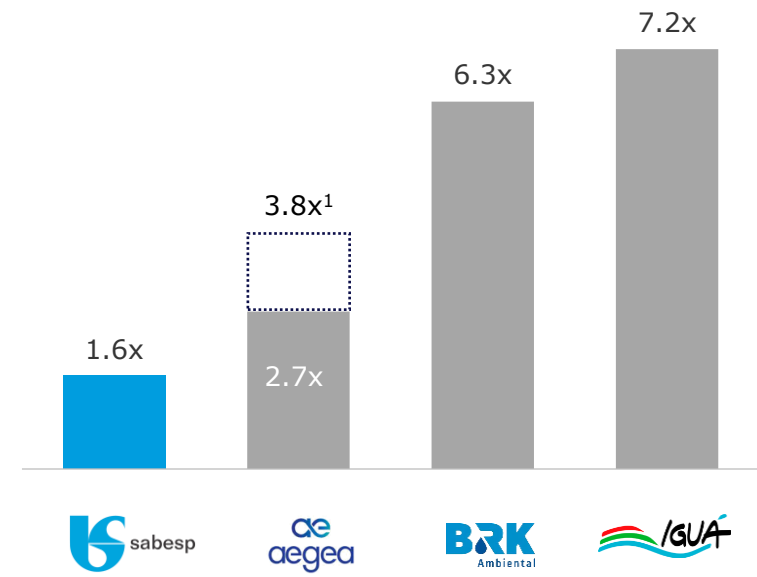
## ...with the greatest cash generation...

(Operating Cash Flow – Capex) / adj. EBITDA 1Q24 LTM (%)



## ... and unique firepower amongst private players

Net debt / adj. EBITDA 1Q24 LTM (x)



Source: Companies' publicly available reports.  
 Note: 1. Aegea proforma, including Águas do Rio and Corsan.

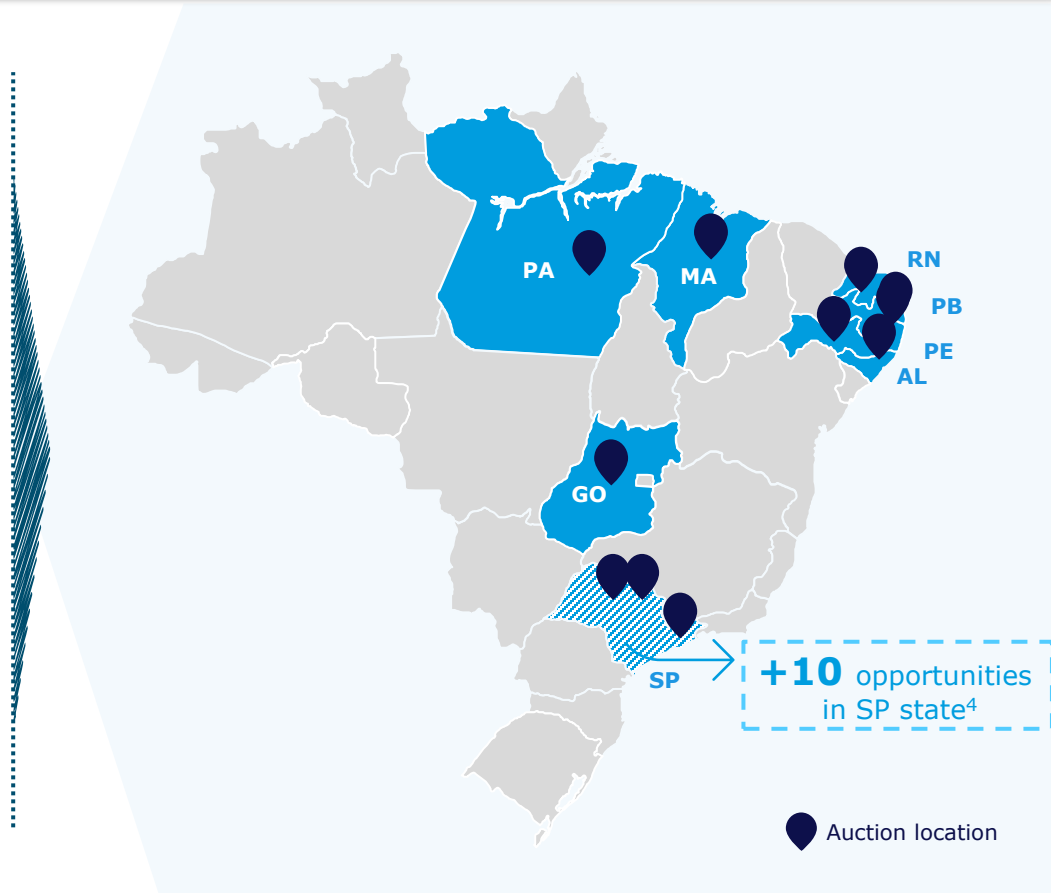
# Relevant Inorganic Growth in the Next Era of Sanitation in Brazil

We are one of the main players in the sanitation sector in Brazil and could be the natural consolidator in the next auctions

## Pipeline of future sanitation projects

Brazil (ex-São Paulo)				
Location	Project	Population (mm)	Investments (R\$bn)	Expected auction date <sup>1</sup>
Paraíba	Concession or PPP	2.3	5.8	1Q25
Pernambuco	Concession or PPP	9.2	24.8	1Q25
Pará	Concession or PPP	6.1	26.0	3Q25
Goiás	Concession or PPP	3.4	6.6	4Q25
Rio Grande do Norte	PPP	1.6	TBD	1Q26
Maranhão	Concession or PPP	4.8	18.7	2Q26
Alagoas	Concession	0.7	1.7	TBD
<b>Total</b>		<b>28.1</b>	<b>83.6</b>	

São Paulo <sup>2</sup>				
Location	Project	Population ('000)	Investments (R\$mm)	Status
Pirangi	Concession	10.9	15.4	Bidding
Guará	Concession	18.6	28.7	Public Consultation <sup>3</sup>
Cunha	Concession	22.1	64.0	Public Consultation
<b>Total</b>		<b>51.6</b>	<b>108.1</b>	



~R\$900 billion would need to be invested to achieve universal sanitation goals in Brazil, and +R\$80 billion is expected in sanitation auctions to be tendered over the next 3 years, which should increase Sabesp's representativeness in total sanitation investments across Brazil

Source: Company materials, BNDES and newsrun.

Note: (1) Considers only projects with auctions expected post 2024; (2) Considers only projects in Bidding and Public Consultation phase; (3) Deadline for contributions closed in April 2024; (4) Projects in ongoing modeling phase with expected auction date yet to be defined

# 4 Result-oriented Management Philosophy

SABESP's ESG strategy is broader than the universalization of water and sewage services



## Robust ESG governance and new reporting initiatives

ESG area reporting directly to CEO and Sustainability Committee created as advisory board to the BoD. For increased transparency, TCFD<sup>1</sup> reporting, SBTI<sup>2</sup> and CDP<sup>3</sup> questionnaire are under development

1

## Women on board

Out of the 11 members of the Board of Directors, 3 are women, including its chairperson

2

## Gold seal of the Brazilian GHG Protocol Program

We received, for the first year, the Gold Seal of the Brazilian GHG Protocol Program, granted to complete and verified greenhouse gas (GHG) emission inventories

3

## 1<sup>st</sup> Framework for Sustainable Finance

In 2023, Sabesp has developed its first sustainable finance framework, including 7 categories of eligible green and social projects for use of proceeds financing

4

## The only Company in LatAm and in the sanitation sector globally in partnership with UNFCCC

In this partnership with The United Nations Framework Convention on Climate Change (UNFCCC), Sabesp is supporting the development of a roadmap of activities of the Resilience Frontiers Initiative in the Adaptation Division and the secretariat in fulfilling its mandates towards the implementation of the Paris Agreement

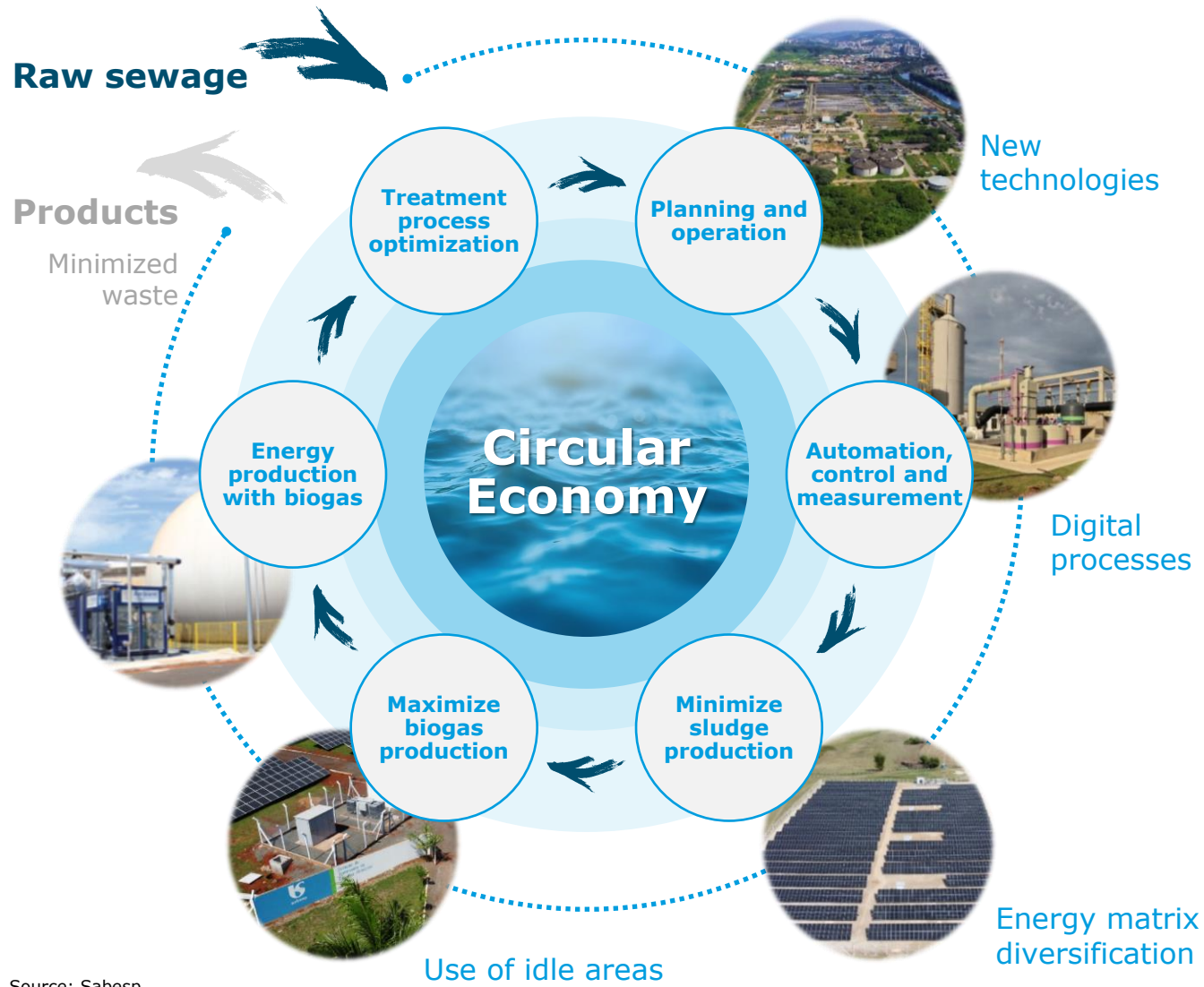
5

## First listed Company to be granted the B3 Green Shares classification

Certified by the S&P Global Ratings, which attested that 100% of the annual gross revenue, as well as 95% of annual investments and operational expenses of the Company, are derived from activities related to the green economy

6

# Efficient Circular Economy Initiatives Through Technological Routes Enabling Water Resources Recovery and Renewable Energy



ETE Barueri	Published Notices
ETE São Miguel	Published Notices
ETE Parque Novo Mundo	Ongoing
ETE ABC	Ongoing

**Increase in treatment capacity from 24.5m<sup>3</sup> to 40.7 m<sup>3</sup>/s (+16.2 m<sup>3</sup>/s)**

**New concept for ETEs**

 Sludge processing <b>960 ton/day</b>	 Photovoltaics <b>60 MW</b>	 Reuse water <b>84,500 m<sup>3</sup>/day</b>
 Biogas potential <b>150,000 Nm<sup>3</sup>/day</b>	 Energy co-generation <b>34 MW (potential)</b>	

Source: Sabesp

# Management Team is Ready to Support Company's Further Growth

**43%**  
Women  
Leadership

## Management Team

● Years of experience  
● Years at Sabesp



**André Salcedo**  
CEO



**Catia Pereira**  
CFO and IR Director



**Bruno D'Abadia**  
Regulation and New Business Director



**Caio Melo**  
Clients Director



**Paula Violante**  
Engineering & Innovation Director



**Roberval Tavares**  
Operations & Maintenance Director



**Sabrina de Menezes**  
People and Corporate Management Director



Experience  
Education

**Distinguished management team with +170 years of combined experience in all business areas to drive Sabesp's long-term sustainable growth**

# Appendix A

## Multiple Efficiency Initiatives





# Multiple Efficiency Initiatives to Drive Solid Value Creation

Sabesp's management team has recently mapped and implemented several initiatives to boost efficiency with significant room for further improvement over the coming years driven by the privatization process



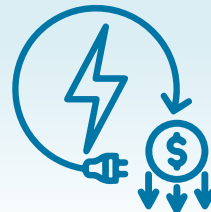
**A**

**CORPORATE RESTRUCTURING  
FOR OPERATIONAL EXCELLENCE**



**B**

**STRATEGIC COST EFFICIENCY  
FOR FINANCIAL OPTIMIZATION**



**C**

**NEW REVENUE STREAMS  
THROUGH ESG INITIATIVES**



# A

## Multiple Optimization Opportunities Ahead Streamlining our Corporate Structure

### Corporate Reorganization

#### Highlights

- ✓ **Merger of two operational offices**
- ✓ Optimization of the leadership structure through the **implementation of the SSC<sup>(1)</sup>**
- ✓ Integration of **new processes to reduce costs**

#### Post-Restructuring

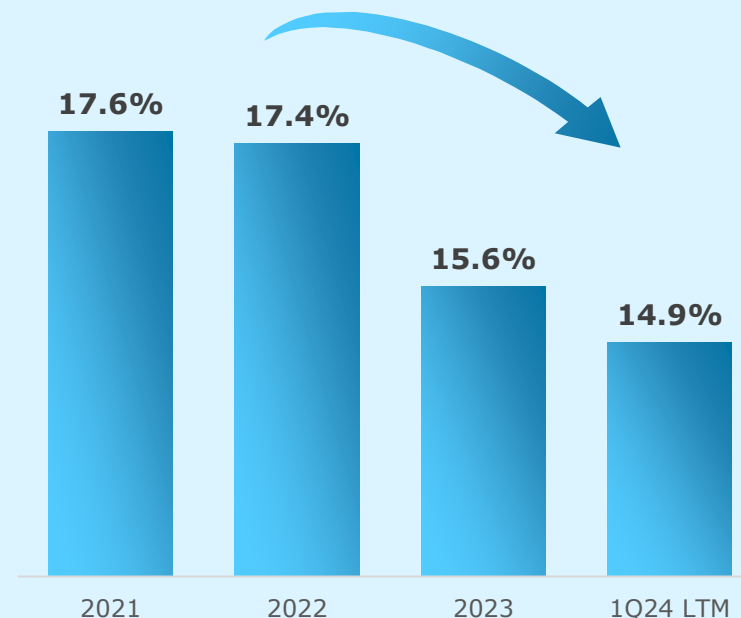


### Reorganization already reduced personnel expenses<sup>(2)</sup> in 2.7p.p. since 2021

(Personnel expenses as % of net revenue<sup>(2)</sup>)

**Net Revenue<sup>(3)</sup>**  
CAGR '21-'1Q24LTM: 11.0%

**Personnel Expenses**  
CAGR '21-'1Q24LTM: 5.1%

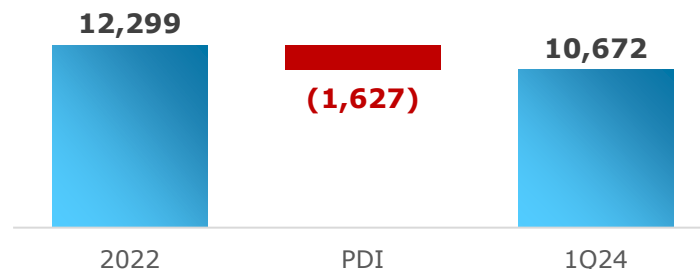


### Workforce Reduction

#### Highlights

- **13% workforce reduction** allowed by the new operational corporate structure
- **90%+ of the initial employee's target chose to participate in the Incentivized Resignation Program**

#### Number of Employees Evolution



## Multiple Optimization Opportunities Ahead

Solid Investments in Technology have Reduced Water Losses and Improved Network Efficiency

### Loss Reduction



**Loss Ratio (IPM) of 29.2%** (1Q24) with a huge room to improve after the privatization

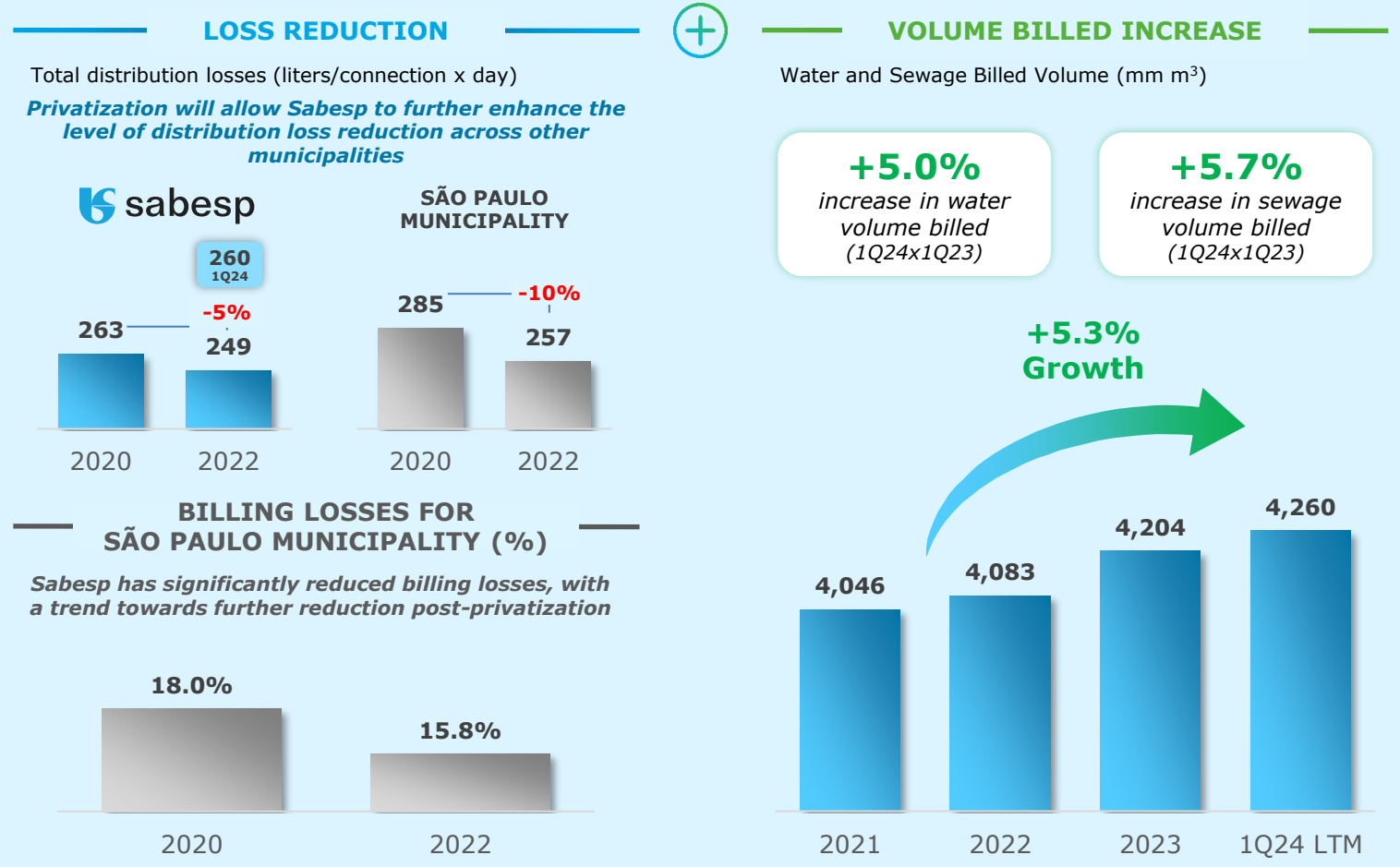


**Plan to continue investing R\$1.0bn** per year in loss reduction initiatives

### Highlights

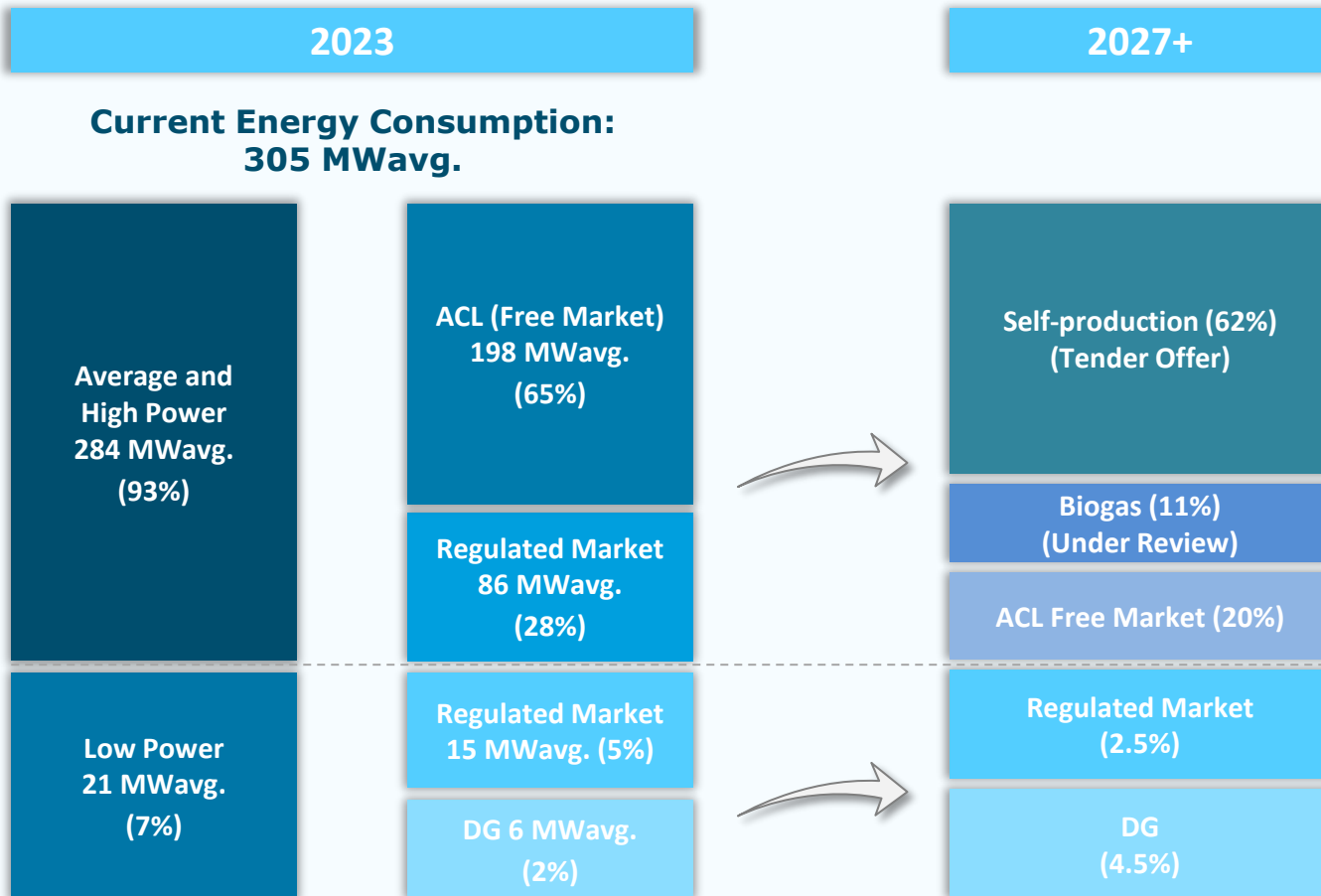
- **Monitoring of 93,200 km** of water network
- Deploying technology to **reduce water losses and improve network efficiency**
- **Operational improvements** as Sabesp reaches efficiency levels in line with mature private players will result **in potential incremental EBITDA**

### Sabesp's investments in its network have successfully reduced losses, enhanced volume measurement, and increased billable volume



## Multiple Optimization Opportunities Ahead Efficient Energy Management Initiatives...

In the next years, Sabesp's energy balance tends to be concentrated in renewable and tax-efficient alternatives



### Ongoing Initiatives to Supply Sabesp's Energy Consumption



#### Energy Generation

4.5% of Sabesp's energy consumption will be supplied by its solar plants



#### Self-production

c.62% of Sabesp's energy consumption will be supplied by its self-production project



#### Biogas Consumption

Biogas generated in Franca already supplies part of Sabesp's car fleet

## Multiple Optimization Opportunities Ahead

Efficient Energy Management, with Long-Term Contracted PPA has Reduced the Costs

### KEY HIGHLIGHTS

1



Investments in solar power plants and self-generation aimed at **reducing Sabesp's energy costs**

2



Sabesp capitalized on low energy prices, **securing long-term PPAs at the lowest cost** in Sabesp's history

3

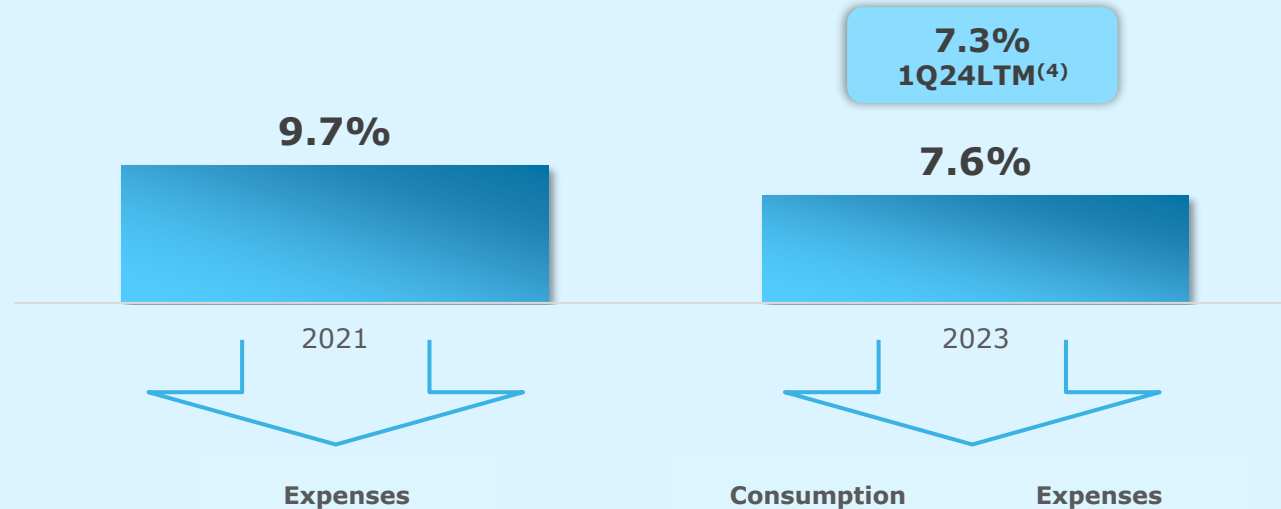


Sabesp **increased ACL<sup>(1)</sup> exposure**, leveraging low energy costs and Brazil's expanding renewable sector

Improvements in Energy Management Resulted in 2.1p.p Decrease in Energy Costs Margin Since 2021 with further progress still expected

### Energy Costs as % of Net Revenue<sup>(2)</sup>

**R\$1.5bn+**  
energy expenditure (2023)  
One of the largest energy consumers in São Paulo



ACL	52%	65%	54%
ACR <sup>(3)</sup>	48%	35%	46%

Source: Sabesp.

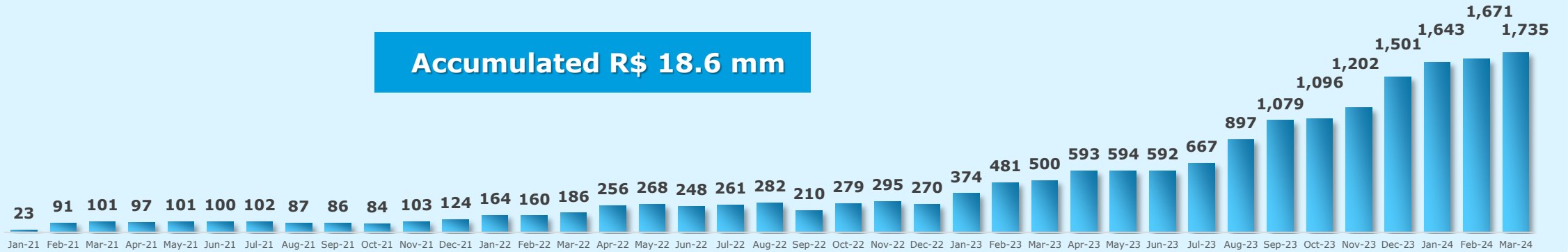
Note: (1) Free Market Tariffs. (2) Revenue from sanitation services. (3) Regulated Market Tariffs. (4) ACL expenses accounted for 51.0% and ACR for 49.0%.

## Multiple Optimization Opportunities Ahead Efficient Energy Management, and Reduced the Costs

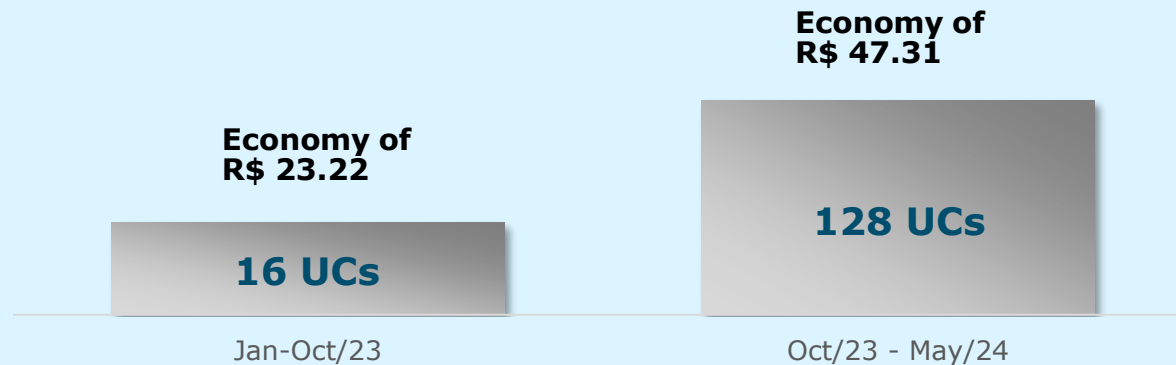
### Historical Tracking of Distributed Generation – Monthly Savings (R\$)

In 2024, an additional 6 PV plants have already been commissioned, bringing the total to 22 PV plants in operation, with a monthly savings exceeding **R\$1.7 million** in this segment alone.

**Accumulated R\$ 18.6 mm**



### Historical Tracking of ACL Migrations (mm)





## Multiple Optimization Opportunities Ahead

### Client management, leading to a reduction in the delinquency rate



#### Key Initiatives

1

#### Client Data Analysis

- System optimization
- Leveraging Sabesp's BI and pool of data to improve decision making



2

#### Billing Processes Improvements

- Coordination of the billing process through a wide range of platforms (SMS, email, telephone, app, etc.)



3

#### Massive Credit Recovery Campaigns

- Reaching +230k clients with potential to reach +250k



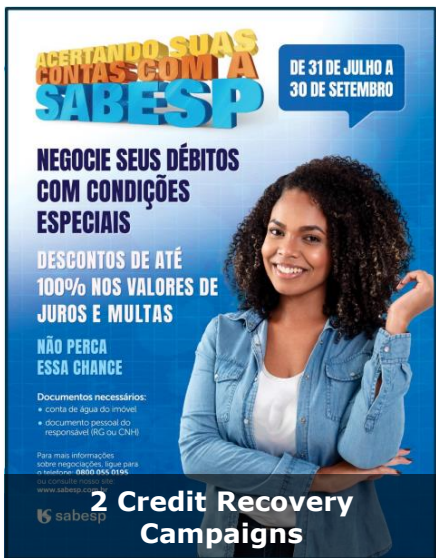
4

#### Payment Collection Through PIX<sup>(1)</sup>

- PIX acceptance since July/2023, increasing payments methods diversification and ease of collection

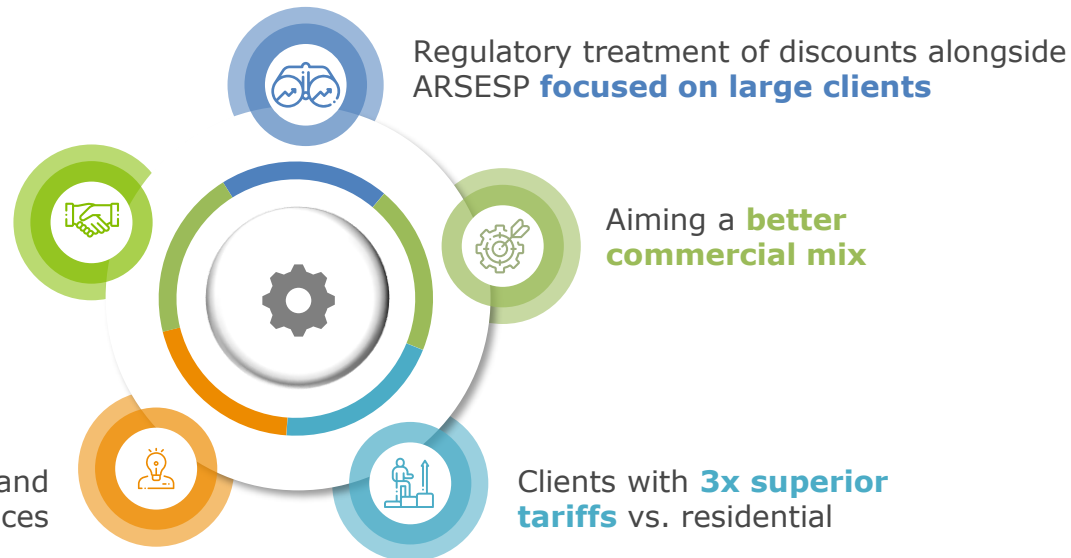


#### Sabesp's Deliveries on Client Management Systems and Commercial Process Optimization



**Solutions customization** to meet customers' unique demands

**Ancillary revenues** and additional services



Regulatory treatment of discounts alongside ARSESP **focused on large clients**

Aiming a **better commercial mix**

Clients with **3x superior tariffs** vs. residential



### Case Study: Lins' Sewage Treatment Station ("ETE")



**Modernization** project focused on sustainability and **environmental efficiency**



Covering the three anaerobic lagoons to prevent the proliferation of odor



Sludge dewatering geotextile bags



Construction of a composting plant



Installation of 30 aerators in the three optional ponds to improve the treatment system and final effluent



**150 L/sec**

ETE's Capacity of Sewage Treatment



**~R\$10 mm**

Project Capex



#### Key Potential Upsides

- Replicate modernization project to Sabesp's ETEs
- Biogas production in large scale (Franca Case: supplies the car fleet)
- Savings in power consumption
- General improve in effluent treatment



### Case Study: Aquapolo Project



Largest Reuse Water Project in Brazil (COD: 2012)



Project total capex: **R\$364 mm (fully deployed)**



Joint Venture ("JV") between Sabesp & GS Inima



Aquapolo's production capacity: **1,000 liters of reuse water per second** (for industrial purposes)  
 > Equivalent to the consumption of **500k people**



The project supplies the Capuava Petrochemical Complex from Braskem (65% of total capacity) and 7 other industrial clients



The product will **replace drinking water** and increase the supply for consumption, increasing the security of supply in the Metropolitan Region of SP



**41 Years**  
Braskem Offtake Term



**12**  
Industrial Plants Served



**R\$114 mm**  
Net Revenue 2023<sup>(1)</sup>



Aquapolo Plant in Sao Paulo

#### Key Potential Upsides

- Increase revenue diversification with higher margin services
- Increase reuse water production enabling monetization of other ETE's sewage production

Sources: Sabesp and Aquapolo.  
 Note: (1) JV Net Revenues.

# Appendix B

New Contractual  
Model



# How Regulation Addresses Volume and Revenue Underperformance

## Annual volume update in the first two tariff reviews to mitigate any regulatory revenue underperformance

	Current Model	New Model	
		1 <sup>st</sup> and 2 <sup>nd</sup> cycles	Others
Periodicity (tariff review)	Every 4 Years	Annual	Every 5 Years
RAB	<ul style="list-style-type: none"> <li>• <b>Forward-Looking</b> methodology</li> <li>• <b>Lower incentive</b> for investments</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Backward-Looking</b> methodology</li> <li>• <b>Annual updates</b> until 2035 with investments incorporated into RAB each year during the first two tariff cycles (2024-2029 and 2030-2034)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Backward-Looking</b> methodology</li> <li>• From the 3<sup>rd</sup> tariff cycle onwards, <b>RAB will be updated every five years</b> in the tariff reviews</li> </ul>
Volumes	<ul style="list-style-type: none"> <li>• Based on <b>ARSESP's own estimates</b></li> </ul>	<ul style="list-style-type: none"> <li>• Volumes will be purely based on a <b>Backward-Looking methodology</b></li> <li>• New regulatory proposal makes collection more in line with volume</li> </ul>	<ul style="list-style-type: none"> <li>• From the 3<sup>rd</sup> tariff review onwards, <b>volumes will be updated every five years</b> in the tariff reviews</li> </ul>



# Value Generation Through Cost Efficiencies

## The proposed model incentivizes efficiency gains

	Current Model	New Model	
		1 <sup>st</sup> review	Others
Regulatory Opex	<ul style="list-style-type: none"> <li>Based on <b>Sabesp's own performance</b></li> <li><b>Operating efficiencies resulting</b> in lower tariffs</li> <li><b>Low stimulus</b> to operational efficiency gains</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory opex starting point will be calculated using the data envelopment analysis (DEA) model, with the unitary cost until 2029</li> <li><b>Benchmark approach based on the sample of 25 companies</b> and using the period of 2019-22 as a reference</li> </ul>	<ul style="list-style-type: none"> <li>The magnitude of shared efficiency has not yet been defined</li> </ul>
Cost Efficiency Sharings	<ul style="list-style-type: none"> <li><b>100% shared</b> with consumers</li> </ul>	<ul style="list-style-type: none"> <li><b>There will be no cost-efficiency sharing until 2029</b> (end of 1<sup>st</sup> tariff cycle)</li> <li>Accumulated gains from <b>technological advancement will also be subtracted</b></li> </ul>	<ul style="list-style-type: none"> <li><b>The efficiency gains will be shared with consumers from 2030 onwards</b> to reduce tariffs</li> <li><b>Partially</b> shared with consumers</li> <li><b>Sabesp will be able to retain a portion of the efficiency gains</b> from 2030 onwards</li> </ul>

# Alternative Avenues for Marginal Value Generation

## Closing the Revenue Gap and Additional Revenues as Alternative Value Creation Avenues

### Closing the Revenue Gap

- Discount for large consumers
- Address a solution for reforms and cancellations

### Additional Revenues

- In the first cycle, additional revenues higher than the average of the last three years will remain with Sabesp
- From the second cycle onwards, there will be a sharing of 50% of the net profits

# FAUSP is a Key Mechanism Created for the Privatization to Control Tariff Increases

SABESP's asset base will inevitably increase

## Universalization in 2033

**R\$ 56bn**

Capex Investments to achieve universalization of the Sanitation services, excluding rural and low-income areas

Previously planned

## Universalization in 2029

**R\$ ~70bn**

Capex Investments to achieve universalization of the Sanitation services, including rural and low-income areas

Current plan

Universalization will include rural and low-income areas

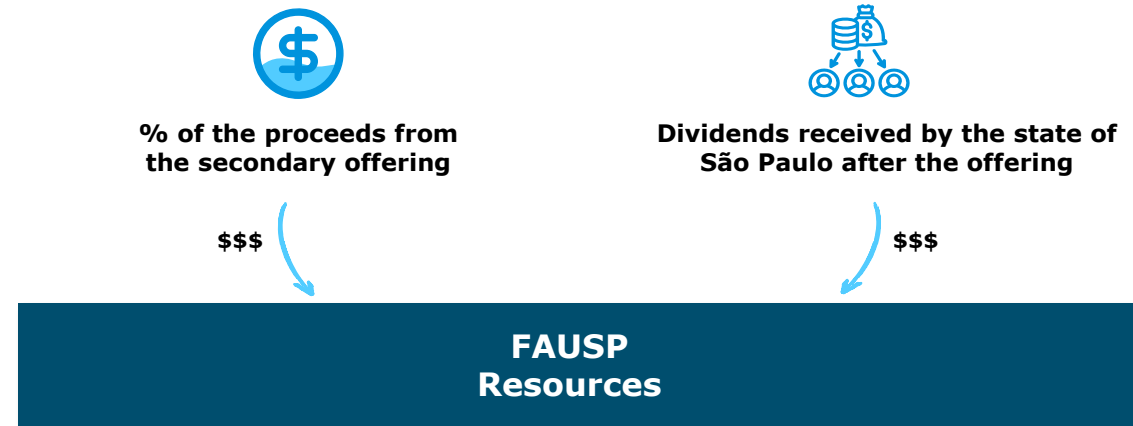
**4 Years**

Expected anticipation to achieve universalization

**R\$ ~8bn**

Additional Capex Investments

Part of the Sabesp's proceeds to the state of São Paulo will be directed to FAUSP, benefiting São Paulo's population and mitigating the tariff increase due to the R\$ ~70 bn investments



FAUSP resources will reduce the tariff growth

## Impacts of Further Investments

Capex needed to reach universalization

Increase in the Regulatory Asset Base (RAB)

Expected Tariff Increase

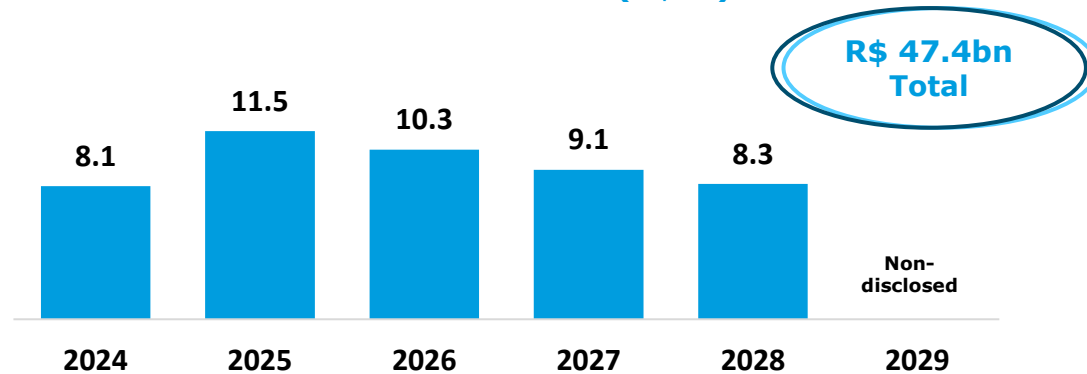
# Incentives to CAPEX and Universalization

## The model creates effective mechanisms to incentive investments

### Changes in the Regulatory Model

#### Current Model

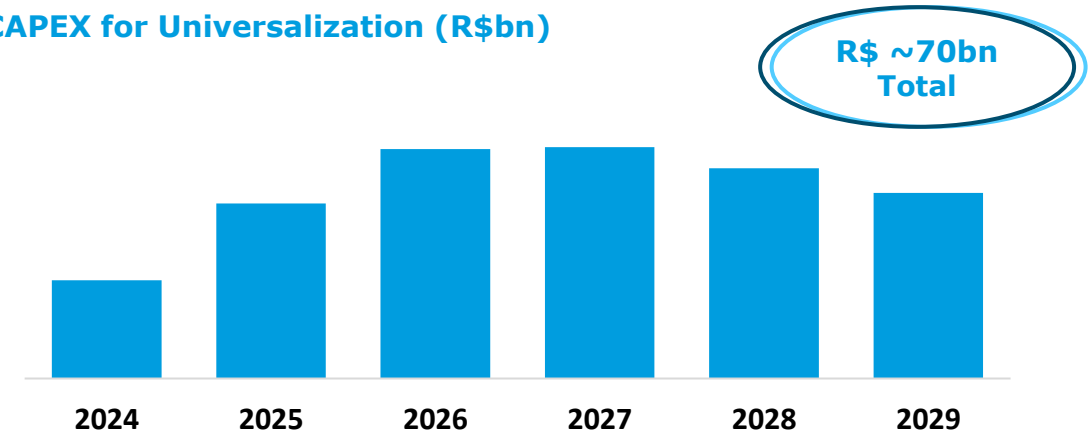
Investment Plan – CAPEX 2024 - 2028 (R\$bn)



- **Forward-looking review of the RAB every 4 years**
- **Lower incentive for investments**

#### New Model

CAPEX for Universalization (R\$bn)



- **Backward-Looking annual review of the RAB** in the 1<sup>st</sup> and 2<sup>nd</sup> cycle
- **Universalization factor** in the tariff review formula, which can apply up to a **10% discount on the tariff**
- The U factor will be considered in a phased manner in the different municipalities covered by SABESP, as follows:
  - 1) URAE 1 between 2024 and 2026
  - 2) All municipalities in 2027
  - 3) Each municipality in 2028-2029 per area (urban, informal and rural)
- **Better incentive for investments**

# Regulatory WACC

The new regulatory WACC methodology is very close to the actual model

## Regulatory WACC Methodology

	Today	New Contract – 1 <sup>st</sup> Cycle	New Contract - Other Cycles (to be defined by ARSESP)
<b>Capital Structure</b>			
<b>Equity Capital</b>	Shareholder's Equity	Difference resulting from debt and Net RAB	Difference resulting from debt and Net RAB
<b>External Capital</b>	Onerous liabilities discounted from cash and cash equivalents	Onerous liabilities discounted from cash and cash equivalents by net RAB	Onerous liabilities discounted from cash and cash equivalents by net RAB
<b>Cost of Equity (<math>K_e</math>)</b>			
<b>Risk Free Rate</b>	T-Bill 10 years	T-Bill 10 years (30Y)	T-Bill or NTN-B (if used a hybrid CAPM in real terms)
<b>Country Risk Premium</b>	EMBI + BR Index	EMBI + BR Index (15Y)	EMBI + BR Index or similar (if maintained the standard CAPM approach)
<b>Equity Risk Premium</b>	S&P 500 yield considering dividends in real terms	S&P 500 yield considering dividends in real terms (30Y)	Same approach, S&P 500 preferably
<b>Beta</b>	Water Utility companies listed on NYSE (discretionary)	Water Utility companies listed on NYSE and Nasdaq (5Y)	Same approach, US market reference preferably
<b>Devaluation Risk</b>	US CPI	US CPI (30Y)	US CPI (for standard CAPM)
<b>Cost of Debt (<math>K_d</math>)</b>			
<b>Kd</b>	Average Spread of corporate bonds with similar credit rating	Return on private debt securities of companies comparable to SABESP in the Brazilian market, plus fees (10Y)	Return on private debt securities of companies comparable to SABESP in the Brazilian market, plus fees



# Initial Tariff Calculation Summary

Calculation Components	Values (R\$ MM)
1 - K Factor Revenue	234.16
2 - Additional Revenue	66.47
3 - Complementary Revenue	84.49
<b>4 - Required Revenue PRO</b>	<b>22,806.50</b>
4.1 - Irrecoverable Revenue	369.95
4.2 - Operating Costs	8,521.50
4.3 - Asset Leases and Public Private Partnerships	792.17
4.4 - Municipal Funds (FMSAI)	607.05
4.5 - Use of Hydro Resources	96.26
4.6 - Research, Development and Innovation	11.40
4.7 - Capital Compensation (CC) + NCG	9,518.04
4.8 - Capital Reintegration	2,890.12
<b>5 - Tariff Revenues Base 1 (RT1) (4-1-2-3)</b>	<b>22,421.38</b>
6 - Average Volume at Water and Swage PRO	3,571.67 milhões de m <sup>3</sup>
<b>7 - Tariff Revenues Base 0 (RT0)</b>	<b>23,625.90</b>
<b>8 - Average Current Tariff (7/6)</b>	<b>R\$ 6.61 / m3</b>
<b>9 - Average Initial Tariff (9.1 + 9.2)</b>	<b>R\$ 6.34 / m3</b>
9.1 - Average P0 (5/6)	R\$ 6.28 / m3
9.2 - Financial Components	R\$ 0.058 / m3
<b>10 - IRepT (fare repositioning index) (9/8)</b>	<b>(4.22%)</b>

# Appendix C

ESG

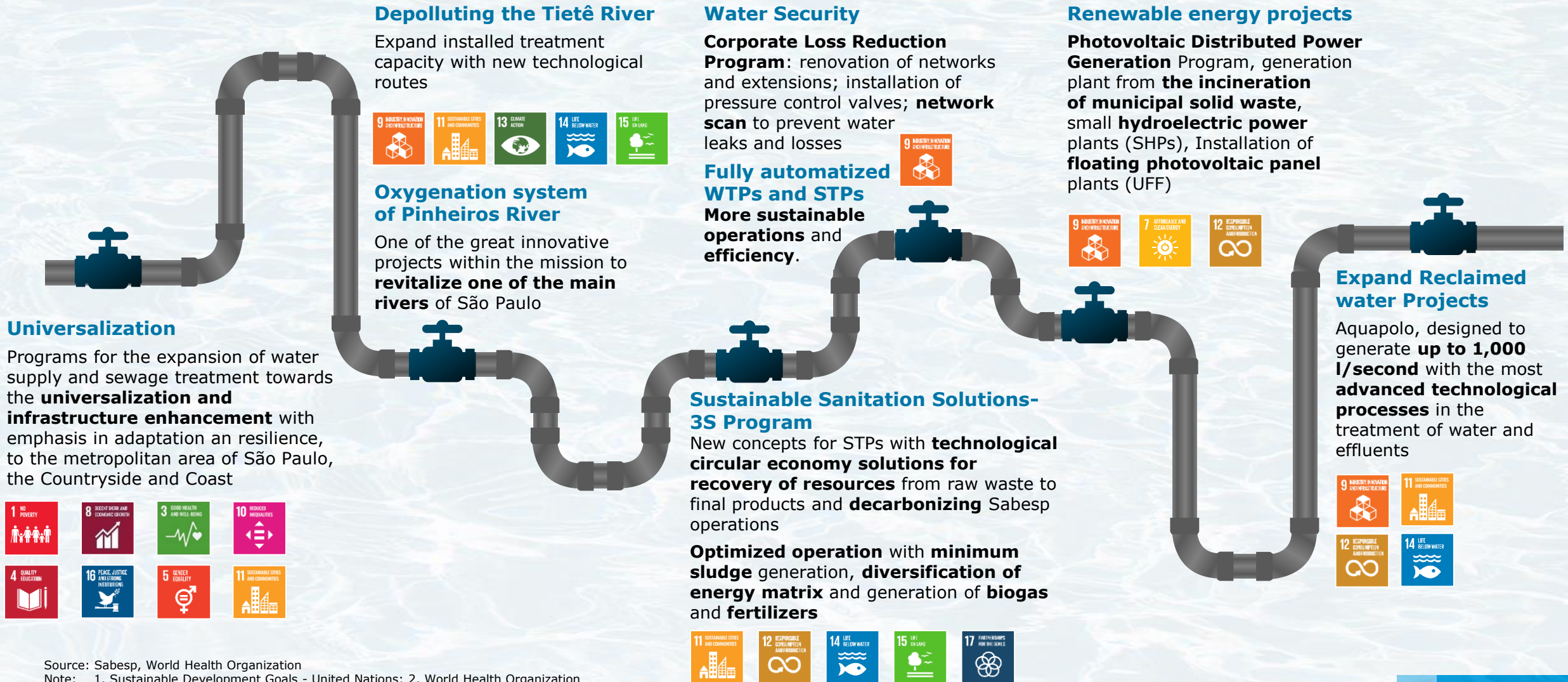


sabesp

# Privatization Consolidates Our Global ESG Leadership, Reaching Beyond SDG 6<sup>1</sup>



According to WHO<sup>2</sup>, each USD 1 invested in basic sanitation generates USD 5.5 in benefits to society



Source: Sabesp, World Health Organization  
 Note: 1. Sustainable Development Goals - United Nations; 2. World Health Organization

# Investing For Impact To Reduce The Sanitation Gap

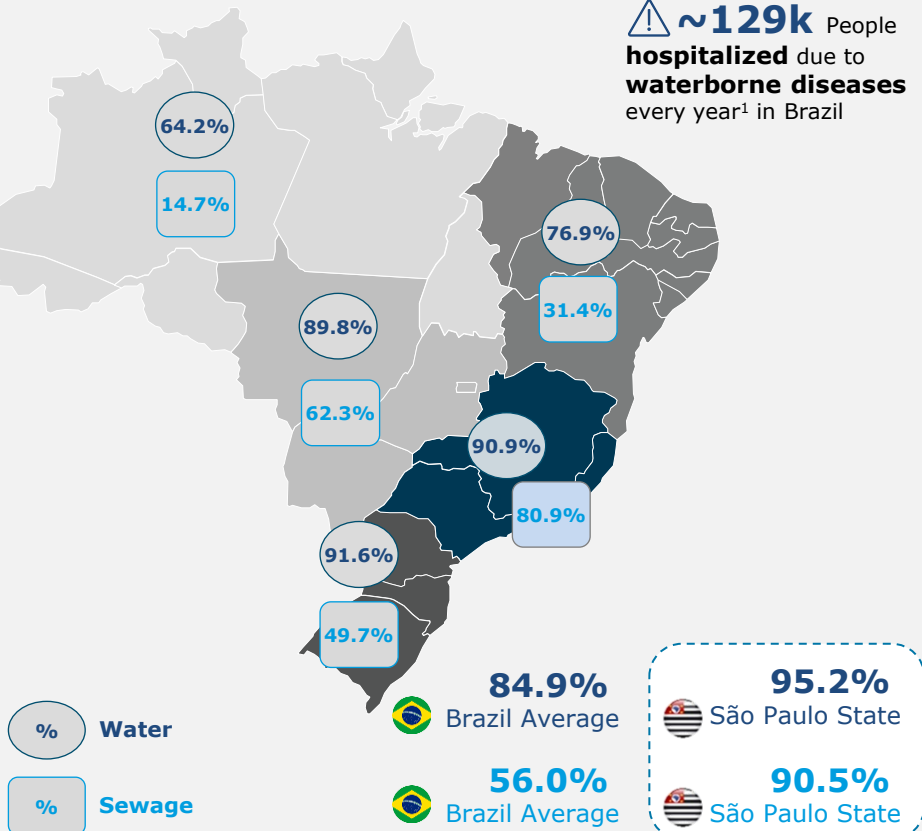
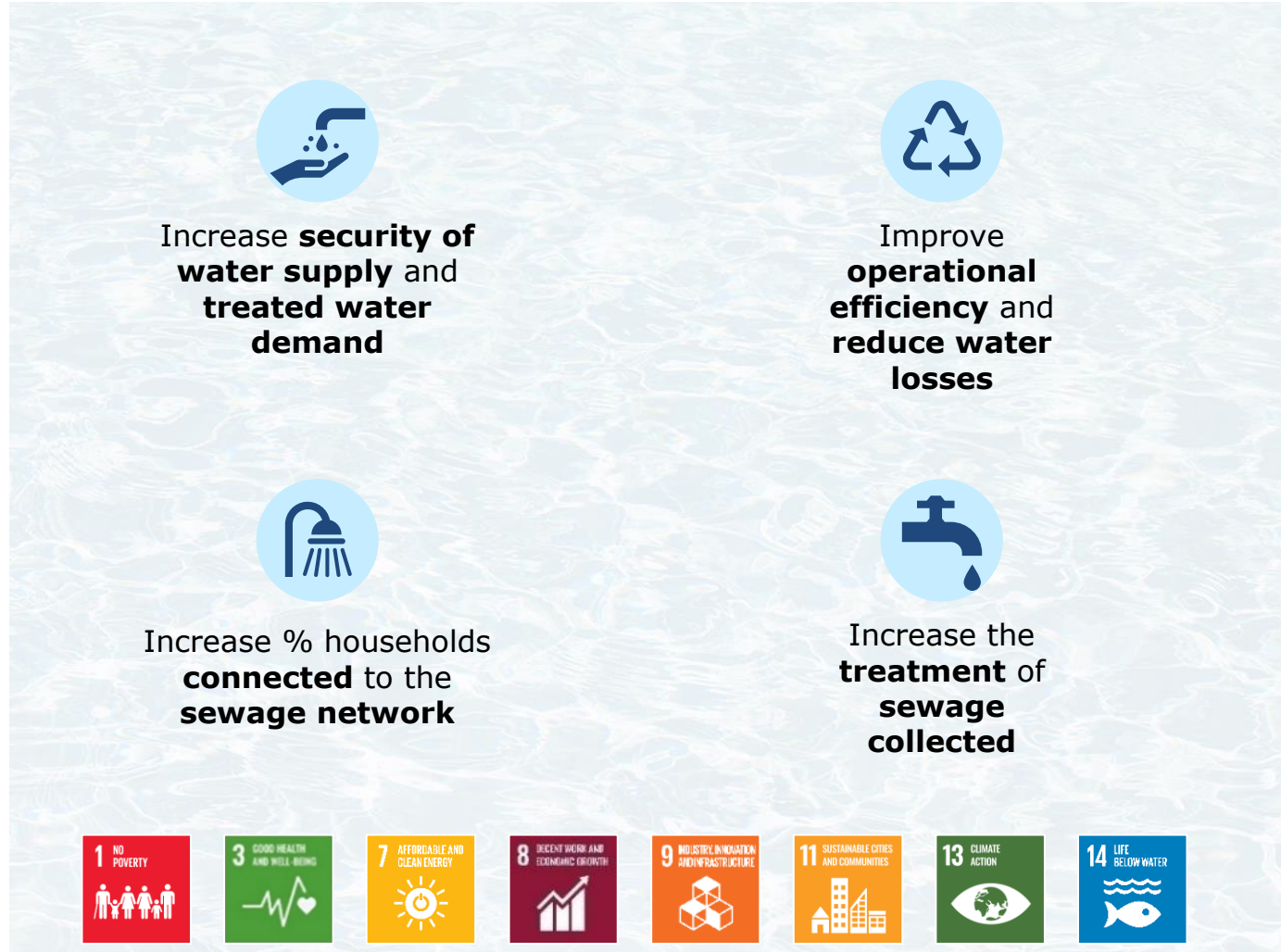
Sabesp is responsible for approximately 30%<sup>(1)</sup> of the investment made by sanitation providers in Brazil

Brazil has one of the largest sanitation gaps globally...

## Water and sewage coverage in Brazil

% of population

⚠️ ~129k People hospitalized due to waterborne diseases every year<sup>1</sup> in Brazil

- Increase security of water supply and treated water demand** (Icon: Hand holding water)
- Improve operational efficiency and reduce water losses** (Icon: Recycle symbol)
- Increase % households connected to the sewage network** (Icon: Showerhead)
- Increase the treatment of sewage collected** (Icon: Faucet)

SDG icons at the bottom: 1 NO POVERTY, 3 GOOD HEALTH AND WELL-BEING, 7 AFFORDABLE AND CLEAN ENERGY, 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES, 13 CLIMATE ACTION, 14 LIFE BELOW WATER.

Source: Sabesp, Painel Saneamento Brasil 2022  
Notes: 1. According to SNIS 2022



# At The Forefront Of ESG Initiatives Since 1990's

Sabesp pioneered key projects and successfully activated contingency plans in adverse climate conditions

## Early Implementation of Sustainable Projects



Beginning of the **Tietê River Depolluting Program**



- **Onda Limpa**
- **Córrego Limpo**
- **Cooking Oil recycling program**

**Community Participation Program**

Implementation of **Social Tariffs**

Development of a Program for the **Rational Use of Water**

**Water reuse for industrial purposes**

**GHG corporate emissions management**

- **Environmental Management system in STPs and WTPs**
- **Environmental education program**

1992

1998

2007

2009

2012

## Projects Consolidation and Market Recognition



- **Se Liga na Rede**
- **Aquapolo system**



- **Água Legal Project** awarded by **UN Global Compact**
- **Sustainable STPs**
- **Sustainable and Inclusive Sanitation Program**

- Expansion of **water security in SP**
- Development of a **Biogas System**
- **Sabesfértil**

- **1st solid waste power plant**
- **1st Blue Loan in LatAm**
- **São Paulo Seal of Diversity**

! **Metropolitan Supply System contingency plan activated after the severe crisis of 2014-2015**

○ **Água Legal Program**

2018

2019

2022

2023

## Next Wave of ESG Strategy

- ! **Contingency plan activated** after severe rainfall in **coastal cities**
- **ESG area reporting** directly to CEO
- **Sustainability Committee** created as **advisory to the BoD**
- **Sustainability Linked Loan**

- **1st Sustainable Framework**
- **Transparency:** verification of the GHG inventory
- **Materiality Matrix**
- **Partnership with UNFCCC**



