

2020 Management Report and Financial Statements



PARANÁ
GOVERNO DO ESTADO





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PRESENTATION

GET TO KNOW SANEPAR'S PERFORMANCE IN 2020

We present the performance of *Companhia de Saneamento do Paraná* (Sanepar - Sanitation Company of Paraná) for the period from January 1 to December 31, 2020. It is a valuable document that allows us to get to know our company better, how we act, how we innovate, and how we overcome challenges.

More than a report, it is a faithful portrait of our activities throughout the 2020 fiscal year. In this document we have detailed the actions we have planned and executed to advance in the fulfillment of goals

and the solidity of the Company in a year marked by challenges caused by the regulatory framework, which brings relevant changes in the sanitation sector, besides the paradigm-changing scenario in the face of the coronavirus pandemic.

The Report follows the accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS); with the requirements of the Level 2 governance model of B3; with the State Law (No. 13,303/2016) and other standards issued by regulatory agencies.

Quality and transparency in reporting are ongoing improvement processes for the entire Sanepar team and, for this reason, the Company is committed to publishing, in the first half of 2021, a Sustainability Report that will present the socio-environmental and corporate governance (ESG) actions carried out during 2020, in the same period covered by this Management Report and Financial

SANEPAR AND THE IMPACTS BROUGHT BY THE 2020 SCENARIO

The main result of Sanepar's presence in its area of operation is the improvement in people's life quality. As never before, the efficiency of our services and the quality of our water have been fundamental in ensuring health and helping to fight the coronavirus. We were protagonists when it came to taking care of the population's health.

We also faced, throughout 2020, the biggest water crisis in Paraná in the last 50 years. This unfortunate combination represented by the pandemic and the severe drought required our employees to continually overcome processes to ensure a high level of assistance and, at the same time, minimize the impact of such a turbulent and unpredictable scenario.

The adaptations of the work routine to the need for social isolation, recommended for the fight against the pandemic, required additional effort, planning, and adequate structure to ensure effectiveness.

We continued to fulfill the Company's mission. Even in the face of the greatest drought in the history of Paraná, we managed to ensure the supply of drinking water to cover 100% of the population.

We reached the end of the 2020 fiscal year fully adapted to this prolonged scenario associated with the drought and the pandemic, and which also incorporated significant changes imposed by the new

legal framework for sanitation.

It was an outstanding year for Sanepar, that was able to mitigate the effects of all the unfavorable situations. To preserve liquidity, Sanepar adopted the following measures, in accordance with the normative acts issued by the Federal Government:

- I) Suspension and installment payment of FGTS related to March, April, and May 2020, according to Provisional Measure 927/2020;
- II) Postponement of the payment of COFINS, PIS/PASEP and INSS Patronal contributions related to March, April and May 2020, for cumulative payment with the due dates of July, September and October 2020, respectively, as per Ordinance 139; and
- III) Reduction of the mandatory contribution to the "S" System for the period from April to June 2020, according to Provisional Measure 932/2020.

We continue to assess and monitor the potential impacts of both adverse weather conditions and the pandemic, considering the peculiarities of the various segments, regions, and cities where we operate and adopting preventive and proactive measures for risk management. We work to preserve excellence in the continuity of our operations and the long-term sustainability of our company

LEARN MORE

One of the Company's goals is to remain close to investors and to any other public interested in Sanepar's actions and projects. More information about the content of this Management Report or any other can be found at:

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MESSAGE FROM THE MANAGEMENT

Sanepar worked with intensity and was agile to reverse the effects of the water crisis and the pandemic in its activities throughout 2020. The year ended with a positive outcome: the company overcame the difficulties thanks to its responsiveness, efficiency, planning, and execution of actions.

The agenda imposed and followed throughout 2020 ensured this performance. If the measures to mitigate the effect of the prolonged water crisis since November 2019 were not planned and executed, the water supply system in Curitiba and the Greater Curitiba, which concentrates a served population of 3.5 million people, would be jeopardized.

The capacity to achieve good results in different scenarios was also essential for the Company to overcome the unknown in the social, economic, and political conjuncture, with low GDP growth, high inflation, strong devaluation of the Brazilian real against the dollar, and fiscal unbalance due to causes imposed by the COVID-19 pandemic and the necessary social isolation. The cautious and solid business strategy has allowed the company to advance on several fronts.

But if 2020 was exceptional under many different perspectives, and also very challenging, Sanepar conducted its strategic planning and its investment plan in an even more dynamic pace of execution, adequate to the changes and focused on the permanent improvement of our services and the expansion of our base.

And when we talk about the changes that have affected the past year, we must add the approval of the Sanitation Legal Framework (Law 14,026/2020) by the National Congress. New challenges, new goals, and a scenario that unveils greater competitiveness.

Sanepar is prepared for this moment, which includes legal changes in its area of operation. State Law 20,266/2020, sanctioned by governor Carlos Massa Ratinho Junior, authorizes the Company to operate, including abroad, in the operation of public services and private systems for water supply, collection, removal, and disposal of effluents, domestic and industrial solid waste, urban drainage, and protection of the environment and its water resources.

Sanepar may commercialize the energy generated in its units and the services and rights resulting from its property assets, and use networks for the installation of fiber optics.

The new law also allows the company to take a majority or minority stake in consortiums, investment funds, or partnerships with public and private companies. The operation of these businesses may be through special purpose entities (SPE), a model in which a new company is set up to act exclusively in certain undertakings, or other legal types approved by the General Shareholders' Meeting.

The text updates a 1963 law that prevented the Company from expanding and diversifying its business.

The improvement initiatives, with structural and even legislation arrangements, were fundamental to consolidate Sanepar's presence in the market and amplify its positive performance. For its guidelines plan, the company launched R\$ 350 million in debentures and raised R\$ 200 million in working capital loans.

Innovation in the company is no longer sectorial but transversal, an open process in relation to the ecosystem and that brings gains of scale when applying programs and actions created in the research area, which at this stage are connected to the production line and the value chain. The culture of innovation permeates Sanepar's operations, which rethinks several processes year after year aiming at greater competitiveness.

The creation of the Communication and Marketing, as well as Governance, Risks, and Compliance Deputy Boards has taken Sanepar to another level. The company, which was already coming from 2019 with its first Integrity Program, expanded its transparency and enhanced all Compliance mechanisms and improved the relationship with all its stakeholders.

Sanepar reached the end of 2020 as a public service provider essential to healthcare, with excellence and quality, and committed to sustainability and protection of its shareholders, consumers, workforce and suppliers. Balancing and responding to all interests with a socially and environmentally sustainable approach and establishing ethical and responsible relationships.

HEALTH TO THE POPULATION

With even greater determination during the COVID-19 pandemic, **Sanepar** is working to maintain the pursuit of excellence in the provision of its services and the operational quality of its water and sewage systems, particularly in this year when hygiene care has been redoubled.

PRIDE

Sanepar closes 2020 feeling proud of all its achievements, as a provider of public services essential to healthcare with excellence and quality, overcoming challenges and consolidating itself as a reference in the Brazilian sanitation sector.

Enjoy your reading.



SANEPAR

OUR PURPOSE IS HEALTH AND SUSTAINABILITY FOR SOCIETY.

Sanepar was created in 1963 (Law 4,684) and today is one of the largest companies in operation in the State. The Company's head office is located in Curitiba, Paraná, and is a mixed capital, publicly traded company controlled by the State of Paraná.

It is responsible for providing basic sanitation services to 345 cities in the state of Paraná and to Porto União, in Santa Catarina, in addition to 303 smaller towns. In terms of sewage collection and treatment, the company is growing fast, especially in the last ten years, at rates of approximately 1.3% per year. In the solid waste area, the company operates sanitary landfills in Apucarana, Cornélio Procópio and Cianorte, serving a total of seven municipalities.



Among the people from Paraná who are supplied by the Company, 100% receive treated water compared to 93% of Brazilians. Sewage collection for 75% of Paraná's urban population is above the national index of 62%, in Brazil average, the contrast is even greater when comparing the treatment service: **Sanepar** treats 100% of the sewage collected against 49% of the country's average treatment, according to the Brazilian National Sanitation Information System (SNIS 2019).

INVESTMENT AND INNOVATION

Our mission is to ensure environmental sanitation services in a sustainable and innovative way, contributing to economic and social development.

The Company worked on efficient investments and innovative solutions to carry out its business. To leverage investments in maintenance and expansion of the network, treatment plants and dams, the company ventured into the market, even in such a challenging year as 2020, and issued R\$ 350 million in debentures. The Company is a prime investment choice for its more than 260,000 shareholders around the world, without neglecting its role as a public service provider.

In 2020, **Sanepar** invested R\$ 968.9 million in several projects, the largest - individually - being the resumption of the Miringuava dam construction works, in addition to the expansion of the research field to combine technology, service quality and lower costs. The Company participates in the Governo 5.0 Program, for the implementation of innovative practices in the provision of services to the population, and maintains a Technology and Innovation Center, where several advanced projects are developed. Innovation and sustainability are practices that are applied to **Sanepar's** day-to-day operations, leading it to generate value and increase productivity

COMMITMENT

The mission focuses on the availability of drinking water, starting with the preservation of springs and ending with a continuous supply at the customer's premises. Sewage collection and treatment are indispensable for preserving the quality of the ecosystem. Both the supply of quality water and the collection and treatment of sewage are fundamental activities for socio-economic development, with a direct impact on the population's quality of life and the production of goods and services by economic agents. Sanepar's actions, projects and investments promoted during the period are an indicator that the Government of Paraná, by having an investment policy in the Sector through **Sanepar**, ensures the State's growth and its commitment to development.

**THE COMPANY WORKS
VERY HARD TO GUARANTEE
QUALITY INVESTMENTS, TO
BE VERY CRITICAL IN THE
SELECTION OF INVESTMENTS
IN ORDER TO MAINTAIN THE
BALANCE BETWEEN PUBLIC
AND PRIVATE, TO GUARANTEE
THE QUALITY OF THE SERVICES
PROVIDED, AND TO KEEP FAIR
TARIFFS.**

SANEPAR IN NUMBERS

346

municipalities served

100%

Water System Coverage

57.5
THOUSAND
KM

Water Network

3.27
MILLION

Water Connections

75.08%

Sewage Collection Network Coverage

38.5
THOUSAND
KM

Sewer System

2.3
MILLION

Sewage Connections

R\$ 4.65
BILLION

Investments (2016-2020)

AWARDS AND CERTIFICATIONS

During 2020, Sanepar was recognized for the management and transparency of its business, the environmental and operational quality of its systems and its innovation.

• KLX AWARD – INTERNATIONAL AUTOMATION AWARD - ENERGY EFFICIENCY CATEGORY

Sanepar's office building, which is based on the concept of sharing, was awarded the prize for its energy efficiency for "green" buildings, in which it competed against 2,500 other projects from several nations.

• 2020 TRANSPARENCY TROPHY

In October, Sanepar received the 2020 Transparency Trophy certificate - the 24th ANEFAC - FIPECAFI Award, sponsored by Serasa Experian. Evaluated in the category of companies with net revenues of up to R\$8 billion, Sanepar was awarded for the seventh time. The ANEFAC Award evaluates the quality of the financial statements presented.

• NBR ISO 9001:2015 CERTIFICATE

For Quality management applied to Systems:

1) Dam operation, water intake, adduction, treatment and reservoir by the Water Production Management in Curitiba's Integrated Supply System; 2) Water intake, adduction, treatment, reservoir and sewage treatment and final disposal by the Londrina Industrial Management 3) Water distribution, sewage collection and transport and customer relations by the Londrina Regional Management; 4) Project Management by the Special Projects and Northeast Projects and Works Managements; 5) Works Management for Water Supply Systems and 6) Sanitary Sewage by the Northeast Projects and Works Management.

• NBR ISO 14001:2015 CERTIFICATE

Environmental management certification, applied to Systems: 1) Drinking water collection, treatment and distribution, sewage collection, treatment and final disposal; 2) Maintenance and operation of water and sewage networks; 3) Customer service and marketing of water and sewage connection

services and administrative processes of the Foz do Iguaçu Regional Management; 4) Administrative processes of the Southwestern Projects Management and electromechanical maintenance of the Southwestern Electromechanical Regional Management for the Foz do Iguaçu-PR water supply and sewage system. The Cianorte landfill also received the Certificate for the processes of receipt, treatment and final disposal of solid urban waste, operational and administrative support activities, and monitoring of the landfill.

• ABNT NBR ISO/IEC 17025:2017 ACCREDITATION

This accreditation represents the formal expression of recognition of the competence to perform testing activities, according to the scope of Accreditation, to: 1) Maringá Laboratory (Accreditation CRL 1501) and 2) Cascavel Laboratory (Accreditation CRL 1512). The Curitiba and Londrina Laboratories were also recommended for Accreditation and are awaiting the publication of the Certificate.

• RANKING VALOR 1000 IN SANITATION VALOR ECONÔMICO NEWSPAPER

Sanepar is the second-best company in the country in the Water and Sanitation sector, according to the Valor 1000 ranking published by the newspaper Valor Econômico, on October 30, 2020. The company rose from third to second position in the sector ranking.

• CAMPEÃS DA INOVAÇÃO AWARD BY AMANHÃ MAGAZINE

1st place in the Campeãs da Inovação Award, by Amanhã Magazine in the category of State and Philanthropic Company.

• GHG PROTOCOL SILVER SEAL AND PARANÁ CLIMA SEAL

Sanepar's Greenhouse Gas Inventory (GHGI) was awarded the Silver Seal in the Public Emissions Registry of the Brazilian GHG Protocol Program and the Original Seal by SEDEST, the Clima Paraná Seal program, an initiative by the State Government to identify companies that measure, disclose, and reduce greenhouse gas emissions (GHG).

BUSINESS MODEL

Our business model aims to demonstrate how water, which is a limited natural resource, is used, as well as the partnerships and processes for generating value to stakeholders, in addition to specifying the most significant costs and investments. The analysis of the external context and the evolution in management processes, governance, business strategies and results are an ongoing effort.

BUSINESS ANALYSIS AND REFLECTION

A mixed capital, publicly traded company, **Sanepar** operates in the collection, treatment, storage and distribution of water, and in the collection and treatment of sewage and solid waste. In the sewage process, the

company also makes the appropriate disposal of the effluents in liquid form, with the discharge into the river within the parameters set by law; in solid form, with the destination of the sludge to landfill or agricultural use; and in gaseous form, with burning or energy use.

The company is organized in regional units with its administration centralized in five cities in Paraná, which are responsible for regional management (Curitiba, Londrina, Maringá, Ponta Grossa and Cascavel). It is a decentralized model, with centralized management.

ALLOCATION OF RESOURCES AND CAPITAL		VANTAGENS COMPETITIVAS		BUSINESS	ASSETS (MANUFACTURED CAPITAL)	DELIVERIES TO CONSUMERS (OUTPUT)	VALUE GENERATION (OUTCOME)
FINANCIAL CAPITAL	<ul style="list-style-type: none"> Shareholders' equity of R\$6.9 billion and cash generation of R\$1.6 billion investment of R\$ 968.9 million Level of indebtedness: 1.4 times EBITDA (net bank debt versus EBITDA) 			Water Supply	<ul style="list-style-type: none"> 168 WTPs (Water Treatment Plants) 1,154 wells 4 dams 3.27 million water connections 57,503 km of distribution network 	<ul style="list-style-type: none"> 100% water network coverage 4.09 active water economies 	<p>Quality and Health</p> <ul style="list-style-type: none"> High water service and sewage collection and treatment quality index (100% compliance) above the country's average, with a positive social impact on the health and quality of life of its customers. <p>Financial Return</p> <ul style="list-style-type: none"> Payment of dividends and cash generation.
NATURAL CAPITAL	<ul style="list-style-type: none"> Estimated energy resources of 2.57 million GJ 	<ul style="list-style-type: none"> Reliable and resilient business, with a diversified customer base and credibility in the market Outperforming industry peers Operational excellence, with actions to increase efficiency Management Excellence 		Sanitary Sewerage	<ul style="list-style-type: none"> 255 STPs (Sewage Treatment Plants) 2,308,138 sewage connections 38,464 km of sewer system 	<ul style="list-style-type: none"> 75.08% sewer system coverage 100% treatment of collected sewage 3,114,750 active sewage economies 	
HUMAN CAPITAL	<ul style="list-style-type: none"> 6,382 own employees 						
INTELLECTUAL CAPITAL	<ul style="list-style-type: none"> 343,265 thousand training hours 			Urban Solid Waste	<ul style="list-style-type: none"> 3 sanitary landfills 	<ul style="list-style-type: none"> 100% treatment of collected waste 65 thousand tons of waste treated per year 	<p>Contribution to the Environment</p> <ul style="list-style-type: none"> Management of impacts and compliance with legislation in the conservation of water bodies.
CAPITAL STOCK	<ul style="list-style-type: none"> 88% satisfaction with the call center service (0800) Customer relations Relations with the Granting Authority 						

MOST RELEVANT TOPICS	OPERATIONAL EFFICIENCY AND QUALITY IN THE PROVISION OF ITS OWN SERVICES AND THOSE PERFORMED BY THIRD PARTIES	GOVERNANCE, TRANSPARENCY AND ETHICS	SUSTAINABILITY AND ECONOMIC BALANCE	UNIVERSALIZING ACCESS TO WATER AND SEWAGE	MANAGEMENT OF WATER RESOURCES	ENVIRONMENTAL SUSTAINABILITY	ORGANIZATION OF WORK AND LIFE QUALITY
SDG (SUSTAINABLE DEVELOPMENT GOALS)	<ul style="list-style-type: none"> 3 - Good Health and Well-being 6 - Clean Water and Sanitation 9 - Industry, Innovation and Infrastructure 11 - Sustainable Cities and Communities 12 - Responsible Consumption and Production 	<ul style="list-style-type: none"> 17 - Partnerships for the Goals 	<ul style="list-style-type: none"> 8 - Decent Work and Economic Growth 	<ul style="list-style-type: none"> 6 - Clean Water and Sanitation 	<ul style="list-style-type: none"> 6 - Clean Water and Sanitation 12 - Responsible Consumption 	<ul style="list-style-type: none"> 4 - Quality Education 7 - Affordable and Clean Energy 	<ul style="list-style-type: none"> 4 - Quality Education 5 - Gender Equality 8 - Decent Work and Economic Growth



GOVERNANCE, RISKS AND COMPLIANCE

EXPERIENCING INTEGRITY AND ETHICAL PRINCIPLES TO IMPROVE DECISION MAKING AND STRATEGIES FOR MORE SUSTAINABLE RESULTS

CORPORATE GOVERNANCE

In 2020, **Sanepar** carried out an organizational restructuring to strengthen the Compliance and Risk Management areas, with the creation of the Governance, Risks and Compliance Deputy Board. This change in its structure reflects the Company's development process and its commitment to strengthening the entire governance system. Work was also intensified on mitigating risks and improving the Company's internal controls, as well as training the governance agents.

In this vein, the Information Security Policy was approved in 2020, providing more solidity to the internal rule for the treatment and addressing of related themes. Throughout the year, the Company adapted actions and established guidelines for the treatment of personal data in its processes, ensuring the privacy and protection of this data and information gener-

ated and used in the Company's business. And, in December, the company launched the Information Security Management System to guide this practice.

In the previous year, the Personal Data Protection Policy had already been implemented, with approval from the Board of Directors, even before Law 13,709/18 came into effect.

These practices are a demonstration that, at **Sanepar**, all governance bodies work together and in consonance with the executive board, which strengthens legal compliance and the Company's actions.

Corporate governance is a process of fulfilling the obligation to provide and practice proper administration, in which the various stakeholders act within ethical and transparent rules, aimed at achieving the public interest, obtaining the best possible results through practices that enshrine honesty, transparency, responsibility for the means and intended results, accountability, as well as responsibility to the public, the shareholders, the market, suppliers and third parties, regulatory bodies, and the granting authority.

Sanepar follows Law 6,404/1976 (of Corporations), Law 13,303/2016 (of State-owned companies), 11,445/2007 (of Sanitation) and Decree 3,926/88 (Regulation of Provided Services). At the state level, the Company complies with the guidelines of the Regulatory Agency of Delegated Public Services of Paraná (AGEPAR).

And the Company remains a signatory of the United Nations (UN) Global Compact, seeking to deepen the commitments made there and to be known as a Company that has total consideration for the environment, aware of its social responsibility and that seeks a management increasingly committed to efficiency and integrity.

INTEGRITY PROGRAM

The fight against corruption, in all its forms, is a commitment from **Sanepar**, especially from its top management, to create and maintain an organizational culture in which everyone always adopts ethical conduct.

Like any company, in the course of its activities, **Sanepar** is subject to being a victim of acts of corruption. If the Company's managers, board and committee members or employees commit irregular acts classified as corruption under Law 12,846/2013, severe sanctions may be imposed against the Company.

Approved by the Board of Directors, the Sanepar Integrity Program, in effect since last year, is composed of a set of policies, rules and procedures aimed at prevention, detection, monitoring and response in relation to the damaging acts foreseen in the legislation, especially the Anticorruption Law.

In view of this scenario, **Sanepar** has instituted integrity instruments, especially the Conduct and Integrity Committee and the Disciplinary Regulation, the scope of which is to make the Code of Conduct and Integrity more concrete so that the behavior expected from all governance agents, employees, trainees,



apprentices, business partners, suppliers and service providers in general becomes clear.

The Integrity Program, which involves the entire Company, is based on six pillars:

- Governance and Management Environment;
- Risk Analysis and Control Environment;
- Integrity Tools;
- Communication and Training;
- Consequence Management;
- Continuous monitoring aiming at the constant improvement of governance criteria and adjustments of non-conformities.

The body responsible for the greater consistency achieved with the Integrity Program is the Governance, Risk and Compliance Deputy Board, which has autonomy to make decisions, implement actions and make the necessary changes to the effectiveness of the program. The Deputy Board reports directly to the Board of Directors, in cases of suspected involvement of a member of the Executive Board in irregularities, or even for omission in a situation reported to it.

Throughout 2020, the Company constantly debated, under the guidance of the Governance, Risk, and Compliance Deputy Board, the importance of the manager's role in the effectiveness of the Program,

and addressed issues such as conflicts of interest, transactions with related parties, Code of Conduct and Integrity, among others.

SPECIAL OPERATIONS

The Company was mentioned in Rádio Patrulha Operation of the Special Group to Combat Organized Crime (Gaeco) in the State of Paraná, at the end of 2018 and, subsequently, it was mentioned in Integração Operation. As a result, it brings about an internal audit to determine the facts.

On 13th December 2019, the company was mentioned in Águas Claras Operation, conducted by the Federal Police. On July 20, 2020, the same happened in Ductos Operation, conducted by the Special Acting Group for Combating Organized Crime (Gaeco), of the Paraná Public Prosecutor's Office.

In compliance with the best governance practices and other applicable norms, **Sanepar**, in a first step, proceeded to remove and block the access of the investigated employees during the investigations and included these Operations in the scope of the Independent Forensic Investigation, as authorized by the Board of Directors.

The work of the investigation team is still in progress, and the result may eventually affect the financial statements if anything is identified, as per Explanatory Note 30 "To the Financial Statements".

The Corporate Governance Deputy Board is working in close collaboration with the independent forensic investigations currently underway, in order to enable maximum transparency and effectiveness of its work; and it is certain that, in addition to the inevitable

punishments for those who have committed misconduct, there will be suggestions for improvements in internal processes and integrity instruments.

REPORTING CHANNEL

Aiming at building greater trust regarding anonymity, providing greater confidentiality and ensuring impartiality, the reporting channel was restructured in 2020 and is now conducted by an external and independent company.

Available at **Sanepar's** website (www.sanepar.com.br), the reporting channel may be used to register complaints regarding violations of the Code of Conduct and Integrity, laws, standards, internal policies and procedures, leakage or misuse of information, fraud, corruption, bribery, receipt of gifts, harass-

ment, discrimination, prejudice, theft, robbery or misappropriation of materials, favoritism, conflict of interest, irregularities in contracts and bids.

From the moment a report is received, the allegations are checked to verify their reliability and, once the existence of indications of veracity is confirmed, internal investigation procedures are initiated and, depending on the level of seriousness of the reported conduct, they are forwarded to the Conduct and Internal Audit Committee or to the immediate leadership for management of the consequences. In the cases of disciplinary procedures to investigate serious or very serious violations, the accused party's right to defense and the anonymity of the reporting party are ensured.

COMPLIANCE, ETHICS AND TRANSPARENCY

In a conceptual approach, compliance is the duty to act in accordance, to be up to standard, and to enforce internal and external regulations related to the organization's activities, and more than that, it is to act in conformity in view of an ethical and efficiency commitment to the organization and other stakeholders.

The Compliance area has the function of promoting integrity and organizational compliance, ensuring compliance with laws, regulations, internal policies and guidelines, other applicable regulations and ethical standards, guiding and raising awareness about the prevention of activities and conduct that may cause risks to the integrity of **Sanepar** and its stakeholders.

Transparency is a factor in improving the quality of management as an instrument of good practices because it imposes accountability, mitigates fraud and



corruption and, consequently, brings improvements in efficiency. After all, transparency has political aspects, as it aims to ensure the visibility of the administration and the public service provider; legal aspects, as it ensures access to information and that the governance bodies should act according to their pre-established competencies; and economic aspects, as it reduces information asymmetry, ensuring a better alignment of interests among the various stakeholders, generating greater confidence of investors, consumers and the general public, which can be a factor for greater profitability.

Access to public information is a constitutional principle and right, guaranteed to all society by Federal Law 12,527/2011 (Access to Information) and State Decree 10,285/2014, in the scope of Paraná. In time, Law 13,303/2016 established the duty to implement the Regulation of Confidential Information in order to safeguard **Sanepar's** business activity, commercial, industrial, financial and economic strategies once inserted in a competitive market context in the current sanitation sector scenario.

In compliance with the principle of active transparency and except in the event of legally foreseen secrecy, Sanepar makes available the Transparency Portal, where it publicizes the administration's acts and encourages society to play its role in social control by monitoring, assessing and inspecting the actions taken by the Company. The Portal also features the Citizen Information Service (SIC), which answers citizens' requests for access to information and data.

ACTIONS

Several other actions taken in 2020 can be highlighted:

- Preparation of a proposal to amend the Company's Bylaws to be considered by the General Assembly at the first Ordinary Meeting of 2021;
- Review of the Related-Party Transactions Policy;
- Implementation of the Information Security Policy;
- Review of the Strategic Risk Management and Internal Control Policy;

- Review of the Internal Rules of the Statutory Audit Committee;
- Review of the Board's Internal Rules;
- Review of the Technical Committee's Internal Rules.

STRATEGIC RISK MANAGEMENT AND INTERNAL CONTROLS

Sanepar adopts the corporate risk model based on the Committee of Sponsoring Organizations of the Treadway Commission - Enterprise Risk Management (COSO-ERM), and the Company has identified 26 strategic risks, of which 7 had their treatment and monitoring prioritized for systematic management:

Strategic Risks

Reduction of Revenue;
Non-Renewal or Loss of Contracts with Municipalities;
Non-Compliance with the applicable Environmental Legislation;
Failures in the Conception and the non-execution of the Multiannual Investment Plan;
Water Outage
Failure to Provide Customer Service;
Deterioration of Reputation/Brand.

To deal with these risks, indicators were monitored and mitigating actions were developed with monthly presentations of the results to the Risk Management Committee to assess compliance with the established tolerance limits and, on a quarterly basis, to the Executive Board, the Statutory Audit Committee, and the Board of Directors.

The methodology for mapping process risks, established last year, was applied to enable the evaluation of internal control systems to ensure and improve risk management at all levels of the company (strategic, tactical, and operational).

INTERNAL AUDIT

Sanepar's Internal Audit acts in accordance with Law No. 13,303/2016 and is linked to the Board of Directors, through the Statutory Audit Committee, which approves and monitors the activities of the Annual Work Plan executed independently and in accordance with the Internal Audit Regulations.



The audit work consists of risk assessment and internal control by means of Management Audits, the complaints coming from the independent channel and pertinent to the auditing matter are dealt with by means of inquiries and Special Audits, and the advisory work and legal requirements are carried out by means of Special Audits, with all the recommendations being monitored for the effectiveness of continuous improvement.

As part of Governance, Internal Auditing aims to achieve alignment with the second and first line, focusing primarily on consulting processes, control, and both strategic and emerging risks, thus promoting greater agility in achieving objectives, in accordance with the model of the Institute of Internal Auditors (IIA).

REGULATED ENVIRONMENT

As it operates in a regulated environment, according to the Sanitation Law (11,445/2007), **Sanepar** submits the pricing of its services to the Regulatory Agency of Delegated Public Services of Paraná (Agepar). In February, the Company proposed to Agepar an annual tariff readjustment index to take effect in May, the month of the base date. However, with the coronavirus pandemic, the regulatory agency suspended the application of the readjustment three times.

In its first Periodic Tariff Review, in 2017, Agepar authorized a 25.63% tariff repositioning for **Sanepar** to be applied over eight years. This repositioning changed the cost-based tariff model to the economic tariff model, which identifies not only the cost variation, but also the investments and adequate remuneration of capital and asset replacement.

The Periodic Tariff Review is also the moment for calculating the sharing of productivity gains, the X Factor, which benefits consumers, i.e., the gains obtained with greater efficiency and productivity are reflected in tariff reductions. The X Factor was calculated from assumptions approved by AGEPAR, in force throughout the 1st tariff cycle 2017-2020. The fixed productivity index was 0.77%, and works as a reducer in part of the tariff, in the years of tariff adjustments until the next Periodic Tariff Review, when the new ceiling price and the X Factor will be determined.

Due to the relevance of the X Factor in production costs, tariffs and results, the company monitors the evolution of the variables that make up the index, defines strategies and implements action plans to seek the productivity gains defined in the Periodic Tariff Review.

Agepar, in order to update the sector's rules, established in 1988 by Decree 3,926, prior to the Sanitation Regulatory Framework, has drawn up a new General Regulation for Sanitation Services (RGS). In 2019, the Agency began the process of approving the new RGS,

submitting it to public consultation throughout the state. The new RGS was homologated through Homologatory Resolution No. 003 of February 14, 2020 and will come into force after the repeal of State Decree No. 3,926/1988.

The regulation establishes the rules for the provision and use of sanitation services to be observed by the service provider, clients and third parties involved. It is the way to guarantee the supply of water and sanitary sewage, without prejudice to the customer and with guarantees of investments to expand the services.

MANAGEMENT STRUCTURE

Sanepar's organizational chart establishes the General Shareholders' Meeting as the highest body, with powers to deliberate on all business related to its purpose.

The Fiscal Council has the attributions of monitoring the fiscal and accounting practices and the annual rendering of accounts, and of supervising the acts of the administrators, ensuring that the management of the business meets the objectives defined in the By-laws, as well as the legislation in effect, besides other legal attributions.

The Board of Directors in 2020 consists of nine members (including one employee representative and two independent members). It is the deliberative body responsible for determining the guidelines and general orientation for the business, carrying out risk man-

agement, supervising the Executive Board, selecting independent auditors, in addition to formulating and expressing the Company's policies, among other attributions set forth in the Bylaws.

The board is advised by the Statutory Audit Committee, the Technical Committee, and the Eligibility Committee, all of them acting permanently and independently.

The Statutory Audit Committee has as its main attributions the evaluation and follow-up of the preparation and presentation of **Sanepar's** financial statements, of the risk management and internal control processes, of the effectiveness of the internal audit and independent audit, in addition to monitoring, together with the management, the quality and integrity of the internal control mechanisms and of the information and measurements disclosed by the Company.

The duties of the Technical Committee are to analyze and issue non-binding opinions on the Company's Business Plan, participation in other companies, analysis of the incorporation, closing or alteration of any companies, ventures or consortia not provided for in the Business Plan, as proposed by the Executive Board; Personnel Policy, including the selection of personnel, positions and salary plans, opening of

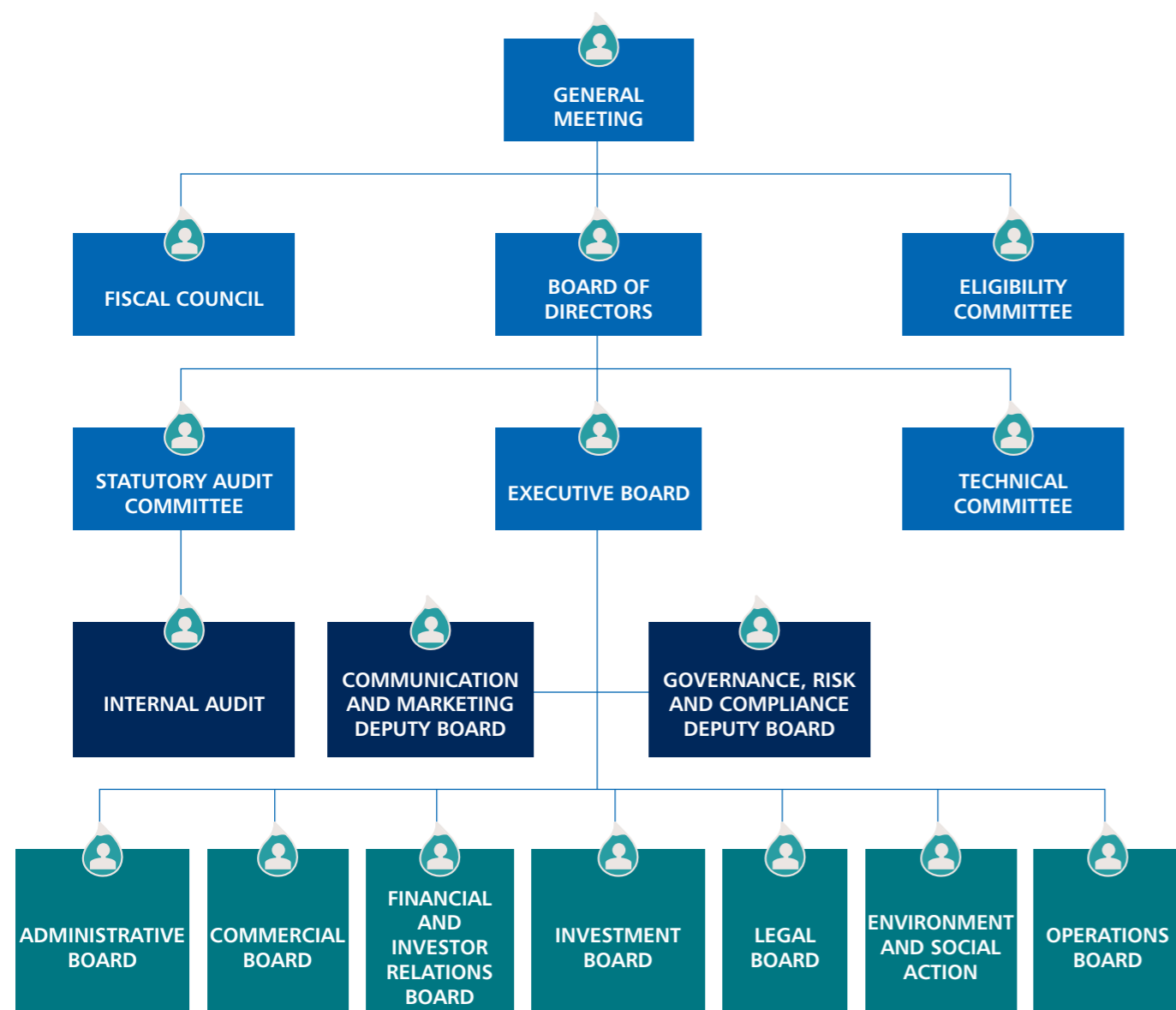
selection processes and the Profit-Sharing Program, proposed by the Executive Board; Proposal for allocation of profits for the year; Signing of TAJ and TAC; Demands from external control bodies.

The Eligibility Committee is a permanent statutory body, auxiliary to the shareholders, which verifies the conformity of the nomination and evaluation process of managers, fiscal councilors and members of Statutory Committees under the terms of the legislation in effect.

In order to execute the business strategies and implement the guidelines set by the Board of Directors, the

company has an Executive Board, made up of eight members, all of them with unblemished reputations and specific training for which they were designated, in addition to two Deputy Boards, linked to the CEO's office.

In 2020 some officers were re-elected, the Deputy Boards of Governance, Risk and Compliance and Communication and Marketing were created, while the Deputy Board of Environmental Compliance, which was linked to the DMA, was extinguished and integrated into the structure of the Deputy Board of Governance, Risk and Compliance.



INVESTOR RELATIONS

In 2020, the Company intensified online activities to stay close to investors through the following actions:

- Series of conference calls to present the quarterly and annual results;
- Holding of the fourth Public Meeting with market analysts and investors through Apimec (Association of Capital Market Investment Analysts and Professionals) – for the first time online;
- Conducting teleconference meetings with analysts and investors;
- The website (ri.sanepar.com.br), within Sanepar's portal, is kept up-to-date with information for investors and shareholders, in both Portuguese and English versions.

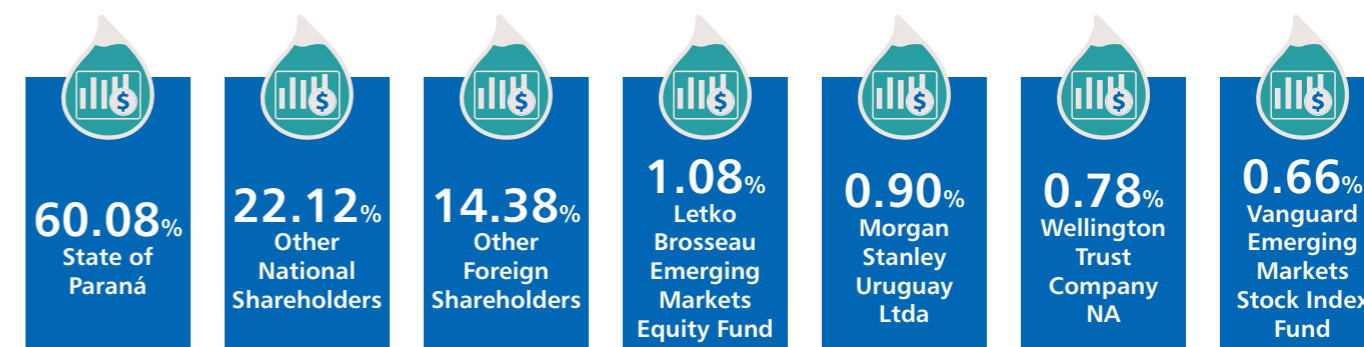
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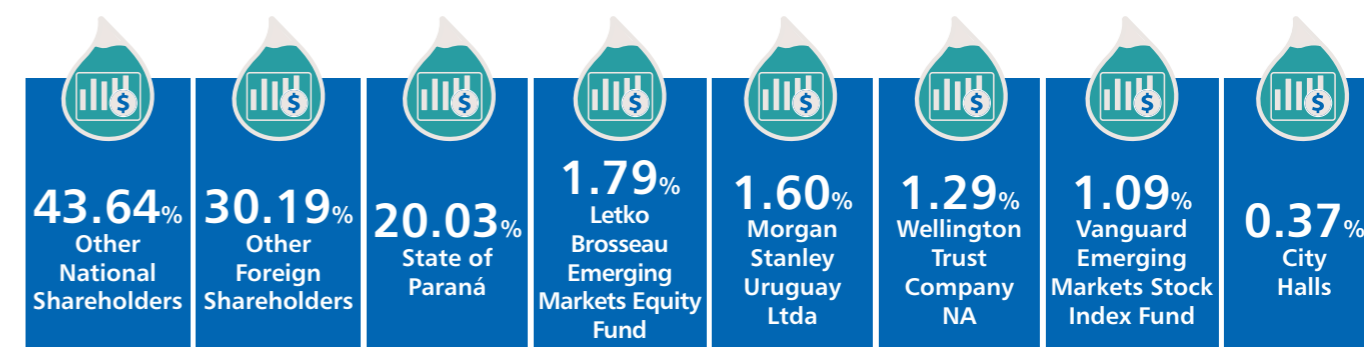
SHAREHOLDING STRUCTURE

The Government of Paraná owns 20.03% of the total capital of Sanepar and the remainder is divided between foreign (35.96%) and national (44.01%) shareholders. Considering only the voting capital, the Government of Paraná owns 60.08%, while the rest of the ordinary shares are divided between foreign (17.80%) and national (22.12%) shareholders.

VOTING CAPITAL



TOTAL CAPITAL





SANEPAR

PERIGO
ELETRICIDADE
SOMENTE PESSOAL
AUTORIZADO

STRATEGY AND OUTLOOK

OUTLOOKING IS OUR STRATEGY TO GUARANTEE PROFITABILITY, HEALTH AND SUSTAINABILITY IN OUR PROCESSES FOR THE WHOLE SOCIETY

Sanepar's strategic planning is in accordance with Law 13,303/2016, the Company's institutional principles and values (Responsibility, Innovation, Competence, Respect, Commitment, Professionalism, Transparency and Ethics). In 2019, the Company underwent a revisitation of its strategies that highlighted the perceptions of stakeholders and the company's business environment. The result of this work generated a realignment of the Mission and Vision and the definition of the Company's Purpose, forming a new Strategic Map that will direct the efforts and goals to be followed to meet the new standards and challenges of the market in the coming years.

In 2020, to consolidate this new Map, its perspectives and strategic objectives were broken down with the approval of strategic plans that are aligned to risk management with the purpose of mitigating risks to achieve these objectives. To monitor and control this process, the strategic indicators and managers to be pursued were defined, and management agreements are being made between the directors and managers responsible, thus creating an environment of corporate engagement.

Besides the completion of the process of strategic revisiting, the strategic planning process also underwent improvements with the consolidation of the Investment Committee

and the Integrated Planning Committee, which coordinated the entire Strategic Planning process for the next five-year period. The improvement of the

Business Pre-Plan for the entire company and the creation of the Investment Prioritization Matrix were very relevant pieces in the construction of the planning for all the departments, which contributes to a better alignment of the processes. All of this adds up to more consistency in the Company's long-term Business Plan and Strategies for the period 2021 to 2025.

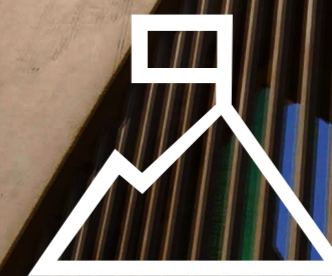


THE NEW STRATEGIC MAP



PURPOSE

Health and Sustainability for Society.



MISSION

To ensure environmental sanitation services in a sustainable and innovative way, contributing to economic and social development.



VISION

To make environmental sanitation universal, with excellence, in all municipalities served, committed to customer satisfaction.

REALIGNED STRATEGIC GOALS

The strategic goals and guidelines have also been realigned as follows:

- Sustainability – Ensuring the economic-financial balance of the business; Preserving the environment; Promoting social responsibility.
- Clients and Granting Authority – Maintaining and expanding the market; Increasing customer satisfaction and loyalty; Strengthening the company's image.
- Processes – Ensuring the quality of products and services; Improving and innovating projects and processes; Ensuring regulatory practices and corporate governance.
- Learning and Growth – Strengthening the innovation culture; Improving knowledge, skills and attitudes; Developing the organizational environment.

INNOVATION CULTURE

Strengthening the culture of innovation as a strategic objective was highlighted through the Strategic Innovation Plan, because it goes beyond the incorporation of new technologies. It seeks a culture of innovation among employees in projects and processes, aiming at constant improvement and efficiency in their performance. Also noteworthy were the strengthening of corporate governance and regulation practices,

which are major pillars for the performance, and the deployment of the sustainability tripod as one of the guiding axes of the Strategic Map.

The unfolding of the strategic goals was also defined by the Executive Board with the approval of the strategic plans and are aligned to risk management with the purpose of mitigating risks to achieve these goals. To accompany this process, management agreements are being made between the directors and managers responsible, thus creating an environment of corporate engagement.

An important change was the adoption of a Pre-Business Plan for the entire company. This new methodology has facilitated the planning construction process for all departments by informing the planning premises, which contributes to a better alignment of processes.

SIEGS

In 2019, the Company advanced in the pursuit of management excellence, with the launch of **Sanepar's** Integrated Management Excellence System (SIEGS), to integrate Quality Programs, such as the Management Excellence Model (MEGSA), the Use o Bom Senso Program, ISO 9001 and ISO 14001, and promote management maturity and continuous improvement of the Company's value chain processes.

Sanepar started the implementation of quality programs in the 1990s, with the Qualidade Total Program. Over these 21 years, the quality culture was consolidated. Today, the four main Quality programs are part of SIEGS: ISO 9001, ISO 14001, ISO 17025, Use o Bom Senso and MEGSA.

INVESTMENT PLAN

An essential element for human development, sanitation requires constant investment to guarantee and improve the services provided, whether in water supply or sewage collection and treatment. With the insertion of **Sanepar** in a regulated environment since 2017, many changes have been occurring in all areas of the company.

In 2019, **Sanepar** defined the Multiannual Investment Plan (PPI) for the period 2020 to 2024. The investments approved for these five years were R\$ 7.6 billion. Last year there was a review of the demands approved in the previous cycle as well as the insertion of new requests, which resulted in the approval of the plan for the period 2021 to 2025, with an investment amount of R\$ 7.8 billion.

The year 2020 brought many challenges, including the COVID-19 pandemic. As a prevention measure, the Executive Board implemented remote work for most employees, requiring imminent adaptation of employees as well as the digital tools available. Besides this, the water crisis faced in the period also corroborated the need for adjustments.

In the meantime, the company's planning process could not be harmed, so "innovations" were made in the processes of analysis and assembly of the plan, such as holding meetings via videoconference, which until then had been little used in the company.

The planning process carried out at **Sanepar** takes into consideration the premises of the Company's Investment Policy, which establishes that the investments must be made in adherence with the strategic goals, financial capacity, governance attributes,

regulatory rules, technical and operational aspects, environmental legislation aspects, the goals and commitments of the program contract and concession contracts, and the reinvestment needs for maintaining the business, without losing sight of social policies.

In order to meet the premises, it was necessary to develop and implement an analysis tool/methodology that would subsidize the prioritization of the projects efficiently, providing society with the most effective destination of the investments, generating an adequate portfolio and valuing financial, social, and environmental economy.

The Investment Plan preparation process involves the whole company, is coordinated by the Investment Planning Management with the monitoring of the Investment Committee and submitted for approval by the directors and the Board of Directors.

This is a long process that begins with the identification and analysis of the needs identified in each location, in each municipality served by the company, and culminates in the definition of activities to be developed by the staff, in the correct allocation of resources, and especially in the welfare of the population.



OPERATIONAL EFFICIENCY

WORKING TO BRING HEALTH TO PEOPLE BY GETTING THE MOST OUT OF RESOURCES AND MINIMIZING WASTE IN PRODUCTION AND OPERATIONS

Sanepar supplies treated water to more than 10 million people - 100% of the residents in the urban areas of the municipalities served by the Company have access to treated water. Of these, only 6.5% do not receive sewage collection and treatment. In 2020, there was an increase of 79,274 new connections, which represents a 2.5% growth compared to 2019.

To continue to bring health to current customers and to the growing demand, and to mitigate the effects of the water crisis, in addition to the maintenance of the current supply systems, **Sanepar** invested R\$472.7 million in 2020.

In the area of sanitary sewage, **Sanepar** provides collection to 75.08% of the population living in urban areas in the municipalities served and treats 100% of the sewage collected. In 2020, investments in sanitary sewage, with the implementation of new services, expansion and improvement of existing systems were R\$ 419.7 million.

The company also operates three sanitary landfills, with collection, treatment, and final disposal of solid urban waste for 7 municipalities in Paraná.

WATER

Sanepar operates water treatment plants all over the state. To ensure compliance with the legislation as to the levels of potability, the company carries out about 622,000 tests on the water, from the moment it is collected, when it leaves the treatment plants, and also in the distribution networks. **Sanepar** also carries out, annually, about 7.5 million tests in the operational laboratories during the water treatment process, still inside the Stations and in the four central laboratories.

Of the 345 cities served by **Sanepar** in Paraná and 1 in Santa Catarina, 53% are supplied exclusively by groundwater, 35% by mixed surface and groundwater systems, and 12% exclusively by springs. **Sanepar** operates 1,154 wells throughout the state.

WATER SAFETY PLAN

With the systemic view of water in the supply systems and the importance of society's commitment to this process, **Sanepar**, since 2019, has been implementing the **Water Safety Plan**, as determined by the Consolidation Ordinance No. 5/2017, of the Ministry of Health and whose methodology was published by the World Health Organization (WHO), which features the macro steps: System Risk Assessment; Monitoring; Action Plans and Review and Validation of the WSP. Thus, as Cascavel was the pioneering Water Supply System (WSS) in the implementation, in 2020, 05 probes were purchased to meet the quality **monitoring stage** of its springs. Probes were also acquired for the Water Supply Systems of Curitiba, Londrina, Maringá, Ponta Grossa and Foz do Iguaçu, totaling R\$1.6 million.

Still concerning **monitoring**, **Sanepar** has hired the Paraná Meteorological System - Simepar, for five years, to develop a hydro-meteorological and environmental information platform for its springs and reservoirs.



As for the **Action Plans**, Sanepar invested a total of R\$3.9 million, of which:

A) Fundo Azul Program, with R\$ 900,000 in the municipalities of: 1. Cascavel: (A) Elaboration of the Cascavel River Basin Management Plan, Dam Safety Plan, and the Requalification Plan for the Surroundings of the Cascavel Municipal Lake; 2. Castro, Carambeí and Pirai do Sul: Adaptation of cow pat pits, in small rural properties, in the Castro (São Cristóvão River), Carambeí (São João River) and Pirai do Sul (Piraizinho River) watersheds, through the FRISIA Cooperative partnership; 3. Francisco Beltrão: Environmental recovery of the Permanent Preservation Area (PPA) around the Marrecas River spring basin, the supply source for the Municipality of Francisco Beltrão, in partnership with the City Hall of Francisco Beltrão and Rotary; 4. Paraíso do Norte: Review and completion of the existing management plan of the Environmental Protection Area (APA) of Ribeirão Palmital in the Watershed of the Palmital River, partnership with the Paraíso do Norte City Hall. 5. Umuarama: Soil management, fencing, and recovery of springs in the Piava River basin, partnership with SEAB - Secretary of Agriculture and Supply.



B) Springs Conservation Program/ Moringa Cheia, R\$ 2.7 million with recovery of the surroundings of the Piraquara II and Iraí reservoirs, recovery of the PPA of Timbú River.

C) Payment for Environmental Services, in the amount of R\$ 250 thousand, implemented in the Piraquara I Reservoir, Greater Curitiba, in partnership with the Department of Sustainable Development and Tourism SEDEST and the municipality of Piraquara. In a public call, 11 landowners were selected, who received in January 2020 the total amount of R\$ 137,000, an average of R\$ 12,400 per owner. An agreement for Payment for Environmental Services was also signed between Sanepar, SEDEST and the municipality of São José dos Pinhais, to cover the landowners around the future Miringuava Reservoir, with a total expected value of R\$1.5 million.

At the end of 2020 a Technical and Financial Cooperation Agreement was signed with Itaipu Binacional and the Itaipu Technological Park Foundation for the development of the project "Management of Water Resources and Water Safety in the Western Region of Paraná". Term: 36 months being the counterpart values from Itaipu Binacional (Financial): R\$ 1.3 million from FPTI-BR (Economic): R\$250.5 thousand; and from Sanepar (Financial): R\$ 900 thousand and R\$ 7.8 million (Economic). TOTAL VALUE: R\$ 10.2 million.

WATER QUALITY

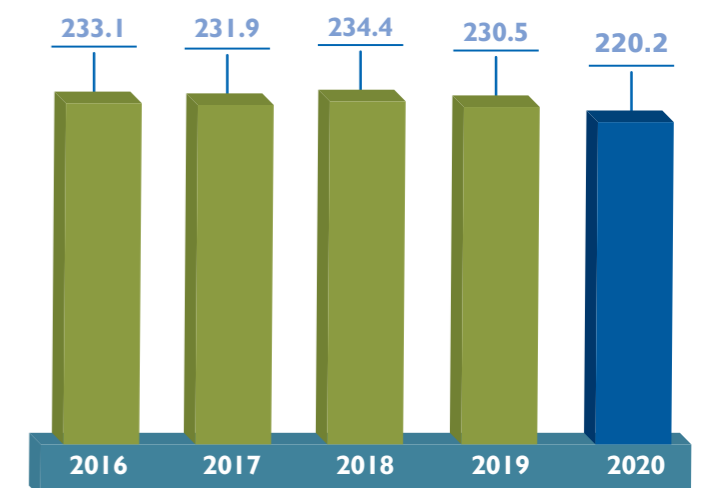
Sanepar's water goes through a treatment system with several stages since its capture and finally, it is chlorinated and fluorinated, ensuring potability, quality, and helping to prevent tooth decay. The company follows procedures for water quality control and surveillance, as determined by the Ministry of Health. The work is carried out in the 168 water treatment plants, 4 central laboratories and 153 decentralized laboratories that analyze the quality of the water that the company owns in Paraná, in order to guarantee the quality of the water it distributes. Results of some parameters are periodically disclosed on the company's website; in an Annual Report, summarized in the customers' monthly bill, in compliance with the Federal Decree 5,440/2005, besides the mandatory disclosure to the Municipal and State Health Secretariats and the Ministry of Health.

To ensure the best results, **Sanepar** regularly performs a diagnosis of the water treatment processes by applying the program called Exceletas (Excellence of the ETAs - Water Treatment Plants), which consists of on-site checks of the conditions of the water source, the physical facilities, the operational performance, the training of the staff, and the operational management.

NUMBER OF CONNECTIONS/WATER
(IN THOUSANDS)



INDEX OF LOSSES PER CONNECTION
(IN LITERS/CONNECTION/DAY)

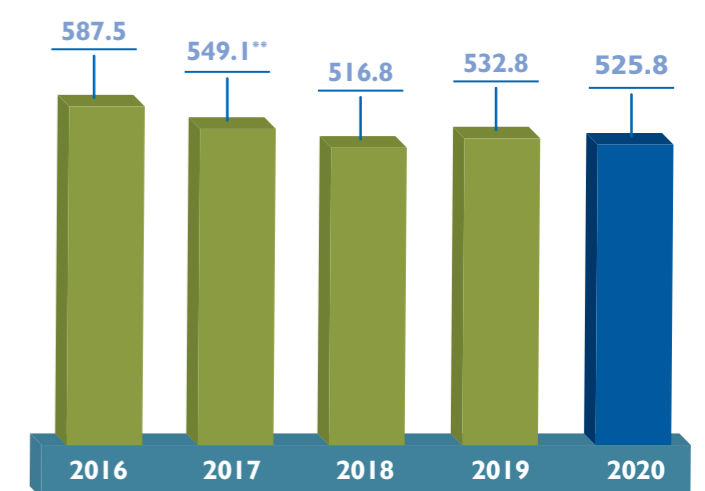


ACTIVE ECONOMIES*/WATER
(IN THOUSANDS)



* The term active economy is used to designate every property or subdivision of a property that has a private or common use facility for water and/or sewage services registered and billed by Sanepar.

INVOICED VOLUME*/WATER
(IN MILLIONS OF CUBIC METERS)



* Considering also the volumes referring to industrial consumers (non-potable water).

** In 2017, there was a change in the basic structure of the minimum tariff from 10 m³ to 5 m³.

LOSS MANAGEMENT

The water loss indicator is one of the main indicators of the efficiency of the water distribution system. The company adopts continuous measures to combat fraud, leakage, sub-metering and clandestine connections.

Besides this, the company carries out the installation of new networks, since the current network has pipes, particularly in the older systems, that are more than 60 years old and more prone to leaks and eventual ruptures.

There are two ways to measure water losses: the loss index in liters/connection/day, the IPL, which in 2020 was 220.18 liters/connection/day, and by the percentage of distribution losses in the average of the last 12 months (PSD12), a metric also still used in Brazil. At **Sanepar**, this index was 34.1%.

Even below the national average of 39.2% according to the National Sanitation Information System (SNIS 2019), **Sanepar** strives to reduce this indicator. The fight against water losses is a continuous activity, with daily actions for identification, control, and reduction. Inspections are made in the networks, branches and trestles, in regions with signs of leaks, which are repaired as soon as possible.

The Company worked to reduce the loss rate from 2019 to 2020, with some regions standing out. The Ponta Grossa system exceeded its IPL target, going from 292.07 liters/connection/day in 2019 to 265.59 liters/connection/day in 2020. The Telemaco Borba regional presented IPL in 2020 lower than 100 liters/connection/day, demonstrating improvement in the efficiency of the processes in this particular system size.

The pressures and flows in the distribution networks are also monitored, which is essential for identifying leaks and directing maintenance teams. This pressure management is a relevant factor in controlling leaks, as well as providing regularity in the supply to the population.

The Methodology of Analysis and Problem Solving Applied to Water Losses (MASP-P) is applied to processes that may cause water losses: production, distribution and maintenance of networks, with a systematic and structured approach to process management and control. It is an analysis methodology that aims to promote optimization and improvement of results, using quality tools.

The MASP-P, allied to the Water Balance technique, allows the identification of the causes of losses, in order to direct more assertive actions to improve process efficiency.

Another important practice is the management of the hydrometer system, so that they are correctly sized and technologically updated, according to the consumption profile of each client. The equipment is

also preventively and correctively replaced in order to avoid failures in measurement due to wear and tear on the internal parts. Every year, about 400 thousand water meters are replaced in the state.

Another cause of losses are frauds in the hydrometers and clandestine connections, a problem that has increased in the last years and that is the focus of control and mitigation actions by **Sanepar**.

URBAN RIVERS

To ensure the water quality of urban rivers, the Urban Rivers Revitalization Program (PRRU) monitors water conditions by measuring the dissolved oxygen content in different stretches of rivers, streams and galleries. This makes it possible to detect points for repairs to the collection system, eliminate clandestine connections and irregular discharges of sewage into water bodies.

In 2020, the rivers Belém (North stretch), Juvevê, Uvu, Bacacheri, Palmital, and Córrego do Mueller were monitored in Curitiba; in Greater Curitiba, the rivers Vila Formosa, Avariu, and Ressaca; and in Foz do Iguaçu, the conditions of the basins of the rivers Monjolo and M'Boicy were surveyed.

DAM SAFETY MANAGEMENT

The four dams that are part of Curitiba's Integrated Supply System (SAIC) - Iraí, Piraquara I and II, and Passaúna - are operated, inspected, and monitored periodically, in accordance with the determinations of Federal Law No. 12,334/2010, which established the National Dam Safety Policy in the country, and State Ordinance No. 46/2018.

The safety management of water accumulation dams for public supply purposes aims to ensure the safety of the dams under the company's responsibility, according to what it determines (Federal Law No. 12,334/2010 amended by Law No. 14.026/2020 and Administrative Rule 46/2018 IAP), in order to ensure the internalization in the company, compliance, execution and fulfillment of actions in all phases of the undertakings: project, construction, commissioning, operation, that is, during the useful life of the undertaking, aiming at minimizing failures in each stage that may generate negative impacts, so that decisions regarding dams are technically, environmentally and socially appropriate for society.

Teams of independent dam review consultants periodically evaluate dam safety, indicating safety-related corrective or preventive actions in order to prioritize the company's investments, expenditures, and actions aimed at dam safety.

Sanepar follows the guidelines of the National Dam Safety Plan, established by Federal Law 12,334/2010, and Ordinance 46/2018, the state agency responsible for dam supervision in Paraná, and the Entrepreneur's Manual on Dam Safety, a publication by the Brazilian National Water Agency (ANA).

The Dam Safety Plan (PSB) consists of 6 volumes, according to Ordinance 46/2018:

- I - General Information
- II - Technical Documentation of the Project
- III - Plans and Procedures
- IV - Records and Controls
- V - Periodic Review of Dam Safety
- VI - Emergency Action Plan

The company is preparing to implement improvements in the process of dam safety management, with the development and acquisition of new technologies, tools, and solutions aimed at integrated and continuous management, throughout the useful life of the undertaking in all phases, in order to provide traceability and continuity of actions, in compliance with the legislation in force.

Regarding the Safety Plans of dams in operation, Sanepar has met the deadlines set by the regulatory agency. The preparation of dam safety plans and emergency action plans were completed in 2020, delivered and submitted to the state regulatory agency within the legal deadline, as well as to the state and municipal civil defense, in order to begin planning the implementation of actions and improvements indicated in the dam safety plans, as well as planning for the operationalization of emergency action plans,



related to the external interface in the downstream zone of the dams, in the area established by PAE studies and current legislation, for integration with municipal contingency plans to be prepared by the civil defense.

The new dam on the Miringuava River, which is under construction, is in the phase of drafting the Dam Safety Plan and the Emergency Action Plan.

RELATIONS WITH EXTERNAL INSTITUTIONS

Sanepar partners with Municipal and State Civil Defenses to assist in the preparation of Municipal Contingency Plans for Dams, in accordance with Law 12,608/2012, which established the National Policy for Protection and Civil Defense, to conduct simulations, survey risk areas, monitor and treat occurrences with hazardous loads around public supply sources. It also offers support and full interaction with external agencies for the organization of contingency plans, with the Civil Defense for the preparation and response to incidents, failures or unforeseen events, such as severe droughts or heavy rains. It also establishes agreements with municipalities for the protection of the areas around the dams.

Sanepar has represented the sanitation sector in the Technical Chamber on Dam Safety, established by the National Water Resources Council (CNRH) since March 2020, where it actively participates, as the voice of the sanitation sector, in specific technical groups, such as GT Resolution 143/2012, GT Analysis of ANA's annual dam safety reports, and regulations required by Law 12,334/2010 as amended by Law 14,026/2020 as a participatory and active body in the regulation of dam safety.

The company is a member of the Paraná Committee for Dam Safety, established by the Paraná state government, and actively participates as a representative of the dam entrepreneur in the sanitation sector. This committee is a participative and active body in the state regulation of dam safety.

The Company is also a member of the Brazilian Committee on Dams (CBDB) and has representation on the Board of Directors of the Brazilian Committee on Dams - Paraná State Region. The CBDB is a facilitating agent in order to collaborate to disseminate the

culture of dam safety in Brazil, through forums, workshops, lectures, technical groups aiming at capacity building and networking among the various actors.

DISASTER RISKS AT SPRINGS

The rapid response to environmental emergencies is made, in Paraná, by a network that integrates Civil Defense, State and Federal Highway Police, and environmental inspection agencies, especially the Água e Terra Institute. **Sanepar** is also part of this process through the Paraná State Commission for the Prevention, Preparation and Response to Environmental Emergencies with Hazardous Chemicals, created by State Decree No. 7,117/2013.

Operational Processes of Disaster Prevention, Preparedness and Response

As a preventive measure, **Sanepar** keeps signs for water springs all over the roads that cross the water springs used by the Company in the State, and also has environmental emergency kits distributed to all the Regional Managers and stored in places defined by them due to the practicality and speed of application in case of need.

With this material, it is possible to detect in the laboratory the presence of contaminants that can lead to the suspension of water treatment for public supply. In 2020, 36 occurrences were attended to, 25 of which were in water source areas.

In the preparation and response to risks related to the operational and safety processes of the dams, aiming at the elimination/mitigation of failures that may cause environmental and socioeconomic impacts downstream of the dams, the company maintains the operational management of these undertakings, through operational rules and management of dam safety, with the preparation of technical studies and emergency action plans, aiming at internal and external preparation, to attend to this type of occurrence. To date, there are no occurrences of incidents/accidents registered in the Irai, Piraquara I, Piraquara II and Passaúna dams, currently in operation.

SANITARY SEWAGE: ON THE WAY TO UNIVERSALIZATION

Sanitary sewage is one of the biggest challenges to improve the living conditions and health of Brazilians, by combating water-borne diseases. It is also one of the main environmental protection factors, by reducing the discharge of waste into streams and rivers.

Focused on the improvement of services directly related to the citizens' health and quality of life, **Sanepar** invests continuously in the expansion and modernization of the sewage collection and treatment system.

In 2020 with the COVID-19 pandemic, the hypothesis that the coronavirus is present in the sewage networks was raised, which led **Sanepar** to monitor the presence of this virus in Paraná's sewage - the first cities to receive the monitoring were Curitiba and Foz do Iguaçu. The Company validated the protocols and followed up the main works done in the world and in Brazil, led by the Federal University of Minas Gerais.

Sanepar has instructed the professionals who work with sewage networks and treatment, based on discussions with the Brazilian Association of Sanitary and Environmental Engineering and academia, set up strategic forums, elaborated techniques, and intensified precaution, even though fecal transmission is not proven. The pandemic brought new research paths linked to COVID-19 and its relationship with sanitation.

By 2020, the collection network will have grown 4.7%, reaching 38.5 thousand kilometers in length.

The increase in the number of economies connected to the network grew by 3.2%, surpassing the total number of 3.1 million economies.

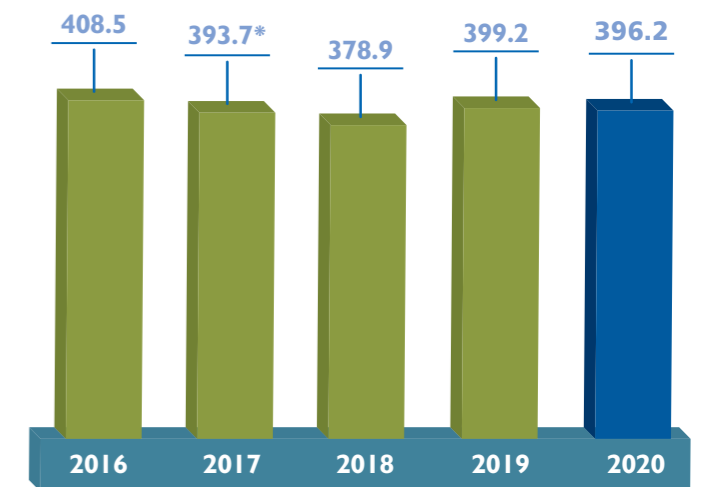
In the improvement of the sewage treatment processes, there were investments in modular treatment plants (prefabricated), in modular post-treatment, and in adaptations in the Sewage Treatment Plants in operation. All these efforts showed significant improvements in the plants' results.

IARCE - SERVICE INDEX OF SEWAGE COLLECTION NETWORK* - (%)



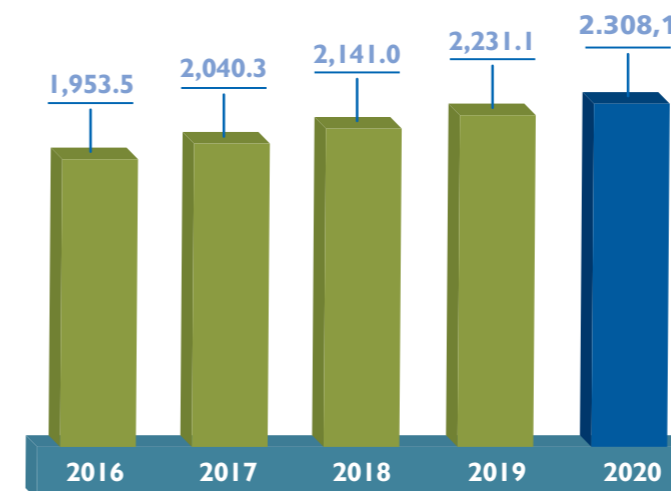
* Index based on active, inactive, and feasible economies in the collection network's area of operation.

INVOICED VOLUME*/SEWAGE (IN MILLIONS OF CUBIC METERS)

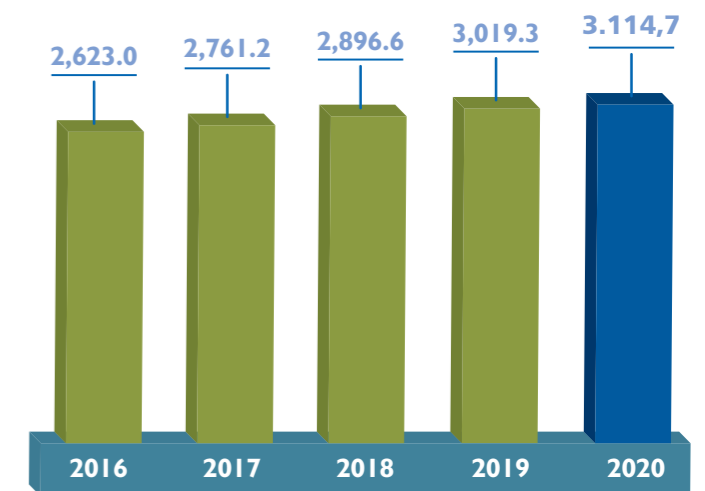


* In 2017, there was a change in the basic structure of the minimum tariff from 10 m³ to 5 m³.

NUMBER OF CONNECTIONS/SEWAGE (IN THOUSANDS)



ACTIVE ECONOMIES*/SEWAGE (IN THOUSANDS)



* The term active economy is used to designate every property or subdivision of a property that has a private or common use facility for water and/or sewage services registered and billed by Sanepar.

SANITATION ON THE COAST

In the summer of 2020, the Paraná coast had cleaner beaches and the best bathing indicators in the country. With investments of R\$ 248.6 million between 2018 and 2020, in the last stage of the sanitary sewage works that expanded the treatment stations in Matinhos and Pontal do Paraná, the service with a collecting system reached 82% on the coast.

In 2020, **Sanepar** intensified the projects for improvement and expansion of these systems for the universalization of sanitation, maintenance of the IARDA of 100% and expansion of the IARCE, with investments totaling R\$ 11 million, with the Solimar collector work as a differential. The conclusion of these projects is forecast for 2021.

In addition, the works that increased the capacity of water preservation were delivered. Pontal was supplied with two new reservoirs: at Balneário Atami, with a capacity of 1 million liters, and at Balneário de Canoas (2 million liters), with investments of R\$2.9 million. In Guaratuba and Matinhos, **Sanepar** invested R\$1.9 million in the structural recovery of the Brejatuba/Guaratuba Central Reservoir (3 million liters) and Reservoir - CR and Praia Grande Reservoir, which totaled 3 million liters in Matinhos.

ENVIRONMENTAL COMPLIANCE

Throughout its 57 years of history, **Sanepar** has always been committed to the search for excellence in basic sanitation in Paraná. The initial goal was to get treated water to the population; in a second moment to remove served waters (sewage) and, finally, to make the sewage treatment. In the 1980's and 1990's, the Company implanted a series of Sewage Treatment Plants based on the RALF (Anaerobic Reactor of Fluidized Sludge) and UASB (Upflow Anaerobic Sludge Blanket) systems.

With the evolution of environmental legislation, which has become increasingly restrictive, these systems, in certain situations, have failed to reach the required efficiency. They are currently part of the Company's effluent treatment, but require post-treatment to reach the new established parameters. **Sanepar** promotes the necessary improvements in the structures to improve effluent quality.

In 2016, agreements were established to seek environmental compliance in 17 Public Civil Actions (ACPs) arising from the Água Grande operation, with the state environmental agencies and IBAMA. After long planning, discussions and deliberations, in 2018 the Terms of Judicial Agreement (TAJs) were signed with the Federal Court and the participation of the Federal Public Prosecutor's Office, IBAMA, Instituto

Água e Terra and Águas Paraná Institute. In 2020, **Sanepar** implemented several actions in the strategic and operational spheres for the effective compliance with the clauses signed, including in its multi-year investment planning, all applicable demands from TAJs.

Considering the complexity and specificity of the necessary measures and interventions, the TAJs have imposed on **Sanepar** a set of challenging actions to be implemented within the agreed-upon deadlines, even though these demands have helped the Company's environmental culture evolution process and have been added to the strategic investment planning. In 2020, after a structured articulation from meetings with IBAMA, the TAJs were renegotiated, still awaiting ratification by the Federal Court.



To prevent new fines, **Sanepar** is negotiating a Conduct Adjustment Agreement (TAC), in addition to the federal one in force and also with the state agency, which contemplates the stations that are not in the TAJs signed in 2018. At the state level, it will be possible, in addition to the sewage treatment plants, to encompass the water treatment plants that generate sludge.

Currently, environmental compliance is one of the guidelines of the company's investment policy, side by side with the guarantee of quality water supply to the population and the maintenance and fulfillment of the program contracts with the granting authority. These are the institutional priorities formally indicated by the strategic dimension.

Another important tool in the context of Environmental Compliance was the implementation of the Environmental Legislation Training Program. The objective of this training was to provide in-depth study, analysis, and discussion of the interpretation and application of the requirements of the main legal diplomas to the activities related to the processes of sanitary sewage collection and treatment; of water collection, treatment, and distribution; and of urban solid waste collection and treatment. With specific modules for each segment, the target audiences for this program are operators of WWTPs, WTPs and

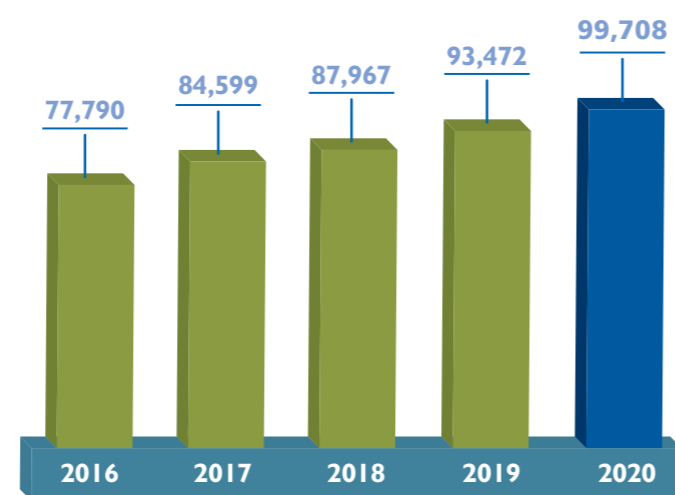
landfills, plant designers, managers, operational coordinators and strategic dimension staff.

The management of the Judicial Agreement Term is a great challenge, generating wide discussion about its importance in the different levels of the Company. From the operation to the top management, it was highlighted that dedication is needed to make the change of routines and processes happen.

LOAD REMOVED AT TREATMENT PLANTS

The function of sewage treatment plants is to remove the pollution load, meeting the limits of the different parameters determined in the environmental legislation. In addition to monitoring the discharge, Sanepar measures the load removed from the treatment process. The indicator used takes into account the standard limits of all parameters evaluated and the organic load measured, as Biochemical Oxygen Demand (BOD).

ORGANIC LOAD REMOVED (IN TONS/YEAR)



SLUDGE IN AGRICULTURE

Destining the sludge generated in the sewage plants for agricultural use is one of the sustainable alternatives used by **Sanepar** for decades and considered an example of environmentally correct practice by the United Nations Environment Program (UNEP).

The experience started in Greater Curitiba and has reached other regions of the state. In regions such as Umuarama and Campo Mourão, where agriculture has a strong presence, 100% of the sludge is directed to this purpose.

Since 2007, about 320 thousand tons of sludge were destined to agriculture, and there are projects to expand this practice in the other regions of Paraná.

It has also influenced the elaboration of norms by Conama (Resolution No. 375/2006) and by the State Secretary of the Environment of Paraná (SEMA Resolution No. 021/2009), regulating the agricultural use of the residue.

Before being sent to agricultural areas, the sewage sludge must undergo tests and meet quality standards that measure the amounts of heavy metals, sanity in terms of viable helminth eggs, salmonella, thermo-tolerant coliforms, and enteric viruses. All these parameters must be below the limits of the pertinent legislation. The agricultural area that will receive the product also goes through inspection and analysis by a qualified professional.

URBAN SOLID WASTE

Sanepar makes the environmentally adequate final destination of urban solid waste for seven municipalities in the northern region of the state. Through

contracts with the cities of Cianorte, Apucarana, and Cornélio Procópio, the Company manages three landfills that, in 2020, handled 65 thousand tons of waste and served a population of 297 thousand inhabitants.

The experience in solid waste management started in 2002, in Cianorte. The landfill, which operates on a regionalized basis, serves the municipalities of São Tomé, Terra Boa, Guaporema and Indianópolis and was the first in the country under the management of a public company to receive the ISO 14001 certification for environmental management.





ECONOMIC AND FINANCIAL PERFORMANCE

EVEN WITH THE REDUCTION IN ECONOMIC ACTIVITY, SANEPAR ACHIEVED POSITIVE RESULTS THANKS TO COST EFFICIENCY AND GOOD BUSINESS MANAGEMENT

The year 2020 was atypical also in terms of the economy. In the accumulated until the third quarter, the Brazilian Gross Domestic Product (GDP) retreated 5%, with low interest rates and rising inflation, due to the COVID-19 pandemic that, with the recommendation for people to stay home, greatly reduced global economic activity.

Even in the face of this scenario, the company achieved positive results, carried out - although at a lower pace - the planned investments and moved forward with fundraising projects such as the issue of debentures and cost reductions, the main one being the Retirement Incentive Program (PAI).

The Company's net revenue increased 1.6% compared to 2019, but net income decreased 7.7%, due to the drop in water and sewage invoiced volumes, the postponement of the tariff adjustment and PAI indemnities. The net margin was 20.8%, lower than the previous year, which was 22.9%, and EBITDA margin totaled the index of 40.3%. In view of these results, the profitability indicators showed positive results, such as the return on invested capital, of 11.7% in 2020.

Sanepar's pursuit of universalization was marked by the improvement and expansion of services, growth of the population served, increase of the water supply network and sewage collection with investments of R\$ 968.9 million, after the postponement of some projects due to the scarcity of raw materials and the lack of financial resources caused by the pandemic of COVID-19.

Funding of R\$ 350 million was raised with the 10th issue of incentivized debentures, used in the scope of projects approved by the Ministry of Regional Development. Moody's América Latina Ltda. affirmed the 'Aa2.br' Long Term National Rating for the Company and the issue of debentures held, and the outlook for the corporate rating is Stable. The rating was supported by the low risk of **Sanepar's** business in the Brazilian basic sanitation sector and the solid financial and business profile, characterized by strong liquidity.

Sanepar's commitment to economic-financial sustainability guided financial management last year and will continue as a reference with the perspective of ensuring the balance of finances with the efficient management of revenues, costs and expenses, cash flow management, in addition to the execution of prudent investments aligned with the Company's strategic objectives.

REVENUE

The net operating revenue in 2020 was R\$ 4.8 billion, 1.6% higher than in 2019, reflecting the Annual Tariff Readjustment - IRT of 8.37% and the reinstatement of the IRT of 3.76% applied in 2019, fully impacting 2020, despite the postponement of readjustments by Agepar due to the COVID-19 pandemic and the decrease in the invoiced volumes of water and sewage, a result of the hydric emergency situation in effect in the State of Paraná, which required mitigating actions due to the low reservoir volume and shortage of rain.

In a meeting held on August 25, 2020, Agepar decided to approve the annual tariff adjustment percentage of 9.63%, according to Resolution No. 19/2020, to be applied as of October 31, 2020. However, on September 1, Agepar decided, in an extraordinary meeting, to suspend the effects of Resolution 19/2020, due to a mediation procedure established by Agepar between the Government of the State of Paraná and the Company. On December 29, the Board of Directors of Agepar approved the rate of 5.11% for the readjustment of the tariff, as of February 5, 2021.

As part of the decision, the agency provisionally excluded the portion of the deferral of recognized values related to the 1st Periodic Tariff Review of 2017 that was to be applied in 2020. The agency said that the differences not forwarded will be subject to compensation in the 2nd Periodic Tariff Review (RTP). The next RTP, scheduled



for 2021, has already started to be processed by Agepar, which has opened public consultation of the Technical Notes referring to the first phase of the 2nd RTP.

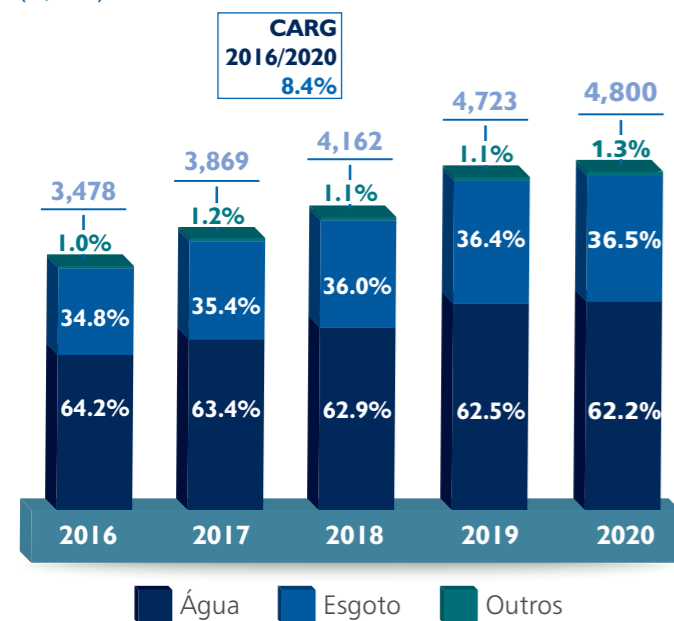
The form of recomposition of the values resulting from the readjustment suspension will be defined in due course by Agepar.

The investments made possible the expansion of services with a 3.9% growth in the extension of the water supply network and 4.7% in the sewage collection net-

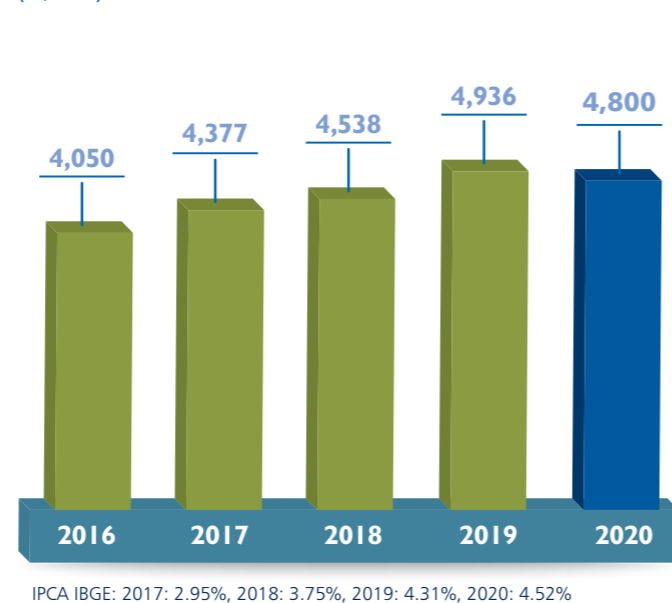
work. The number of connections also grew 2.5% and 3.5%, respectively.

The Company's revenue continues to be comprised mainly of services rendered to residential customers in the municipalities served, with 80.0% coming from water supply and 79.8% from sewage revenue. The solidity of the revenue is supported by the program/concession contracts between the Company and the municipalities that have a maturity of 19.4 years.

NET REVENUE (R\$MM)

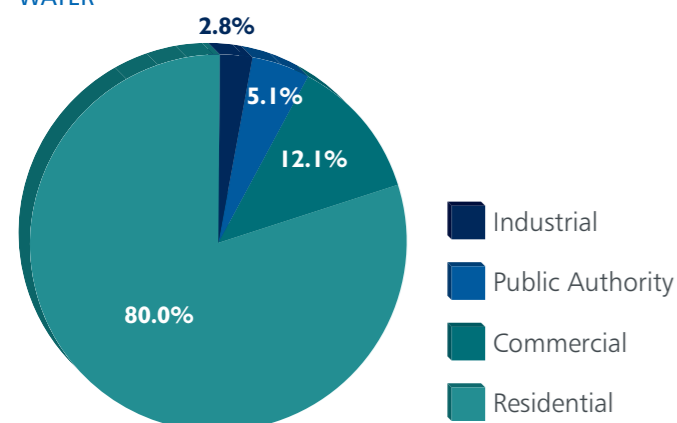


NET REVENUE UPDATED BY THE IPCA (R\$MM)

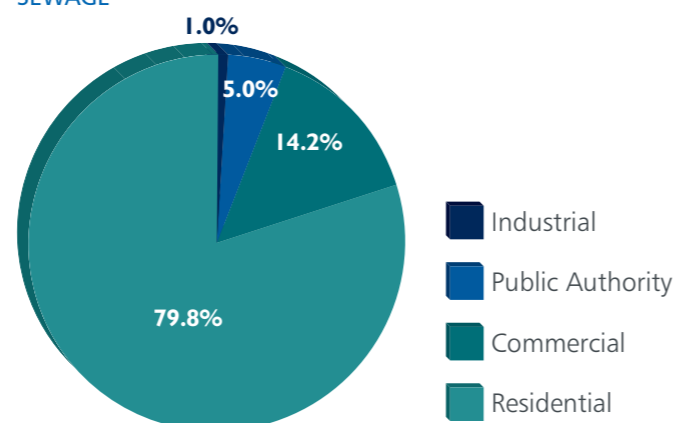


REVENUE COMPOSITION (%)

WATER



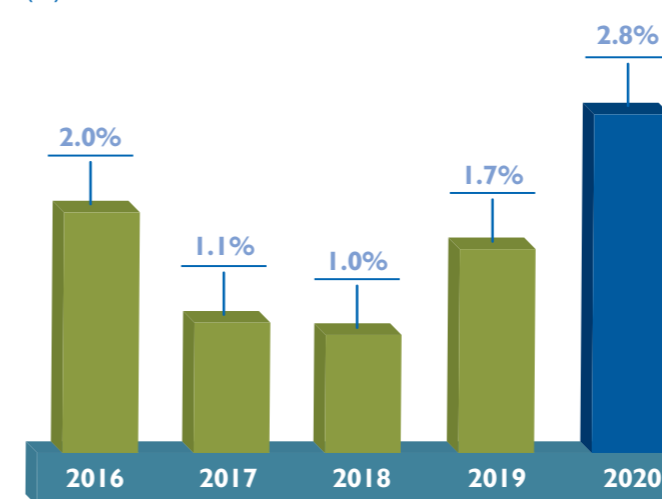
SEWAGE



DEFAULT

In 2020 the default rate showed growth, reaching 2.8%, mainly due to the COVID-19 pandemic, which had the effect of reducing economic activity and consequently the population's income. In addition, as the Company provides essential services, it complied with the State Law 20,187 of 04/22/2020, which prohibits cuts due to default, for the duration of the pandemic. In 2019, the rate presented was 1.7%.

DEFAULT (%)



EBITDA

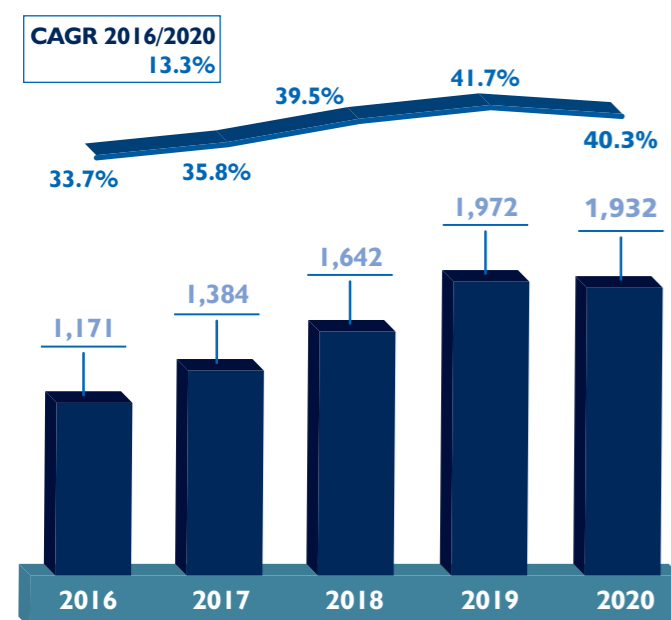
In 2020, EBITDA receded by 2.0% compared to 2019, totaling R\$ 1,932.4 million, as a result of the COVID-19 pandemic, which had the effect of postponing the tariff adjustment and the reduction in billed volumes of water and sewage due to the water emergency. The 2020 EBITDA margin was 1.5 p.p. lower than the previous year and reached 40.3%.

While the net revenue grew 1.6%, the operating costs and expenses that influence EBITDA

increased 4.2%, mainly due to the Retirement Incentive Program - PAI 2020, which 565 employees joined, accounting for R\$ 132.8 million in indemnities. There was also an increase in costs with treatment material, sewage waste removal services, which reinforced the Company's commitment to mitigating the water crisis and the adequate treatment of water and sewage. In addition, there was growth in other operating expenses.

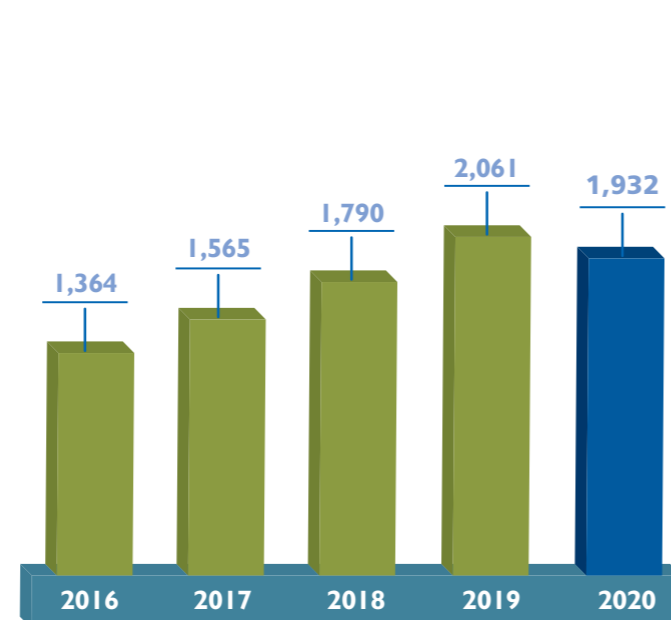
EBITDA AND EBITDA MARGIN

(R\$MM)



EBITDA UPDATED BY THE IPCA

(R\$MM)



IPCA IBGE: 2017: 2.95%, 2018: 3.75%, 2019: 4.31%, 2020: 4.52%

COMPOSITION OF EBITDA FROM NET INCOME

EBITDA (R\$ mil)	2016	2017	2018	2019	2020	Var.%
Net profit for the year	626,847	686,172	892,487	1,080,034	996,343	-7.7%
(+) Taxes on profit	162,738	227,901	272,515	373,851	369,412	-1.2%
(+) Financial income	164,281	222,167	205,639	180,400	204,775	13.5%
(+) Depreciation and amortization	217,111	247,282	271,387	337,442	361,867	7.2%
(=) EBITDA	1,170,977	1,383,522	1,642,028	1,971,727	1,932,397	-2.0%
EBITDA Margin	33.7%	35.8%	39.5%	41.7%	40.3%	-1.4 p.p.

The Company calculates EBITDA according to Instruction 527 of the Brazilian Securities and Exchange Commission (CVM).

NET PROFIT

Net income totaled R\$ 996.3 million, a decrease of 7.7% in relation to the previous year. Net margin fell 2.1 p.p., reaching 20.8% in 2020. This reduction is the result of a sum of factors: I) The reduction in water and sewage volumes, caused by the water crisis, II) The postponement of the tariff adjustment, due to the COVID-19 pandemic, and III) The increase in costs and expenses mainly due to the PAI 2020 Retirement Program, which 565 employees joined, accounting for R\$ 132.8 million in indemnities, and the increase in costs with treatment material and sewage waste removal services.

SHAREHOLDER REMUNERATION

The legal determination grants shareholders the right to the minimum mandatory dividend of 25% of adjusted net income. However, the Company's dividend policy provides that the Management may, in addition to the mandatory annual dividend, subject to the financial health and public interest that motivated the Company's incorporation, approve the distribution as additional dividend and/or interest on own capital of up to a further 25% of net income. The Company's Management is proposing the distribution of 31.4% of the adjusted net profit as interest on own capital in the amount of R\$ 296.4 million, referring to the 2020 result. Payment will occur within 60 days after the Ordinary General Assembly is held, which will approve the accounts for the 2020 fiscal year.

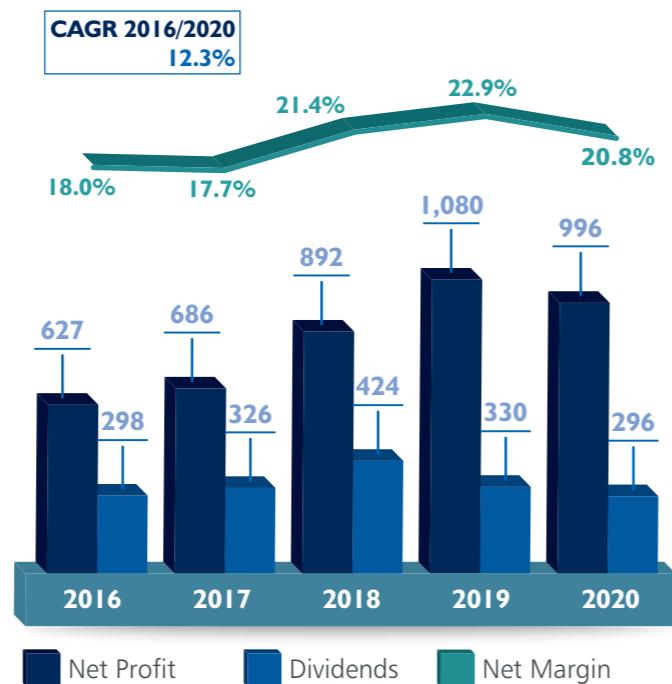
In 2020 the Company split its shares, transforming each common and preferred share into 3 (three) shares, and each Unit into 3 Units. In the case of Units, they will continue with the same formation of 1 common share and 4 preferred shares.

PAYOUT* (%)

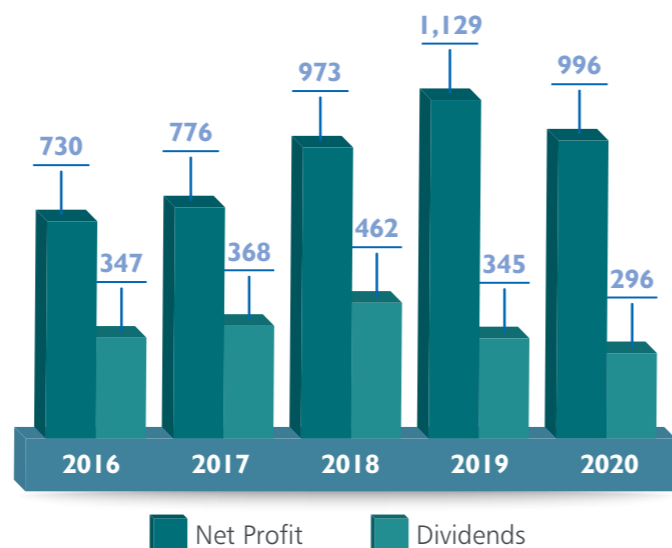


Pay-out: profit sharing percentage

NET PROFIT, DIVIDENDS AND NET MARGIN – (R\$MM)



NET PROFIT AND DIVIDENDS UPDATED BY THE IPCA – (R\$MM)

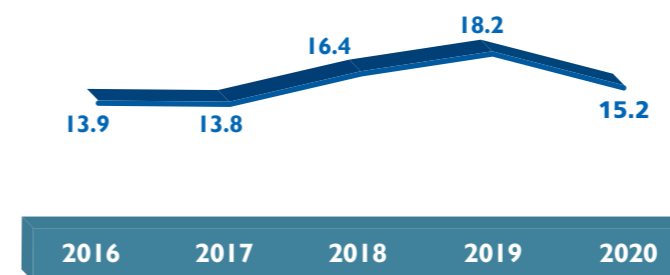


IPCA IBGE: 2017: 2.95%, 2018: 3.75%, 2019: 4.31%, 2020: 4.52%

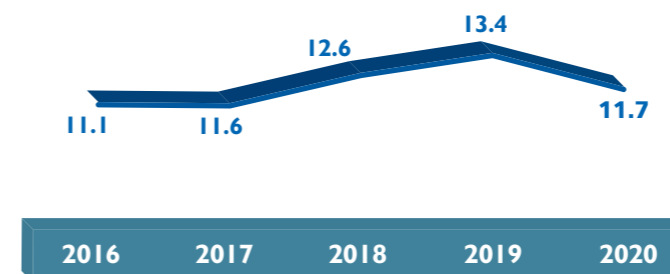
PROFITABILITY

The performance presented by the Company represented a decrease in the return on equity: the index went from 18.2% in 2019 to 15.2% in the year. The return on invested capital also showed a reduction, from 13.4% in 2019 to 11.7% in 2020.

RETURN ON EQUITY – (%)



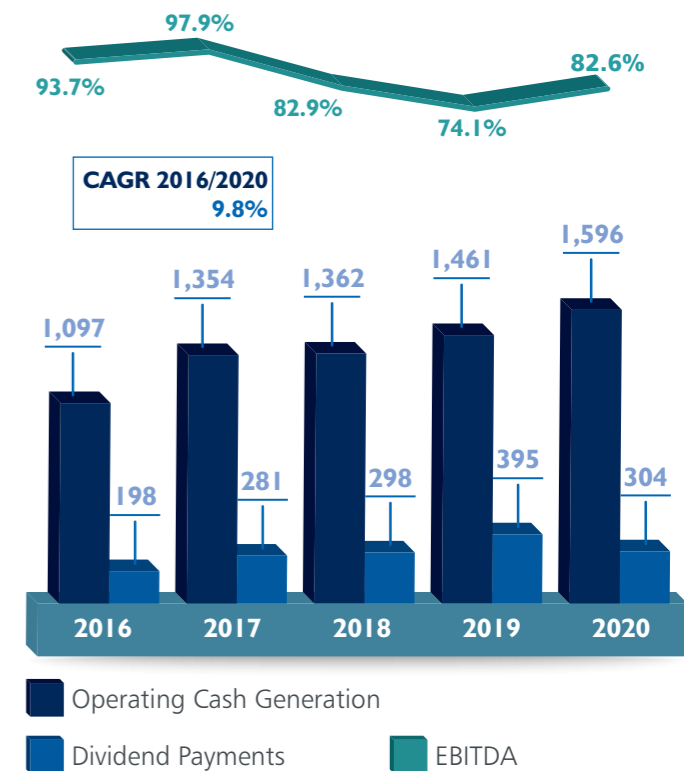
RETURN ON INVESTED CAPITAL (%)



OPERATING CASH GENERATION

The company's operations generated cash of R\$1,595.5 million in 2020. In the same period, the amount of R\$303.6 million in dividends and interest on equity was paid.

CASH GENERATION, DIVIDENDS AND EBITDA CONVERSION – (R\$MM)



FUNDRAISING

In order to maintain liquidity and complete the investment program, the Company uses third-party resources available, which are analyzed and allocated within the needs of its operations.

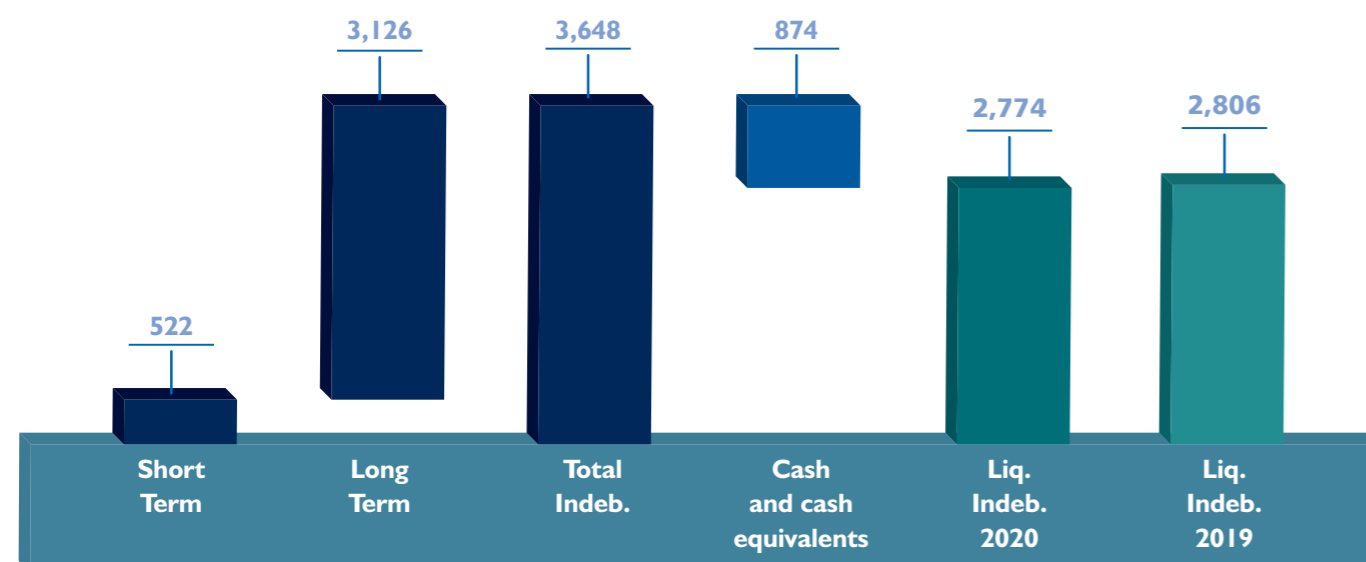
In 2020, **Sanepar** raised funds through the 10th issue of debentures, in a single series, in the total amount of R\$ 350 million. The debentures, which are not convertible into shares, mature in 2027. The operation was rated by Moody's América Latina Ltda., with a National Long-Term Rating of 'Aa2.br'.

Funds were also released through a Bank Credit Bill (CCB) contracted with Banco BTG Pactual in the amount of R\$ 200 million with final maturity in 2022.

NET DEBT

Net debt, which reflects the Company's degree of indebtedness, was R\$2,773.3 million in 2020, while the Net Debt to EBITDA ratio, which measures the leverage ratio, remained at 1.4 in 2020 and 2019.

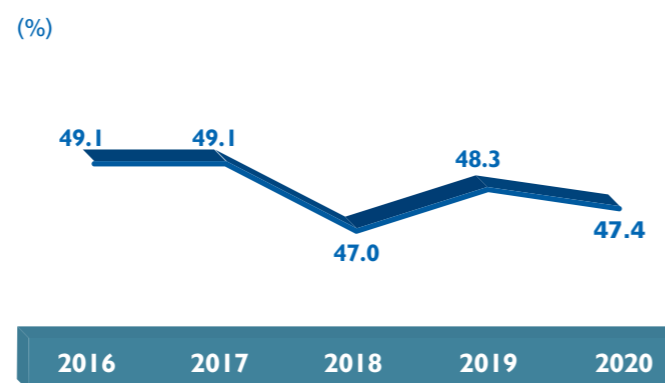
NET DEBT – (R\$ MM) AND NET DEBT/EBITDA



INDEBTEDNESS

The Company ended the year with assets of R\$13.2 billion, shareholders' equity of R\$6.9 billion, and total debt of R\$6.3 billion. The Debt to Assets ratio was 47.4% in 2020, a slight reduction compared to 2019.

DEBT TO ASSET RATIO (%)



INVESTMENTS

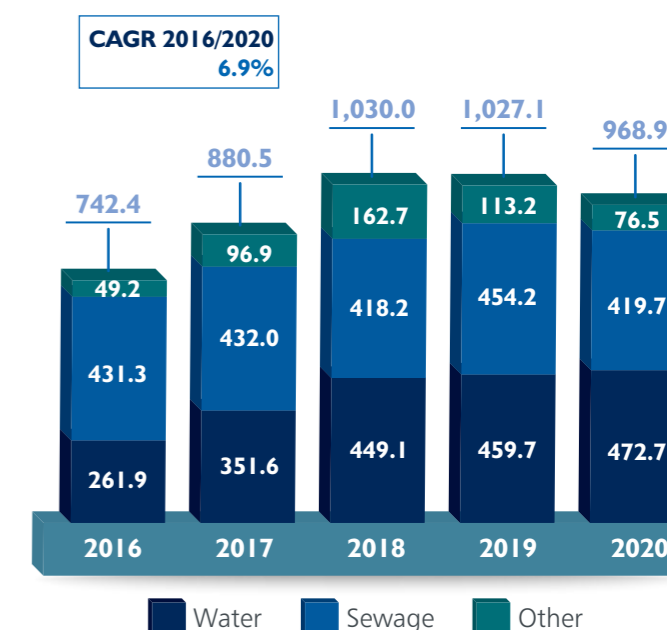
Sanepar makes investments according to guidelines based on strategic and operational goals and legal and environmental commitments, observing the company's financial health. In the last five years, the accumulated investment was R\$4.6 billion, earmarked for the maintenance of its operations, expansion and improvement of services.

In 2020, the Company invested R\$968.9 million, which is divided into 49% for the water systems, 43% for the sewage operation, and 8% went to administrative works, solid waste and other investments.

Guaranteeing the provision of services in the future, the Company's Multiannual Investment Plan for the next five years contemplates a total amount of R\$ 7.8 billion, distributed in R\$ 1.4 billion in 2021, R\$ 1.5 billion in 2022, and R\$ 1.6 billion in 2023, R\$1.7 billion in 2024 and R\$1.6 billion in 2025.

INVESTMENTS

(R\$MM)



INVESTMENTS

Achieved in 2020

GENERAL MANAGEMENT	Water	Sewage	TOTAL
GREATER CURITIBA AND COASTAL REGION	168.8	141.4	310.2
SOUTHEAST REGION	90.0	63.5	153.5
SOUTHWEST REGION	102.8	55.9	158.7
NORTHEAST REGION	48.5	72.6	121.1
NORTHWEST REGION	62.6	86.3	148.9
TOTAL	472.7	419.7	892.4

INVESTMENTS – (R\$ MM)

	2016	2017	2018	2019	2020	From 2016 to 2020
Water	261.9	351.6	449.1	459.7	472.7	1,995.0
Sewage	431.3	432.0	418.2	454.2	419.7	2,155.4
Other	49.2	96.9	162.7	113.2	76.5	498.5
Total	742.4	880.5	1,030.0	1,027.1	968.9	4,648.9

ACTIONS

The year 2020 was marked by the 3:1 split of Sanepar's shares and Units, which took place in March. The Company's shares are listed on the B3 S.A. - Brasil, Bolsa, Balcão.

The common shares (SAPR3) ended 2020 with a price of R\$6.00, presenting a positive variation of 3.45% in relation to the closing of December 2019, when the price adjusted by the split was R\$5.80.

The preferred shares (SAPR4) ended the fiscal year at R\$5.10, against a split-adjusted value of R\$7.03 in December of the previous year, a negative variation of 27.42%.

The Units (SAPR11), launched in 2017 and formed by one common share and four preferred shares, reached the end of 2020 with a value of R\$26.00, compared to R\$33.81 (price adjusted to the split of the Units) in December 2019, showing a negative variation of 23.09%.

The financial volume of business with Sanepar's shares totaled R\$21.1 billion in 2020, 37.34% higher than the volume recorded in the previous year (R\$15.3 billion).

The equity value of each share ended the 2020 fiscal year at R\$4.59, an increase of 12.2% in relation to the previous period, when the value was R\$4.09, adjusted to the split (R\$12.26 on 12/31/2019).

SERVICES PROVIDED BY INDEPENDENT AUDITORS

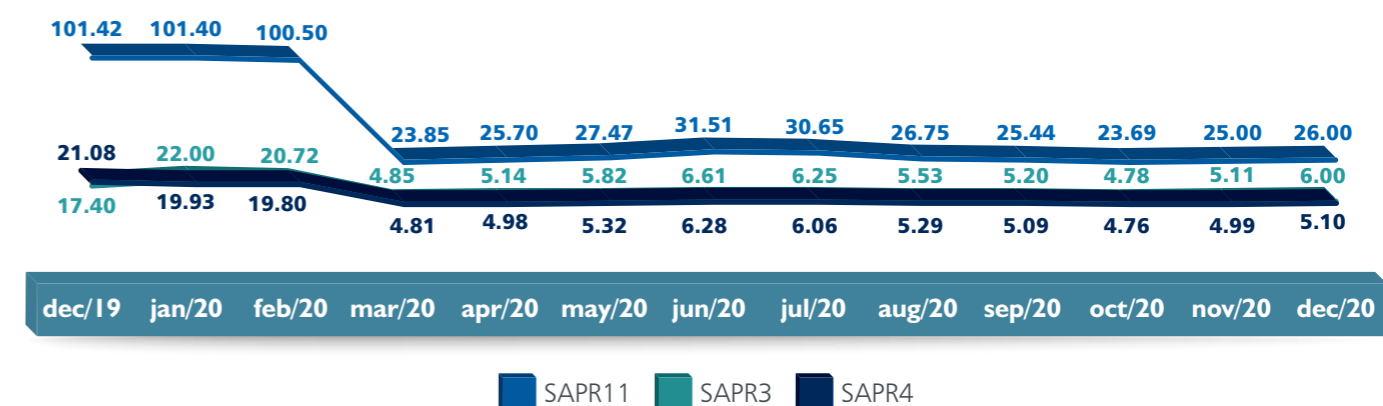
Sanepar respects the external auditor's independence and understands the importance of the auditing entity's capacity to judge and act with integrity and objectivity to be able to issue impartial reports or opinions.

BDO RCS Auditores Independente S.S. has a contract with the Company for the performance of the independent audit services of the financial statements for 2019 and 2020 and for the issuance of the special review reports on the quarterly information (ITR) for the 1st, 2nd and 3rd quarters of 2020. The contract with the auditors is dated November 26, 2019.

Additionally, BDO RCS Auditores Independente S.S. has a contract to provide services of monitoring and evaluation of investigation procedures and protocols, "Shadow Investigation", related to the forensic investigation work performed by an independent external investigation company hired by the Company.

No services other than those reported here were performed by the independent auditors.

SHARE PRICE – (R\$)



STOCK SPLIT

In 2020, the split of shares issued by Sanepar was approved and implemented. Each share, common or preferred, was split into three shares; each Unit was also split into three Units, which continued with the same formation of one common share and four preferred shares. The rights and obligations of the common and preferred shares and Units remained unchanged.

The split gave the right to receive new shares to the shareholders with shareholding position on March 27, 2020, and the shares issued by the Company started trading without split rights on March 30, 2020.

With the implementation of the split, the number of shares issued by the company that make up the Capital Stock is now 503,735,259 common shares and 1,007,470,260 preferred shares.



CUSTOMER RELATIONSHIP

WITH A STRONG CUSTOMER POLICY, SANEPAR SEEKS SATISFACTION BY MAINTAINING, EXPANDING AND INNOVATING ITS PERFORMANCE IN THE SECTOR

Sanepar serves two groups of customers: the Granting Authority, which authorizes the service provision through contracts, and the End Customers, who are supplied with drinking water and have sewage collection and treatment services available.

GRANTING AUTHORITY

Since the Sanitation Law (No. 11,445/2007), the relationship between **Sanepar** and the Granting Authority takes place through Program Contracts. These contracts have a 30-year term and are linked to the Municipal Plans of Basic Sanitation (PMSB) and, therefore, have varied goals according to the characteristics and conditions of water supply, collection and sewage treatment of each municipality, focusing on improving the quality of life of the population. Besides the Program Contracts, the Company also has Concession Contracts in effect, signed before the Regulatory Framework.

RENEWAL

Of the 346 cities served by **Sanepar** (345 in Paraná and one in Santa Catarina), 337 have contracts in effect and 9 have expired and are in the negotiation phase for signing a Program Contract. Among those in effect, 180 are Program Contracts, that is, subsequent to the Regulatory Framework, and 157 are still in the condition of Concession Contracts, that is, they were signed before the approval of the new Regulation. The Company's objective is to have all the contracts changed to Program Contracts.

CONTRACT PROFILE

346
Municipalities

337
Current Contracts

180
Program Contracts

9
Expired Contracts

157
Concession Contracts

3.96%
Representativeness of the revenue from expired contracts

RELATIONSHIP WITH MUNICIPALITIES

The monitoring of the Concession and Program Contracts with the municipalities is part of Sanepar's routine. Technicians visit the Municipalities and hold meetings with the community to assess the quality of services, the achievement of goals and the identification of demands.

MUNICIPAL SANITATION PLAN

One of the requirements of the Federal Law 11,445/2007 is that each municipality must approve its own Municipal Sanitation Plan (PMSB). The existence of this Plan is a mandatory condition for the signing of Program Contracts.

According to the legislation, the Plan must be elaborated with the participation of the population through consultations and public hearings and approved by the City Council. This Plan can receive technical support from the service provider. The approved Plan must be revised every four years for adjustments in the goals, projects and actions.

Among the services that make up these plans are water supply, sewage collection and treatment, urban cleaning, collection and disposal of urban waste, and rainwater drainage and disposal.

END CUSTOMER

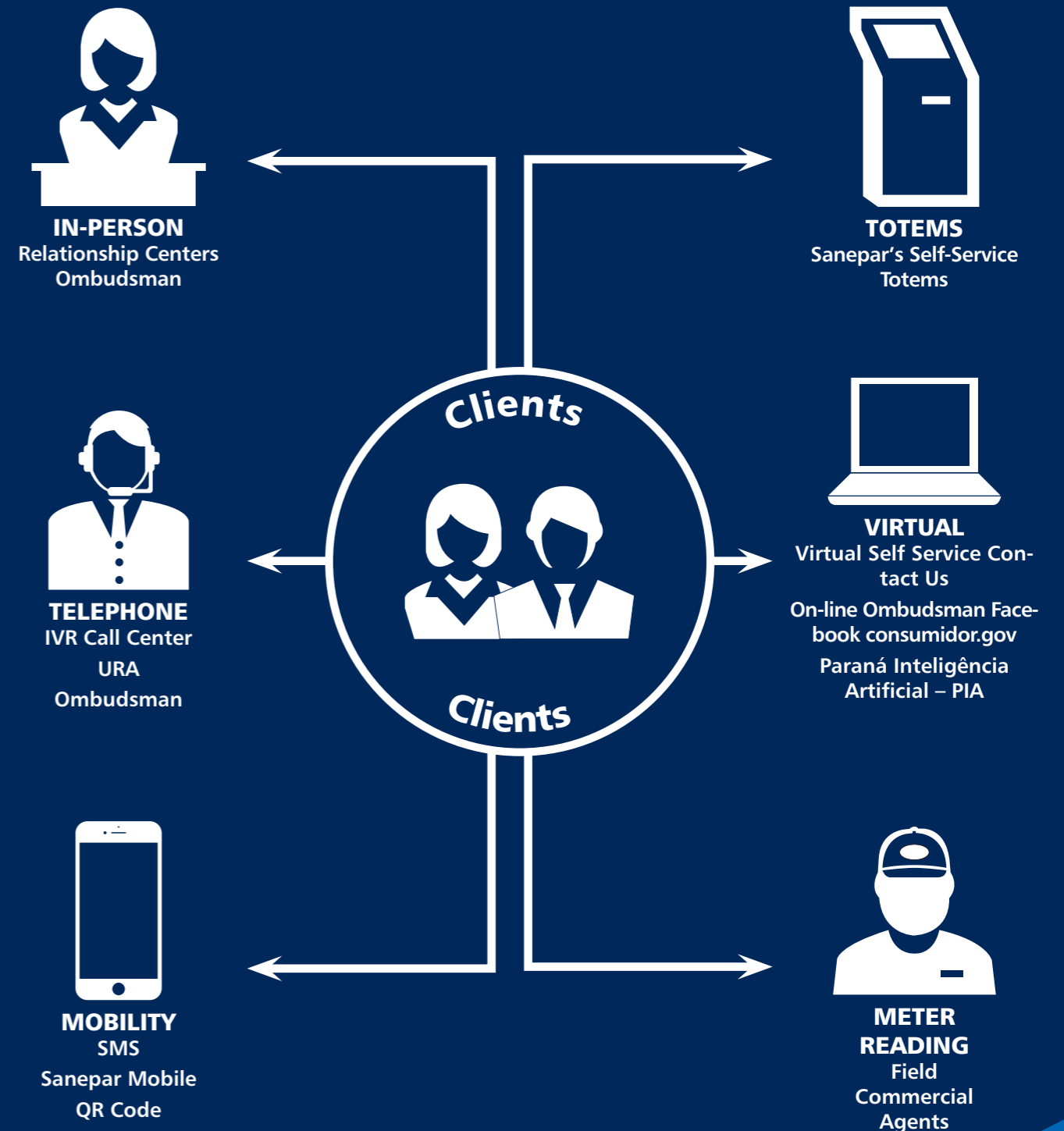
The customer relationship structure is made up of several channels, as shown in the following picture.

These channels aim to serve every customer profile, both those who seek mobility through virtual self-service, and those who opt for telephone or face-to-face service.

When Sanepar talks about end customer, it refers to a universe of 4,087,719 million economies (or households/ properties) supplied with water. Of these, 3,114,750 million are also served by a sewage collection system. With such an expressive number of customers, the challenge is to ensure service excellence.

Aiming at improving the service to customers' needs, the Company has been investing more and more in innovation and technology, to strengthen the relationship and facilitate communication, allowing free access to consultations and service requests. Sanepar also carries out satisfaction surveys through a specialized company, with residential and non-residential customers. Due to the COVID-19 pandemic, the survey for the year 2020 was postponed, and is expected to take place in the first quarter of 2021.

The organization of the in-person Relationship Centers in compliance with the legislation in force, the expansion of the services offered via telephone service, the availability of e-mails in the virtual service that make it possible to request all of Sanepar's services, expanding the digital tools, with the aim of offering new forms of relationship, in order to increase customer satisfaction and loyalty



SANEPAR MOBILE

For the end customer, it is possible to access Sanepar simply by tapping on a tablet or smartphone. An application that works on Android and iOS platforms is available for free on the online stores. The application allows the request of online services, such as updating the customer's registration, checking the water shortage, requesting a change in the due date of the invoice, obtaining barcodes and information on payments, debts, meter reading and consumption. The services can be requested even on Saturdays, Sundays or holidays.

The account holder can access the application by entering his/her account number. In condominiums, access is possible for the building manager or another person responsible for managing the account.

The application was created by Sanepar's internal team, from the commercial and information technology areas, in order to improve the customer relationship process.

WHATSAPP TO FACE THE WATER CRISIS

In 2020, the Company inaugurated a channel for real time Whatsapp complaints about the water crisis. This tool has brought the customer closer, facilitating access to issues related to the water crisis (suggestions, complaints about waste or good examples of savings in facing the crisis).

SELF-SERVICE TOTEMS

To facilitate access to Sanepar's services, the Company initiated, in 2018, the installation of 100 self-service totems at the State level that allow for consultation of debts, consumption, payments, and suspension of supply; issue of a second copy; update registration; request for repairs and payment of water/sewage bills with a debit card. In Curitiba, the equipment is located in the so-called Ruas da Cidadania (Citizenship Streets), a City Hall structure that concentrates the offer of services from the Municipal, State, and Federal governments. In 2019, the totems were extended to external environments such as supermarkets and bus terminals. In 2020, the equipment helped in the attendance, reduction of queues and agglomerations in the Relationship Centers, respecting the health guidelines and contributing to the fight against the COVID-19 Pandemic.



QR CODE

The QR Code, a two-dimensional bar code that can be easily scanned with a cell phone camera, is being printed on the back of monthly bills and also on cardboard boxes and bottles of the Company's bottled water.

The tool has been used to inform customers about Sanepar's commercial actions, to promote Sanepar Mobile, to register the account in automatic debit, self-service totems, and to provide links to important topics such as the Annual Water Quality Report, Incentive to the Rational Use of Water (20% Target) and the installation of a reservoir (water tank), Paraná Artificial Intelligence (PIA), and Sustainable Development Goals (SDGs).

TELEPHONE SERVICE

Sanepar's Call Center is available 24 hours a day to receive customer demands. The service is available at 0800 200 0115, free of charge, to clarify doubts and register requests, complaints and suggestions.

At the end of each service, a quick survey is carried out on the response given to the demand presented by the customer. In 2020, there were peaks of 16 thousand daily phone calls during the period in which the relationship centers were closed (03/23/2020 to 07/20/2020) due to the COVID-19 pandemic. The average in normal situation was 8.5 thousand calls per day, while in 2019 the average was 7 thousand calls per day. The satisfaction index with the central office service stood at 88%.

Automatic responses are made available to the customer via customer service on the IVR (Interactive Voice Response) for information on water shortages and pending debts, in an attempt to make customer information easier and more agile.

The Company also has a structure with its own team, which works during business hours and is responsible for the so-called "active service", in other words, it provides feedback for some services.

BUSINESS E-MAIL

As a complement to the customer service actions, business e-mails were created for the regional offices with the objective of supplying the demand for services that were only requested in person, due to the closing of the relationship centers because of the COVID-19 pandemic.

SMS

For emergency situations, such as water supply cuts, Sanepar uses the SMS system to inform customers about supply interruptions in their region. To receive the messages, customers must update their registration and provide their cell phone number on the Company's website or application. In 2020, more than 14,352,205 million SMS were sent with information about water shortages and institutional messages.

In 2019, the Company started to send SMS also to inform about pending debts, aiming to alert the customer and avoid supply cuts. In 2020 about 800,243 SMS were sent.

This channel facilitates people's lives. It is a cheaper means of communication, if compared to phone calls, in addition to being more efficient than e-mail because, besides being mobile, it does not require an internet connection.

Paraná Artificial Intelligence – PIA

Paraná Artificial Intelligence (PIA), launched in June 2019, is a platform with more than 380 services from the State Government. The tool facilitates access to public services and expands the interactivity of the citizen with the service provider. On the website, for example, the registered person can find out about the suspension of water supply in the region and other public services.

PRICING STRUCTURE

To promote tariff moderation, a structure is maintained where the customer pays a fair price for the volume consumed. The tariff structure allows the water and sewage systems to be sustained by a single source of revenue (tariff), necessary to ensure the fixed and variable costs of operation. It also allows families in need to be served by means of the Social Tariff, in order to provide services (water/sewage) at prices that are affordable to all segments of the population. The tariff model in force allows the practice of cross-subsidization with the management of all its systems in order to guarantee service to the entire population, regardless of their economic and social condition.

The tariff structure is divided into residential, commercial, industrial, public authority and public utilities categories.



With the Special Tariffs, **Sanepar** can progressively increase everyone's access to basic sanitation:

- Social Tariff: Low-income residential customers. In 2020, it benefited 196,263 thousand families, equivalent to 5% of the number of Sanepar's residential economies. It generated a R\$ 124.8 million subsidies in the year, water/sewage;
- Micro and Small Business Tariff: Customers who perform commercial activities and fit into the State Government's ICMS Exemption Program, with total annual revenues established in a State Decree, in the condition of micro and small business or individual micro-entrepreneur (MEI). It is equivalent to 2.7% of the number of Sanepar's commercial economies and means a subsidy of R\$ 5.1 million in the year;
- Tariffs for Charitable and Philanthropic Entities: Institutions that are officially registered with public agencies and provide services to the community in the form of charity and obtain resources for their operation, with volunteer actions and donations from the Federal, State and Municipal Governments and from society, non-profit. It is equivalent to 2% of the number of Sanepar's public utility economies and represents a subsidy of R\$ 5.1 million in the year.

The criteria for each of the Special Tariffs are available on the website <http://site.sanepar.com.br/> under "Customers".

Sanepar's tariff structure is made up of tariffs in progressive portions, i.e., up to the limit of the first portion, a certain price is paid, additional consumption is priced at a higher tariff up to the threshold of the second portion, and so on. The initial portion is called minimum billable consumption and is in line with the sustainability principle, since it provides greater revenue stability and makes it possible to meet the Company's social objectives.



This tariff structure encourages the conservation of water resources and facilitates universal access, especially for the poorest population, to a minimum demand, which is offered at subsidized prices through the social tariff.

Customers can use the tariff simulator to have full understanding of their bill. It is available on Sanepar's website under "Understand your Bill" and looks similar to the bill the customer receives at home. By entering data such as consumption, category, location and month of reference, the customer can simulate the values of water and sewage.

OMBUDSMAN

Sanepar makes the Ombudsman's Office available as an independent and impartial communication channel for citizens who are not satisfied with the service received through conventional channels.

One of the roles of the Ombudsman is to promote participation and mediate conflicts, in search of solutions for citizens and for the company, receiving, evaluating and responding to customer requests.

In 2020, the Ombudsman Office recorded 19,805 thousand service protocols and 119 SICs (Citizen Information Service) protocols, and we also highlight the following actions:

- Adherence to Procon's digital platform "consumidor.gov";
- Adherence to the Electronic CIPs (Electronic Preliminary Information Letter), from Procon-PR;
- Incorporation of the Procon-PR's CIP management process;
- Improvements in the SOS system (Ombudsman System) **Sanepar**;
- Implementation of Management Reports by Department;
- Improvements in **Sanepar's** Transparency Portal, in compliance with the Access to Information Law (no. 12,527/2011);
- SIC management, regarding requests based on the Access to Information Law;
- Compliance with CGE (Comptroller General of the State of Paraná) Resolution no. 10/2018 - Transparency Agent incorporated into the Ombudsman's Office.

GARBAGE FEE COLLECTION

Sanepar provides the municipalities with the service of collecting the garbage fee through the water and sewage bill sent monthly to its customers.

To provide this service, an amendment is made to the Program or Concession Contract, with benefits to the parties involved. For the municipality, there is a monthly cash flow guarantee to cover the costs of collection, transportation, treatment and final disposal of urban solid waste; for the citizen, there is the installment payment of the fee in up to 12 installments and the availability of the social fee for those with low income; for **Sanepar**, there is revenue for the provision of the service.

The municipalities that use this service continue to be responsible for the management of municipal solid waste. The principle of transparency is respected at all stages of this process. The proposal to charge the garbage fee on the water bill is debated in a public

hearing and approved by the City Council by means of an authorizing law. In addition, the Public Prosecutor's Office has already manifested itself on the subject indicating transparent and responsible actions that have been implemented in the process.

Sanepar provides this service in 121 cities (120 in Paraná and 1 in Santa Catarina). In 2020, the Company maintained the municipalities served and started negotiations to serve other locations.



SOCIO-ENVIRONMENTAL MANAGEMENT AND RESPONSIBILITY

INNOVATION FOR THE SAKE OF HEALTH AND THE ENVIRONMENT

The complex relationships between access to water and development show the urgency of balancing the scales between the demand for water and the availability of the product, with a focus on eradicating poverty and promoting sustainable development, meeting the principles of the Sustainable Development Goals and Global Compact, which Sanepar has been a signatory to since 2019.

Sanepar, in line with its Environmental Policy of seeking environmental, social and economic sustainability in its activities, reaffirms its commitment to the balanced use of natural resources, the adoption of sustainable practices and compliance with legal determinations.

The company voluntarily develops environmental education actions, maintaining proximity with the various segments of society, its customers, and its workforce.

To strengthen its social and environmental commitment, **Sanepar** seeks to go beyond compliance in its processes. To this end, innovation plays a fundamental role, and is included in the strategic planning and guided by its Development and Innovation Policy.

WATER CRISIS

The state of Paraná experienced a severe, unprecedented water crisis in 2020. According to the Paraná Meteorological System (Simepar), the rainfall index over twelve months was between 30 and 40% below the historical average, which reflected directly on the levels of the four water reservoirs for public supply in Greater Curitiba. Without sufficient rainfall to recover the water deficit, Sanepar recorded the lowest levels of the dams that make up the Integrated Supply System of Curitiba and Greater Curitiba (SAIC) - Iraí, Passaúna, Piraquara I and Piraquara II - since 2009.

The water crisis in Curitiba and Greater Curitiba required, in March, the implementation of a supply rotation (Rotation A), at first in the areas supplied by the Miringuava River, which had a very low flow rate, insufficient to ensure regularity in the water supply.

Given this scenario, Sanepar anticipated works and implemented emergency water collection. The State Government's water crisis decree, dated May 7, 2020, gave the Company agility in capturing water from pits and quarries in the region, in Fazenda Rio Grande, Pinhais, São José dos Pinhais and Campo Magro. The transposition work of the Capivari River, foreseen in the Master Plan of the Integrated Water Supply System of Curitiba and Greater Curitiba, will also be anticipated.



In May 2020, we started Rotation B, the SAIC was divided into five groups of neighborhoods with up to 24 hours without supply, alternating four days with supply. In August, a new model of rotation began to take effect (Rotation C) that divided the SAIC into three groups and the population began to go up to 36 hours without water, alternating with 36 hours of supply.

THE ESSENTIALITY OF WATER SUPPLY: Apart from the water supply for basic domestic users and for use in commerce and services where the lack of supply paralyzes activities (bars and restaurants, among other examples), there are essential activities where any interruption in the supply characterizes a serious emergency to be avoided, such as prisons, hospitals, schools, police stations, blood centers, and dialysis centers.

Aware that only the emergency measures of alternative sources would not solve the problem, the 20% Target Program was launched in August 2020, raising awareness and requesting support from the population for conscious consumption and combating water waste. With this target achieved, in 3 months we have accumulated more than 15 million m³ of water saved.

Due to the worsening of the water crisis, on October 29, 2020 the Decree of Water Emergency (No. 6,068/2020) was renewed for another 180 days.

FORUM PARTICIPATION

Sanepar is formally represented in and actively participates in deliberative or advisory forums for the environment and water resources at the municipal, state and federal levels. In these forums, themes are debated and evaluated and resolutions with legal force are made public, within specific attributions that may influence the planning and management of **Sanepar's** processes.

In this context, Sanepar acts effectively in the 11 Hydrographic Basin Committees of the State of Paraná and in the Federal Basin Committee of the Paranapanema River. In these Basin Committees, the composition is heterogeneous, including representatives from several sectors of society.

Among its attributions are the establishment of the classification in classes of river use and the guidelines and procedures for charging for the use of water, be-

sides promoting debates and guidelines for the effective management of water resources and contributions to the implementation of policies related to the preservation and rational use of water.

Besides the Basin Committees, **Sanepar** has formal representation in the State Council of Water Resources of the State of Paraná, in the Municipal Environment Councils of the main cities where it operates, in the Paraná Forum of Climate Change, in the Management Council of Springs of Greater Curitiba and in the National Council of Water Resources and its Technical Chambers, through the Brazilian Association of State Sanitation Companies (Aesbe).

The systematization and organization of the company's role in the representation in the Deliberative Forums for the Environment and Water Resources is foreseen in an internal regulatory procedure.

Comitês de Bacias Hidrográficas com Participação da Sanepar:

- **COALIAR - Alto Iguaçu e afluentes do Alto Ribeira (com cobrança pelo uso da água instituída desde 2013 pela agência de Bacia)**
- **Tibagi**
- **Jordão**
- **Paraná III**
- **Baixo Ivaí e Paraná I**
- **Piraponema (Pirapó, Paranapanema 3 e Paranapanema 4)**
- **Norte Pioneiro (Cinzas, Itararé, Paranapanema 1 e 2)**
- **Paranapanema (Comitê Federal em conjunto com os Comitês do Estado de São Paulo)**
- **Litorânea**
- **Baixo Iguaçu (implementado com atividades a serem iniciadas)**
- **Piquiri (implementado com atividades a serem iniciadas)**
- **Alto Ivaí (implementado com atividades a serem iniciadas)**

GREENHOUSE GAS EMISSIONS

In line with the sustainable management practices foreseen in the Company's Strategic Map, every year the Greenhouse Gases (GHG) generated in the company's activities are quantified in order to prepare the Greenhouse Gas Inventory (IGEE).

The IGEE allows the identification of the main GHG generation processes so that the company can manage them in search of reduction or neutralization. For 11 years **Sanepar** has reported its IGEE to the Public Emissions Registry of the Brazilian GHG Protocol Program, advancing in methodological improvements and data traceability.

In 2019, direct emissions reported in the platform represented 14.8% of national emissions. At Sanepar, as expected, the activity that caused the largest greenhouse gas emissions was wastewater treatment, responsible for 95.25% of direct emissions. The 2020 emissions will be consolidated in March and will undergo verification in April, and may be reported as of May 2021. GHG data are released in August.

Sanepar is the only Brazilian company in the "Water, sewage, waste management and decontamination activities" sector to report its emissions. The Company's issue history is available at www.registropublicoemissoes.com.br.

In 2020, the IGEE (base year 2019) was qualified with the Silver Seal of the Brazilian GHG Protocol Program and received the Paraná Climate Seal Original category from the State Department of Sustainable Development and Tourism (SEDEST).

RESEARCH AND INNOVATION

Sanepar is among the leaders in infrastructure innovation in Brazil, according to the Valor Econômico 2020 ranking, which reinforces the Company's protagonism in the search for innovative and sustainable solutions, in order to make services available in a faster, more efficient manner, always aiming at the lowest impact on the budget of the population of Paraná and the constant improvement of its processes.

In line with the corporate planning, in 2020 Sanepar consolidated its innovation strategy, having as methodological reference the framework proposed by WRF - Water Research Foundation for water and sewage companies.

Throughout this process, Sanepar's vision of innovation was established, which can be translated as: "Enable the achievement of corporate strategic objectives through innovative solutions that generate sustainability, high performance standards, and greater competitiveness."

Three strategic pillars were also defined, representing the focus on which corporate efforts in innovation will be directed, namely: Innovation in production processes, Partnerships for Innovation, and Innovation Culture.

Among the innovative actions carried out in the year 2020, the following are worth mentioning:

- In the scope of innovation management, Sanepar participated as a Latin American representative in the Project: Leading Water Utility Innovation promoted by WRF in partnership with Arcadis. The project brought together more than 80 interna-

tional water and wastewater companies and institutions to discuss best practices in innovation for the sector.

- In the area of water resource management, Sanepar has improved its decision-making models. In 2020, the company expanded real-time monitoring of natural and constructed assets (rivers, reservoirs, dams) and climate monitoring. This information has contributed to addressing water scarcity, in addition to streamlining communication and transparency with stakeholders.
- In the face of water scarcity, Sanepar sought the evaluation of new technical and scientific strategies, such as the hydroseeding of grass to induce localized rainfall and its quantification in the main contribution basins of the Greater Curitiba supply system.
- Still in the context of water resources management, guidelines for the conservation of springs were elaborated; studies on the sustainable management of reservoirs were carried out; besides the development of studies and conceptions of phytore-

mediation projects for the revitalization of urban rivers in partnership with the State Department of Sustainable Development and Tourism and with the city of Curitiba.

- In terms of resilient and sustainable infrastructure, we highlight the technical and financial cooperation agreement signed between Itaipu, the Itaipu-Brasil Technology Park Foundation, and Sanepar to develop the project entitled "Implementation of Sustainable Sanitary Sewage Systems".
- The inter-institutional cooperation project foresees the expansion, modernization and optimization of the sanitary sewage systems of six municipalities in the southwest region through sustainable technologies. The resources to be applied by the institutions involved total resources in the order of seventy-four million reais, which will be invested over five years.
- Still on this topic, the company has expanded the use of modular technologies in sewage treatment plants. In the city of Santa Helena, a modular sewage treatment plant was inaugurated with a mineralization site for the sustainable treatment of sewage sludge.
- The company has used technologies to mitigate greenhouse gases, such as the operation of high efficiency burners in sewage treatment plants in Curitiba and Greater Curitiba. In this area, Sanepar has also advanced in studies for the use of biomethane in its vehicle fleet, with a pilot project in the region of Toledo/PR.
- The company also increased the scale of real-time monitoring of electricity consumption, and conducted studies on reuse water for industrial purposes and on the treatment of industrial effluents.



- Start of power compensation in the hydroelectric generation system at the São José dos Pinhais Airport and at the company CS Bioenergia S.A. By 2020, R\$2.5 million were generated in energy credits.
- On the subject of open innovation, Sanepar has joined forces with the Itaipu Technological Park Foundation - Brazil (FPTI-BR), the Study and Project Financier (Finep), the Paraná State Micro and Small Business Support Service (Sebrae-PR), and the Inter-American Development Bank (IDB) to structure its first Innovation tender aimed at offering challenges in the environmental sanitation sector to startups and entrepreneurs.
- Sanepar was awarded the KLX Award, considered the Oscars of automation and energy efficiency, for its sustainable administrative building project. The project competed in the energy efficiency category for green buildings, competing against more than 2,500 international projects.
- To support the fight against COVID-19, Sanepar has developed community hand wash stations. The pilot project was carried out in Curitiba, and 53 hand wash stations have already been installed in 30 cities to serve the general population. In Curitiba and Greater Curitiba, 13 pieces of equipment are installed in strategic points, where there is a large circulation of people. The municipalities will sign a Term of Adhesion and a Protocol of Intent, since the equipment will not be donated by the Company.

- Also due to the COVID-19 pandemic, the Company shared its 3D printers for the production of face shields.
- Sanepar has followed up with national and international scientific forums the evolution of knowledge and technologies for monitoring coronavirus in sanitary sewage. Based on these actions, the monitoring and validation of study-level protocols is planned for the cities of Curitiba and Foz do Iguaçu.

ENERGY EFFICIENCY AND BIOENERGY

Energy has been a widely discussed topic at **Sanepar** due to the fact that electric power is a fundamental input for the functioning of its activities and to ensure the growth of demand for its services.

In 2020, the Company consumed 715.55 GWh of electricity, which represents about 23.1% of operating costs, being the second largest operating cost of **Sanepar**. The energy consumption in the more than 4.1 thousand units, mainly in sanitary infrastructures, makes Sanepar the largest corporate consumer of electricity in the State of Paraná. Nevertheless, in times when global warming and climate change are issues of worldwide repercussion, the implementation of energy efficiency actions becomes essential to minimize environmental impacts and reduce greenhouse gas emissions.

To this end, **Sanepar** has encouraged innovation, applied research and the development of best practices that enable cost reduction, energy efficiency of processes and the improvement of environmental sanitation services.

Measures have been successfully implemented in the Company, such as the management of electric energy bills, starting with the selection of the most appropriate tariff mode, the control of reactive surpluses, overages and additional demand. **Sanepar** has sought to reduce the load factor of the systems during peak hours, a period when the electric energy tariff is more onerous, shifting the electric power contracted with the concessionaire to times when the electric network is less in demand.

The Company has made progress with distributed generation actions in sanitation systems. In this context, hydroelectric potentials are being evaluated through pilot plants in Foz do Iguaçu (Ouro Verde Sewage Treatment Plant) and in Greater Curitiba (Piraquara 1 Dam).

In addition, the company has prioritized the periodic maintenance of the operational units and the acquisition of efficient equipment, especially motor-pump sets.

Since the beginning of 2019, real time and remote monitoring of the electrical energy consumption of 93 of the company's units is being carried out.

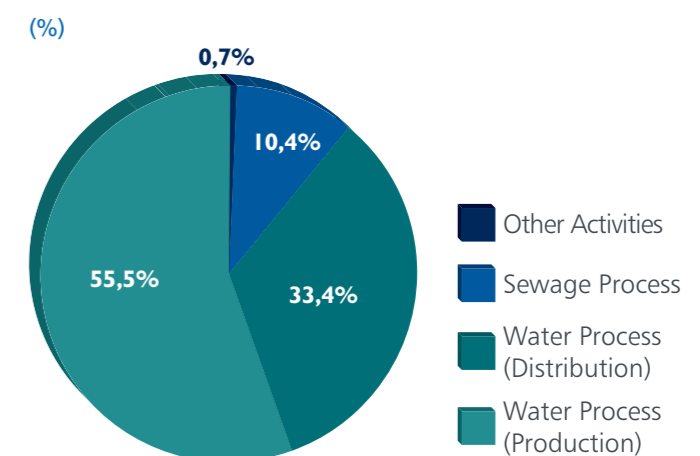
Based on the conception of a new business supported by the principles of circular economy, a high-tech anaerobic digestion plant, CS Bioenergia S.A., is installed near the Belém Sewage Treatment Plant, producing renewable energy from the simultaneous and innovative treatment of sewage sludge and organic materials from other large generators. Its capacity is to produce 2.8 MW - enough energy to supply approximately 2,100 homes, or 8,400 people.

Since 2019, CS Bioenergia S. A. has achieved its operational stability and started the process of transferring electricity credits to Sanepar's consumer units.

In 2020, R\$2.5 million were generated in energy credits, reducing the cost of energy from biogas production.

Sanepar has also been conducting studies on the use of biogas as a fuel to thermally promote the drying and sanitization of sewage sludge. The results obtained prove that the technique can reduce operational costs with handling and final disposal of the material. This is due to the fact that thermal processing significantly reduces the final volume of sludge to be disposed, promoting sanitation without the use of chemicals. The dried sludge, in turn, can be used as fertilizer in agriculture and employed as biomass, being thermally transformed into complementary energy for its own drying process.

ELECTRIC POWER CONSUMPTION (%)



ENVIRONMENTAL PROJECTS

The company develops programs and projects throughout the corporate processes, in line with its environmental policy of promoting and consolidating socio-environmental actions with the use of formal and non-formal education tools, as advocated by the National and State Environmental Education policies (Laws 9,795/1999 and 17,505/2013), the National Solid Waste Policy (Law 12,305/10), and the UN Sustainable Development Goals.

In 2020, **Sanepar** carried out 237 internal and external environmental education actions throughout the state.

SE LIGUE NA REDE

The Se Ligue na Rede program aims to ensure that the sewage collection network available to the population is used correctly in order to reduce pollution of urban rivers and improve the quality of life of the beneficiaries.

Normally, during the execution of sanitation works, **Sanepar** promotes community meetings, courses for plumbers, and socio-environmental workshops with the objective of promoting social participation, the multiplication of knowledge, the improvement of life conditions and quality of life, the enforcement of social rights, and the sustainability of the intervention.

In 2020, due to the COVID-19 pandemic, the program suffered a reduction of 2/3 in its actions. Alternatively, customers started to receive information about works in their region, such as, for example, schedules, impacts and orientations, through SMS.

In regions already served by a collecting system, **Sanepar** only carried out technical inspections on the properties on an emergency basis due to the COVID-19 pandemic to identify irregular connections and make families aware of the correct procedures for the good use of the system.

CAIXA D'ÁGUA BOA

Families already benefited by **Sanepar's** Social Tariff program and enrolled in the Federal Government's Unified Registry can benefit from the Caixa d'Água Boa Program, developed by **Sanepar** in partnership with the State Government through the State Department of Justice, Family, and Labor.

The drought evidenced the fragility of the regular supply of water to families without a water tank. Without the tanks, families are subjected to only intermittent supply, which in 2020 reached up to 36 hours without water, due to the rotation.

As an extension of a pilot project that is already benefiting 500 families in the Laranjeiras do Sul region, the Caixa D'Água Boa Program was further expanded in 2020 and included the installation of water tanks for 4,185 families in approximately 80 municipalities in Paraná.

Sanepar supplied kits consisting of a 500-liter tank, piping and metal base, as well as providing technical support and training for the installation of the equipment. The State Government manages the program and provides financial resources for families to pay for the installation of the water tanks (labor). And the Municipalities do the storage and distribution of the materials, besides the supervision of the effective installation.

SOCIO-ENVIRONMENTAL MANAGEMENT IN UNDERTAKINGS

To ensure water security in the Miringuava basin and meet the licensing conditions for the construction of the reservoir dam, **Sanepar** has been developing the Miringuava Socio-Environmental Project since 2011.

The objective is to promote positive impacts on the quality of life of producers and rural residents who will be affected by the dam. These are orientation and qualification actions for them to adopt new production and commercialization practices for agricultural products with an emphasis on sustainability.

Throughout the planning and execution of the project, technicians from the company develop support actions for the families. A dialog was established with the community about the expropriations and the impacts of the project on their lives. This practice has provided for the strengthening and organization of the community; a reduction in conflicts and in the number of lawsuits in the indemnity process; dialogues to establish partnerships with several public, private, educational, and research institutions, and also with the municipality of São José dos Pinhais. The project also promoted the integration between several **Sanepar** units that operate in the area.

In 2020, the project's actions reached the urban public of Grande Curitiba, with the participation of technicians from the municipality of Curitiba and the formalization of the Technical Cooperation Agreement with Fundação Grupo Boticário, which launched the Movimento Viva Água, in the Miringuava basin.

Farmers who grow low-impact crops in the region will receive a "Amigo da Água" ("Friend of the Water") label. Through this Cooperation Agreement, agricultural products from the region will be able to access better markets, with higher product prices and more technology to attract good farmers to the surroundings of the reservoir. This way the company believes it will maintain soil conservation and less sediment in the water and, over time, less pesticides and more abundant and better-quality water.

DOORS OPEN TO THE COMMUNITY

Sanepar provides various educational spaces for sustainability in the state, where visitors have contact with concepts and practices for the conservation of water resources. The Mananciais da Serra Environmental Education Center (CEAM) is located next to the Piraquara I and II Reservoirs, in Greater Curitiba. Inserted in an Environmental Preservation Area, next to river springs, CEAM houses the first public supply system in Paraná, the Carvalho Reservoir, from 1908.

The site can be visited by the general public, but is especially sought after by students, who go on hikes in the Atlantic Forest remnants at Serra do Mar. In 2020, 1,940 people were registered as visitors.

The Sanitation Museum and the Iguazu River Memorial are other spaces for history and education, with activities for students and the community in general. The beautiful historical buildings provide a trip back in time where visitors can learn about historical, geographical, social aspects and proposals for sustainable actions for their day to day lives. The Memorial is equipped with a multimedia room and an auditorium for 120 people, for community training courses, as well as lectures and events with an environmental theme. In 2020, it received 1,287 visitors.

Due to the COVID-19 pandemic, and with the closing of schools, there was a major reduction in the number of visits to the Socio-environmental Spaces. Even so, prevention protocols were adopted to ensure the safety of visitors and employees.

MAJOR SUMMER

Every year, during the summer season, **Sanepar** develops special actions to improve the service to the flow of tourists who come to the Paraná coast, in partnership with institutions from the State Government.

Sanepar's actions aim to ensure the continuous supply of water and the maintenance of the hygienic and cleanliness conditions of the waterfront.



To ensure the availability of treated water and sewage collection and treatment throughout the summer, **Sanepar** invests continuously in maintenance and new works in the supply system.

In the environmental area, **Sanepar** contributes to the cleaning of beaches. During the season, every day, teams hired by the Company cover 48 km of the shore to remove residues left on the sand and litter brought by the tides.

The work done during the season on the beaches of Paraná is considered a reference in the country. The environmental education actions involving recreational activities had the participation of more than 24,918 people. These activities are carried out by a team hired by **Sanepar**, in partnership with other municipal and government agencies, which work to make the tourists aware of their co-responsibility for solid waste and to combat waste.

The Chuá project, which installed ecological showers on the seashore's main bathing spots, served more than 98,359 bathers, offering comfort and reducing the consumption of treated water in summer houses.

The numbers for the 2019/2020 season were: 48 km of beaches sanitized; 679 tons of residues collected; 339 jobs generated; 100 thousand garbage bags used; 300 200-liter containers distributed along the shore to receive residues from vacationers.

For the 2020/2021 season, the Company opted to keep only the beach cleaning, following the recommendations of the authorities in the fight against the COVID-19 pandemic.

ACCESSIBILITY ON BEACHES

The Praia Acessível Project (Accessibility on Beaches) provides the use of amphibious chairs so that people with difficulty in locomotion can enter the sea safely. In the 2019/2020 season, **Sanepar** recorded 298 attendances. The project was developed in partnership with the State Government. Ten chairs were made available for use on the beaches of Guaratuba, Matinhos, and Pontal do Paraná. A trained team ensures that people with mobility restrictions can safely enjoy swimming in the sea.

This Project had to be suspended for the 2020/2021 season, due to the COVID-19 pandemic, as a preventive measure.

ENVIRONMENTAL EDUCATION FOR THE INTERNAL PUBLIC

With the same commitment it has to society, **Sanepar** also develops socio-environmental education projects and programs for its workforce. The goal is for employees to internalize the concept of sustainability and understand the socio-environmental dimension of sanitation.

In 2020, due to the restrictions imposed by the Covid 19 pandemic, the actions for the internal public were adapted with the use of digital resources, such as webinars. The topics covered and discussed were the Water Crisis and challenges for Sanitation; Shared Responsibility and Losses Management; Water and Forests; New Sanitation Law: impacts on the sector and on its public function; The New Sanitation Framework, part 2 and Equity and Sanitation: challenges for universalization. In 2020, regarding the internal public, 9 actions were carried out with the participation of 1,728 employees.

LISTEN TO THIS IDEA: OIL-FREE NETWORKS

The program encourages the reduction of oil consumption in food preparation and provides for the collection and correct disposal of used oil, so that **Sanepar** staff adopt correct, healthy and responsible socio-environmental practices.

The collection of saturated oil prevents water pollution, the clogging of sewage networks, and reduces the formation of scum in sewage treatment plants.

Created in 2016, initially for employees, the program has 213 collection stations and partners that receive the material in 20 municipalities. The program was expanded with the installation of collection stations at customer service offices and by 2020 was present in 64 municipalities with 158 collection points collecting 6,307 liters of oil.

Operação Verão em números

679
toneladas de resíduos retirados da areia

Mais de **98 mil**
atendimentos pelas Ecoduchas

Quase **25 mil**
participantes em atividades recreativas

298
atendimentos com cadeiras anfíbias



PEOPLE MANAGEMENT

SUSTAINABILITY IS BUILT THROUGH PEOPLE

2020 brought a set of adversities with special impact in the area of People Management. In addition to the global pandemic of the new coronavirus, in itself challenging for the entire corporate universe; the water crisis in Paraná; added to important regulatory and legislative developments such as the General Law of Data Protection (LGPD) and the Sanitation Regulatory Framework, imposed a unique challenge of managing the staff, processes and people, in order to ensure the sustainability of the Company in this scenario.

The People Management Department (GGPS) was driven to a rapid review of processes and decision-making in all areas of activity: personnel administration, development, structure management, social service, occupational medicine and safety, and people management in general. A genuine experience in transforming threats into opportunities for advancement for the area, and for the company.

For all these factors, 2020 was a year of evaluation and improvement of the GGPS. It was about strengthening internal communication, seeking more agility, organization,

transparency, clarity, and scope to raise internal confidence and satisfaction, foster proximity and integration, even in the midst of the pandemic, and humanize relations with employees.

STAFF IN NUMBERS

At the beginning of 2020, Sanepar had 6,977 employees, 79 trainees and 215 apprentices. Of the total number of jobs, 52 were occupied by People with Disabilities (PwD). Currently, the average length of service of a Sanepar employee at the Company is 16.1 years.

During the year, 61 women were granted maternity leave, and the paternity leave extended from 5 to 20 days was used by 162 men.

In 2020 the staff worked 3.4% overtime in relation to the normal working hours, reached an absenteeism rate of 1.66% and registered a turnover of 4.32%. A large part of this movement is a reflection of the Company's employee dismissal program: the Retirement Incentive Program (PAI).

NUMBER OF EMPLOYEES BY CAREER LEVEL

	2017		2018		2019		2020		Total
	Men	Women	Men	Women	Men	Women	Men	Women	
Board of Directors	38	2	24	3	33	3	27	4	31
Executive Board	8	0	6	1	7	1	8	2	10
Management	340	132	335	144	416	148	231	82	313
Professional	488	257	471	245	455	236	457	224	681
Technical	756	202	741	197	734	193	688	187	875
Operational	4,046	936	3,976	907	3,886	909	3,652	851	4,503
Trainees	90	89	82	88	66	79	30	43	73
Total by Gender	5,766	1,618	5,635	1,585	5,597	1,569	5,093	1,393	6,486
Total	7,384		7,220		7,166		6,486		

NUMBER OF EMPLOYEES PER REGION¹

Region	2017		2018		2019		2020		Total
	Men	Women	Men	Women	Men	Women	Men	Women	
Greater Curitiba	2,329	967	2,120	890	2,071	840	1,881	745	2,626
Northeast	1,010	136	1,032	155	1,052	173	940	159	1,099
Northwest	812	141	849	150	855	157	807	144	951
Southeast	693	123	707	127	703	128	661	124	785
Southwest	794	160	820	172	817	189	747	174	921
Total by Gender	5,638	1,527	5,528	1,494	5,498	1,487	5,036	1,346	6,382
Total	7,165		7,022		6,965		6,382		

1. Does not consider trainees/board.

RETIREMENT INCENTIVE PROGRAM – PAI 2020

Since 2016, about 14% of employees have left Sanepar in retirement incentive programs, considered as an important instrument for valuing and recognizing the dedication and history of each employee.

Sanepar's Board of Directors approved, on February 6, 2020, the Retirement Incentive Program (PAI) for Company employees who are already retired by the General Social Security System and were still working at the company. Those who fit the requirements could join within the period determined by the Regulation. This was the fifth edition of the PAI, since it was created.

Accompanied by an extensive communication process involving meetings, training, Intranet content, sending scheduled e-mails, holding webinars and individualized consultations, PAI 2020 had an excellent adhesion, exceeding the expectations initially established. From a public of 1,624 eligible employees, 799 of whom already retired and 825 in retirement conditions, 565 joined the Program, accounting for R\$132.8 million in indemnities and a payback estimated in 11.25 months. The result is close to the sum of all previous editions, which together totaled 584 adhesions.

Some statistics from PAI 2020:

- **Length of employment:** 26.48% of employees have worked less than 30 years at the company, 37.84% have worked for between 30 and 35 years, and 35.68% have worked for more than 35 years.
- **Gender:** 22,7% são mulheres e 77,3% são homens.
- **Position and career:** 72.61% are mid-level operational technicians, 10.81% are technical level professional technicians, and 16.58% are higher-level professionals.

The Retirement Incentive Program provides employees with greater financial security for those who wish to follow new paths in their lives, allowing individual planning for the future and, for the Company, brings greater competitiveness in the face of the great challenges of the current market scenario.

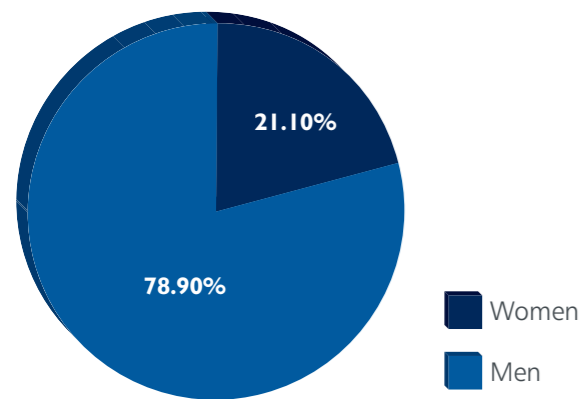


DIVERSITY

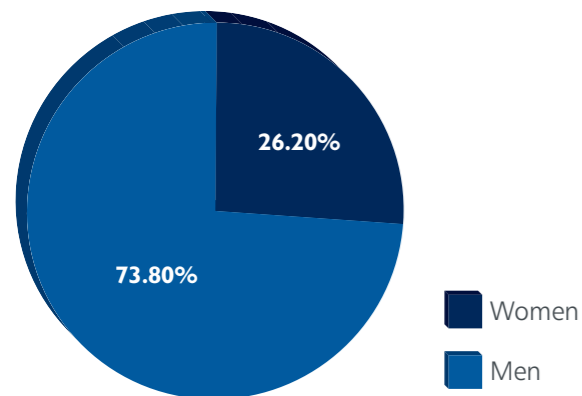
People Management at Sanepar seeks to offer a safe and healthy work environment, valuing knowledge, equal opportunities, respect for diversity and gender equity, and stimulating plurality.

Since 2017, the Company has promoted reflection on the gender issue through the Equity committee, and has been monitoring the participation of black people and people with disabilities in the workforce since 2016. Current data shows that 4.96% of employees in general (managerial, professional and technical levels) are black, and 1.30% are People with Disabilities (PwD).

STAFF



MANAGERIAL POSITIONS

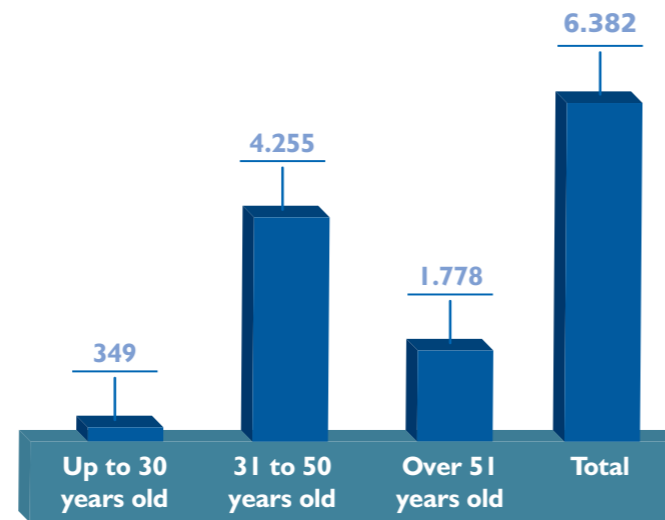


WOMEN IN GOVERNANCE BODIES

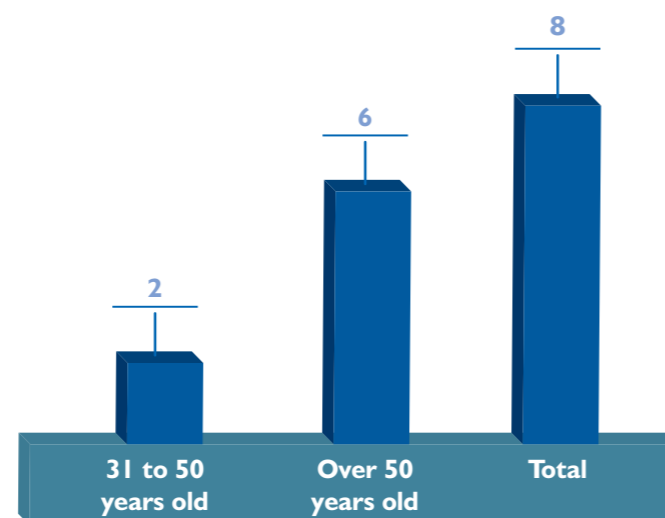


BOARD OF DIRECTORS	12.5%
EXECUTIVE BOARD	20.0%

EMPLOYEES PROFILE BY AGE GROUP



LEADERSHIP PROFILE BY AGE GROUP (BOARD OF DIRECTORS)



COLLECTIVE BARGAINING

Sanepar's employees are represented by 23 unions, which act on behalf of the various professional categories of the Company's workforce. To strengthen ties with the unions, Sanepar has created a permanent Trade Union Negotiation Committee.

In collective bargaining, salary adjustments, benefit payments, and other types of social benefits are defined to improve the employees' quality of life.

In 2020, even in the midst of the pandemic, a great effort was made by all parties involved in the negotiation process, providing Sanepar's employees with a two-year agreement, with full inflation adjustment and the maintenance of previous clauses.

Among the various benefits granted by Sanepar to its employees, the most important are social assistance, indemnity allowances, daycare assistance, food and meal vouchers, transportation vouchers, daily allowances, advance payment of the 13th salary, extension of maternity and paternity leaves, indemnity for instructors, Christmas kit, fractioning of vacations and unpaid leave.

Sanepar also ensures its employees some rights not foreseen in the CLT (Consolidation of Labor Laws) nor in specific laws, but which depend on negotiation between employee and employer or with union mediation. Regardless of their nature, all the benefits granted seek to motivate the employee and improve his/her quality of life.

The Profit-Sharing Program (PPR), which is based on the company's indicators obtained in the previous year, is also signed via a Collective Bargaining Agreement with the unions, seeking to strengthen this important resource for motivation and recognition of the employees' efforts in the pursuit of results in the company.

NEW BENEFITS

Besides the salary replacement, according to the National Consumer Price Index (INPC), the 2020 salary agreement included differentiated benefits for the employee's daily life.

Leave for family medical follow-up, leave of absence due to cases of domestic violence, extension of leave due to the death of a relative, reduced workload for employees who are parents of People with Disabilities (PwD) are items that reinforce the importance of humanization in work relations.

PERSONAL DEVELOPMENT AND KNOWLEDGE MANAGEMENT

Sanepar continuously invests in personal and professional development programs, as it understands that maintaining service excellence requires a qualified staff that is up-to-date with corporate trends and technological advances. However, as of March all in-person training was suspended due to the COVID-19 pandemic. With the social isolation, necessary to contain the pandemic, the companies had to adapt quickly to maintain activities that required displacement, travel, and in-person participation. Technology became a great ally to continue these processes at a distance.

ONLINE COURSES AND WEBINARS

The alternative to maintain the training of employees was to rely on the existing Sanepar Distance Education platform (EAD). A new resource was developed, enabling the realization of lectures, technical demonstrations and live training in webinar format. Uniting the concepts of web (network, internet) + seminar, the webinar is a genuine resource for distance corporate education and communication which enables

presentations, lectures, thematic demonstration meetings and synchronous, real-time training. The platform also allows content sharing, such as slide presentations, manuals, videos, and any resource to make the experience even more collaborative and interactive.

Even though it did not emerge in an ideal and planned way, the revolution of these online resources due to the pandemic and the need for social distancing materialized an opportunity for improvement, both from the technological point of view and from the management perspective, helping to rethink and adapt processes at Sanepar.

By means of the EAD platform, it was possible to hold several training courses: in the environmental area (Conama protocol, Socio-environmental Education); in the people management area (Retirement Incentive Program - PAI, Planning and Training Management, PCCR, AQL, structuring of corporate volunteering), in the area of occupational health and safety (Covid-19 protocol, Sipat, traffic week), among others such as: budgets, undertakings, disciplinary regulations, lectures on themes related to Prevention, like Pink October / Blue November, Universalization of Sanitation, New Sanitation Framework.

One of the main training programs developed and implemented in 2020 in the distance learning modality was Trilha Pensar e Agir com Integridade (Think and Act with Integrity Track), composed of three courses: Track 1 - Governance, Risks and Control, with 1744 participants, which was the course with the highest number of people enrolled and who completed it; Track 2 - Code of Conduct and Integrity, with 1648 participants, ranking third with the highest number of people who completed it, and Track 3 - Training, Consequence Management and Monitoring, with 605 participants. Also noteworthy is the E-Protocol Digital course - Paper-free Sanepar Program, which also had a record 1744 participations. The course Getting to know the New PCCR, had 1527 completions, followed by the course The COVID-19 Protocol, with 1021 participants.

The platform currently offers about 300 courses in modules in the general EAD catalog and another 40 courses known as customized courses, i.e. with themes related to Sanepar's activities. All courses are entitled to a certificate. The platform also provides access to technical publications and videos.

In 2020, more than 147,200 thousand opportunities were offered, with approximately 373,918 thousand hours of training, most of the courses being distance learning, corresponding to an average of 54 hours of training per employee.

SPECIALIZATION

In partnership with the State University of Northern Paraná (UENP) and the State Secretariat of Science and Technology and Higher Education (SETI), Sanepar subsidized a Specialization in Environmental Sanitation for employees. From a selection process of 947 enrolled employees, two and a half years after the beginning, 282 enrolled completed the course in 2020, completely free of charge. 10 centers welcomed the participants for on-site assessments: Campo Largo, Céu Azul, Colombo, Congonhinhas, Curitiba, Guarapuava, Jacarezinho, Londrina, Ponta Grossa and Sarandi.



This academic improvement opportunity supports the employees' performance in complex system interactions, from an environmental sustainability approach, promoting renewal, knowledge, solutions and the search for excellence for Sanepar and for the sanitation sector.

The 30 best Final Coursework (TCC's) selected by a multidisciplinary committee, formed by Sanepar and UENP professionals, will be published in a corporate book in 2021, and the subjects that made up the Specialization Course in Environmental Sanitation will be turned into online courses, open to all employees on the EAD Sanepar platform.

PARTNERSHIPS - Other lectures and training were offered throughout the year, through partnerships with Detran (National Traffic Week), Sanepar Foundations (webinars and lives during the pandemic and in campaigns such as Pink October and Blue November), AESC and Gympass (webinar aimed at leaders), among others.

KNOWLEDGE MANAGEMENT

In 2020, the board members, directors, and some leaders participated in a course on governance, with the IBGC - Brazilian Institute of Corporate Governance.

Besides adapting the qualification possibilities for the moment, GGPS projected future needs for 2021, designing a Leadership Development Program, approved in December 2020 with the Board of Directors.

PERFORMANCE EVALUATION AND CAREER PLAN

The Plan for Positions, Careers and Remuneration (PCCR) is one of the tools used by the company to retain talents. The process considers three major aspects: institutional indicators; the contribution of management to the company's results; and the technical and behavioral competencies of each employee. In 2020, 6983 eligible employees were evaluated. In other words, employees who worked more than 120 days in the year, which corresponded to 100% of the eligible employees.

In order to promote a more efficient and merit-based management, Sanepar's Board of Directors, which already had a Commission with representatives from all the directorates to align the report presented in 2018 with the Company's strategic objectives, promoted in 2020 the revision of the PCCR.

After years of implementation, the Plan has undergone adjustments in the way of evaluating and rewarding individual and institutional performance, meeting the requests of the staff itself to provide better opportunities to those who really make a difference in the company. The changes proposed by the commission were validated and became effective as of September 2020, for the 2021 evaluation.

The first big change brought by the NEW PCCR is in the weight of the evaluated **DIMENSIONS**. The impact of each dimension on the employee's score was completely changed. The individual result becomes the most influential dimension, corresponding to 50% of the evaluation. Followed by the institutional dimension. And lastly, the sectoral dimension. This means that the score with the greatest influence on the individual result corresponds to the employee's own performance.

Another major change was the subdivision of **INDIVIDUAL COMPETENCES** into TECHNICAL and BEHAVIORAL, with the latter, broken down into DESIRED and REQUIRED, having been made as objective as possible, to make the process as impersonal as it could be. REQUIRED individual competences, for example, are totally objective and quantifiable, having the impact of reducing the person's score in case of non-fulfillment. As they are the result of entries in the people management systems throughout the period, the control of this performance is totally in the hands of the employee.

Another critical point concerns the restriction on the attribution of maximum performance criteria in the team, in order to stimulate meritocracy and the valuing of individual aspects in which the employees excel. In addition, the scoring started to value some issues that were previously disregarded, such as participation in Committees, compliance with the Disciplinary Regulation, and compliance with strategic indicators.

The changes were widely disclosed internally, in an extensive and continuous schedule of communication and training of GGPS directed to employees, instructors and leaders throughout the second half of the year. A specific dissemination plan for the NEW PCCR will continue throughout the following year.

EMPLOYEE MOTIVATION AND SATISFACTION

The degree of satisfaction and well-being of Sanepar's employees has been periodically evaluated since 2001, through an organizational climate survey called Fale Francamente (Speak Frankly), accessed via the Intranet. The results of the questionnaires are analyzed and disclosed, serving as a diagnosis and definition of action plans inserted in the Company's sectorial and strategic planning.

In the last survey, released in 2019, in about 60 days of online research, the participation rate reached 78.4%. The evaluations exceeded the corporate goal of 7.5, with an average score of 7.6 for employee satisfaction. After the results were calculated, they were presented to the company's management and passed on to the managers for individual forwarding in their areas and the development of their action plans.

The next survey, which is biennial, will be conducted in early 2021.

Even before the official company climate survey, Sanepar responded to the invitation of the Humanized Companies Survey and participated, for the first time, in this study developed in partnership with the University of São Paulo (USP), which aims to identify the degree of humanization of the Company, both internally and externally.

The study was conducted between November and December 2020. More than a thousand questionnaires were answered, paving the way for necessary reflections on the application of Fale Francamente ("Speak

Frankly”) and HR practices within Sanepar. The result of the survey will be released in March 2021.

HEALTH AND SAFETY – ACTION AND PREVENTION

Providing a healthy and safe work environment for its employees is one of Sanepar’s commitments, which has direct reflexes on the improvement of the workers’ quality of life and, consequently, on their families’. The company understands safety as everyone’s duty and right, to ensure the physical, psycho-emotional, and social integrity of its employees.

To act in a preventive way, Sanepar adopts a series of initiatives aimed at health and safety:

- The company maintains the Serviço Especializado em Engenharia de Segurança do Trabalho - SESMT (Specialized Service in Work Safety Engineering) in accordance with the Regulatory Norm of the Ministry of Labor NR-

04, composed of occupational safety engineers, occupational physicians, occupational nurses, occupational safety technicians, and occupational nursing technicians who work directly in the operational sectors, close to the work areas to identify points for improvement and implementation of the Safety Policy;

- It also ensures the functioning of the Internal Commissions for the Prevention of Occupational Accidents (Cipas) that define procedures and actions to prevent accidents, work-related illnesses, and interpersonal relations related to daily life.

In 2020, 62 Cipas were active throughout the state, made up of approximately 500 employees. The meetings of the Cipas with the managements, the preparation of risk maps and accident investigations with the work safety area, the preparation of action plans and monitoring of legislation and mitigation measures, ordinary and extraordinary monthly meetings, when necessary, were held virtually.

The Cipas were also involved in awareness campaigns with the employees, during Carnival, and also as support in the 1st Virtual Forum of the National Traffic Week, in partnership with Detran/PR.

In a joint and organized way, they also carry out corporately the **2020 INTEGRATED SIPAT**, promoted by means of the EAD Sanepar platform with the objective of reaching all the managements, throughout the state, overcoming the limitations imposed by the pandemic this year.

In partnership with the People Management, the regional managements and Sanepar’s Foundations, the Cipas have also been involved in lectures and important campaigns, such as Yellow September (suicide prevention), Pink October (breast and cervical cancer prevention), Blue November (prostate cancer prevention), among others.

Outstanding actions in the scope of Workplace Health and Safety in 2020:

- Internal Week for the Prevention of Occupational Accidents (Sipat) fully online;
- Online and recorded lectures/webinars in order to enable the participation of employees at other events, such as: Covid-19 protocol, Sipat, traffic week, lectures on themes related to the Prevention of Pink October / Blue November, Universalization of Sanitation, New Sanitation Framework.
- Training of CIPA members through EAD training developed internally, with a workload of 16 hours, complemented by another 4 hours given by safety technicians through virtual classrooms, totaling 20 hours per CIPA member training class;
- Provision of 11,183 thousand training opportunities focused on employee health and safety, totaling about 34,495 thousand hours of training;
- Call for the annual vaccination campaign against H1N1 influenza, reaching 5032 employees in 2020;



- Specific periodical medical check-ups in accordance with the Occupational Health Medical Control Program – PCMSO and the occupational risks identified in the Environmental Risk Prevention Program (PPRA).

Sanepar also makes available to all employees the Health and Assistance Plan – SaneSaúde, as well as the Private Pension Plan – Fusanprev, benefits administered by the Sanepar Pension and Social Assistance Foundations, non-profit legal entities.

All these initiatives reinforce the Company's care about the health and life of Sanepar's employees, promoting more safety not only in the work environment, but also in their personal routines, motivating care and prevention in the health of employees and their families.

HANDLING THE COVID-19 PANDEMIC

To ensure the safety of the staff in the face of the necessary continuity of services provided by Sanepar to the population, the first actions adopted were: the publication of orientative newsletters and the creation of a Special Commission (Resolution 250/2020) focused on the fight against COVID-19, as a strategy to subsidize the Executive Board in the rapid decision making, such as:

- Suspension of on-site work for apprentices and trainees, isolation of risk groups, and parents of children up to 12 years old;
- Immediate implementation of remote work (home office) for the activities that allowed it;
- Suspension of face-to-face activities with crowding potential;
- Provision of masks and hand sanitizer and consideration of other necessary protection resources according to the specific needs of the areas;
- Mandatory use of masks and physical distancing in the company's premises;
- Reporting channel to notify inappropriate conducts regarding preventive measures.

The COVID-19 Special Commission led an entire pandemic follow-up program, developing the Contingency Plan with corporate guidelines, with its annexes: Protocol for conduction of suspected cases, Testing Protocol (with guidelines for costing the RT-PCR test by the company), Sanitization Protocol. All content was made available online on the Intranet platform, with periodic information sent to managers and employees (SMS, e-mail, Whatsapp). Also in the virtual environment, a Monitoring Map was developed in partnership with GTIN, to share real-time georeferenced information on suspected, confirmed, isolated and recovered cases among the company's employees.

An online course on the Contingency Plan and COVID-19 protocols was recorded and made available on the EAD platform, with record accesses in the first months of its publication. In addition to formal and technical support, we also sought to provide emotional and psychological support through livestreams and webinars, dissemination of specialized professional service channels for managing cases of anxiety and stress among employees.

In total, Sanepar subsidized 498 RT-PCR tests for employees in 2020, and carried out 22 contracting sanitization procedures for its facilities throughout the state, following the Sanepar Contingency Plan, for prevention and protection of those who followed in person.

The Commission is permanently monitoring the pandemic situation in the company, holding periodic meetings to define immediate implementation, responding to demands from external agencies and, in parallel, working on drafting recommendations for the plan to resume activities after the pandemic.



INTERNAL CAMPAIGNS

Despite the many restrictions and limitations imposed by the pandemic in 2020 (which made the Solidarity Book donations to schools impossible and required the restructuring of the Post Office Santa Claus, for example), GGPS continued to carry out Social, Mobilization, and Internal Awareness Campaigns. Among them:

- **Warm Clothing Campaign:** carried out in all regional offices, collecting more than 3,000 pieces of clothing, and voluntary donations in kind (payroll deductions) for the purchase of 791 blankets distributed at the beginning of winter.
- **“Water is life, and so is solidarity” Campaign:** Collection of amounts (discounted from payrolls) to purchase essential survival items for families who are unable to work due to the pandemic and are in an emergency situation. The products acquired are distributed in communities located in the regions served by Sanepar, through the employees’ associations. In the first half of the year, the campaign raised more than R\$ 33 thousand for this purpose.
- **Paraná Piá Campaign:** On the occasion of Children’s Day, toys were collected for patients up to 12 years of age who are hospitalized, undergoing treatment, or have appointments at public and uni-

versity hospitals in the state of Paraná. About 800 toys donated by employees were delivered to the Iguaçu Palace, in Curitiba, where the collection was concentrated. Sanepar also donated five thousand booklets for children that provide guidance on the rational use of water.

- **Solidary Christmas Campaign:** In 2020, in response to the restrictions imposed by the pandemic and the social distance, the “Solidary Christmas” campaign invited financial contributions to make Christmas a holiday for children served by social institutions allocated in the regions served by the company. Contributions discounted from payroll were passed on to the Employee Associations for the acquisition and destination of toys:
 - GGND - Northeast - AESLO - Association of Employees of Sanepar of Londrina.
 - GGNO - Northwest - AMES - Maringá Association of Sanepar Employees.
 - GGSD - Southeast - ARESAN - Sanepar Recreational and Sports Association
 - GGSO - Southwest - OESTE CLUBE - Sanepar Oeste Clube.
 - GGML - Curitiba, Greater Curitiba and Coastal Region - AESC - Association of Sanepar’s employees in Curitiba and Greater Curitiba

At GGML, the donations allowed the partnership with the Post Office Santa Claus to continue. In the other regions, the GGs themselves defined the beneficiary institutions, in partnership with the local Employee Associations and with the support of the GGPS team of Social Workers.

POST OFFICE SANTA CLAUS IN CURITIBA AND GREATER CURITIBA - Besides the financial contribution for the “Solidary Christmas”, employees working in Curitiba and Greater Curitiba also had the option of adopting the traditional Santa Claus letters provided by the Post Office, a practice incorporated 10 years ago by the Sanepar family, to give gifts to children enrolled in the local public school network.

VOLUNTEER CHRISTMAS - As a third option for charitable actions, it was also possible to contribute to the Volunteer Christmas, a campaign promoted in Paraná by the State Government as part of the Federal Government’s Pátria Voluntária program. The initiative collected new toys for any age group, at collection

points - state public organs and at Sanepar’s headquarters, in Curitiba. Cash contributions were also made directly on the platforma [www. patriavoluntaria.org](http://www.patriavoluntaria.org) to subsidize Christmas meals for charities. All the proceeds were destined to institutions registered with Pátria Voluntária.

In addition to these purposes of collecting donations and material resources, awareness and internal campaigns were also carried out among employees, such as National Traffic Week in September, Pink October and Blue November.



ANNUAL SOCIAL RESPONSIBILITY REPORT

SANEPAR PRESENTS THE ANNUAL SOCIAL RESPONSIBILITY REPORT BASED ON THE IBASE FRAMEWORK, WHICH GATHERS A SET OF INFORMATION ABOUT THE PROJECTS, BENEFITS, AND SOCIAL ACTIONS DIRECTED TO EMPLOYEES, INVESTORS, MARKET ANALYSTS, SHAREHOLDERS, AND THE COMMUNITY.

1) Basis for Calculation	2020 Value Base (Thousand Reais)		2019 Value Base (Thousand Reais)			
Net Operating Revenue (ROL)	4,799,655		4,722,826			
Operating Profit (LO)	1,365,755		1,453,884			
Gross Payroll (GP)	1,069,274		946,790			
2) Internal Social Indicators	Value Base (Thousand R\$)	% Over GP	% Over ROL	Value Base (Thousand R\$)	% Over GP	% Over ROL
Food	97,220	9.09	2.03	96,285	10.17	2.04
Compulsory social contributions	210,013	19.64	4.38	216,848	22.90	4.59
Private Pension	34,335	3.21	0.72	33,598	3.55	0.71
Health	74,024	6.93	1.54	69,238	7.31	1.47
Transport voucher	1,069	0.10	0.02	1,635	0.17	0.04
Occupational health and safety	11,220	1.05	0.23	12,881	1.35	0.27
Education	-	-	-	-	-	-
Training and professional development	1,362	0.13	0.03	4,423	0.47	0.09
Day care or day care assistance	1,849	0.17	0.04	2,243	0.25	0.05
Profit or Result Sharing	74,422	6.96	1.55	76,627	8.09	1.62
Other	204,224	19.10	4.25	87,826	9.28	1.86
Total - Internal Social Indicators	709,738	66.38	14.79	601,604	63.54	12.74
3) External Social Indicators	Value Base (Thousand R\$)	% Over LO	% Over ROL	Value Base (Thousand R\$)	% Over LO	% Over ROL
Cultural, Artistic, Audiovisual and Sports	5,614	0.41	0.12	6,709	0.46	0.14
Funds for Children and the Elderly	3,000	0.22	0.06	2,500	0.17	0.05
Health Care and Oncology Programs	-	-	-	400	0.03	0.01
Recreation and Fun	-	-	-	421	0.03	0.01
Other	61	-	-	697	0.05	0.02
Total Contributions to Society	8,675	0.64	0.18	10,727	0.74	0.23
Taxes (excluding social charges)	765,122	56.02	15.94	757,634	52.11	16.04
Total - External Social Indicators	773,797	56.66	16.12	768,361	52.85	16.27
4) Environmental Indicators	Value Base (Thousand R\$)	% Over LO	% Over ROL	Value Base (Thousand R\$)	% Over LO	% Over ROL
Related to the company's operation	1,110,231	81.29	23.13	1,087,973	74.83	23.04
In external programs and/or projects	82,160	6.02	1.71	80,252	5.52	1.70
Total Investments in the Environment	1,192,391	87.31	24.84	1,168,225	80.35	24.74

5) Workforce Indicators	2020	2019
No. of employees at the end of the period	6,382	6,985
No. of people hired during the period	2	7
No. of trainees	73	145
No. of employees over 45 years old	2,825	3,238
No. of women who work at the company	1,346	1,487
% of management positions held by women	26.60%	27.80%
No. of black employees at the company ¹	316	332
No. of people with disabilities or special needs ²	86	91
6) Relevant Information regarding the Exercise of Corporate Citizenship		
Ratio between the highest and lowest remuneration in the company	17.30	22.63
Total number of work-related accidents	158	351
The social and environmental projects developed by the company were defined by:	() board (X) board and managers () all employees () board (X) board and managers () all employees	
The safety and health standards in the work environment were defined by:	() board and managers () all employees (X) all + Cipa () board and managers () all employees (X) all + Cipa	
The private pension plan contemplates:	() board () board and managers (X) all employees () board () board and managers (X) all employees	
The profit or result sharing contemplates:	() board () board and managers (X) all employees () board () board and managers (X) all employees	
When selecting suppliers, the same ethical and social and environmental responsibility standards adopted by the company:	() are not considered () are suggested (X) are required () are not considered () are suggested (X) are required	
Regarding the participation of employees in volunteer work programs, the company:	() does not get involved () supports (X) organizes and encourages () does not get involved () supports (X) organizes and encourages	
Total value added to be distributed (in thousand R\$)	In 2020: 3,289,451	In 2019: 3,239,253
Distribuição do Valor Adicionado (DVA):	27.4% government 9.0% shareholders 21.2% retained	34.2% employees 8.2% third parties 23.2% retained

¹ Racial quotas in civil service exams since 2005;

² Quota for the physically handicapped in civil service exams since 2000;

APPEALS PER TAX WAIVER (IN R\$ THOUSAND)

Cultural and Artistic	4,565
Sports	1,049
Funds for Children and Adolescents	1,500
Fund for the Elderly	1,500
Empresa Cidadã (Citizen Company) Incentive	764
Lei do Bem (Welfare Law)	1,155
Total	10,533

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FINANCIAL STATEMENTS

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STATEMENTS OF FINANCIAL POSITION

As at December 31, 2020 and 2019 – (In thousands of Brazilian Reais)

Assets	Notes	2020	2019
Current			
Cash and cash equivalents	5	874,323	274,059
Trade accounts receivable	6	779,404	809,736
Inventories		53,857	46,146
Recoverable taxes and contributions	7	6,810	305
Restricted deposits	8	4,661	2,855
Financial instruments and derivatives	4	9,476	-
Other accounts receivable	9	27,746	37,642
Total Current		1,756,277	1,170,743
Noncurrent			
Trade accounts receivable	6	20,199	19,826
Restricted deposits	8	56,953	55,748
Financial instruments and derivatives	4	-	2,040
Court deposits	18.c	320,475	297,755
Contractual financial assets	10	490,082	435,209
Contract assets	11	1,634,802	1,756,714
Deferred Income and Social Contribution taxes	16.c	656,495	629,063
Other accounts receivable	9	45,903	48,559
Investments	12	2,352	2,671
Fixed assets	13.a	286,007	297,716
Intangible assets	13.b	7,921,313	7,223,560
Total Noncurrent		11,434,581	10,768,861
TOTAL ASSETS		13,190,858	11,939,604

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at December 31, 2020 and 2019 – (In thousands of Brazilian Reais)

Liabilities	Notes	2020	2019
Current			
Loans, financing, debentures and finance lease	14	521,505	357,213
Contractors and Suppliers		209,428	214,445
Concession agreements		-	31,414
Taxes and contributions	15	72,691	100,770
Salaries and social charges		268,919	212,875
Dividends and interest on equity capital	20/22	206,236	229,341
Unearned Revenue	17	4,200	4,200
Financial instruments and derivatives	4	8,184	-
Collaterals and contractual retentions		2,307	2,189
Pension plan and health insurance	19	78,090	82,440
Other accounts payable	21	77,299	56,496
Total Noncurrent		1,448,859	1,291,383
Noncurrent			
Loans, financing, debentures and finance lease	14	3,126,083	2,723,218
Contractors and Suppliers		4,392	-
Taxes and contributions	15	105	596
Financial instruments and derivatives	4	-	2,065
Unearned Revenue	17	700	4,900
Provisions	18.a	544,677	546,672
Pension plan and health insurance	19	1,093,262	1,154,162
Other accounts payable	21	29,617	42,694
Total Noncurrent		4,798,836	4,474,307
Total Liabilities		6,247,695	5,765,690
Equity			
Capital Stock	22	3,996,137	2,851,089
Revaluation surplus		64,292	69,559
Asset and liability valuation adjustments		4,668	5,196
Income reserves		2,853,580	3,306,767
Other comprehensive income		24,486	(58,697)
Total Equity		6,943,163	6,173,914
TOTAL LIABILITIES AND EQUITY		13,190,858	11,939,604

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF INCOME

For the years ended December 31, 2020 and 2019
(In thousands of Brazilian Reais, except earnings per share)

	Notes	2020	2019
Net Operating Revenue	23	4,799,655	4,722,826
Costs of Services Rendered	24	(1,921,161)	(1,858,933)
Gross Profit		2,878,494	2,863,893
Operating Expenses			
Selling	25	(437,859)	(358,196)
Administrative	25	(685,521)	(586,556)
Other Operating Revenues (Expenses)	25	(49,514)	(57,612)
Equity in Earnings (Losses) of Controlled Companies	12	(1,859)	(5,658)
Civil, Labor, Tax and Environmental Provisions	18.a	1,995	(84,875)
Provision for Pension Plan and Health Insurance	19	(60,784)	(60,084)
Profit Sharing Program	26	(74,422)	(76,627)
		(1,307,964)	(1,229,608)
Financial Income (Expenses)			
Financial Revenues	27	59,280	65,516
Financial Expenses	27	(264,055)	(245,917)
		(204,775)	(180,401)
Income before Income and Social Contribution Taxes		1,365,755	1,453,884
Income and Social Contribution Taxes	16.a	(369,412)	(373,850)
NET INCOME FOR THE YEAR		996,343	1,080,034
Net income attributable to common shares		311,357	337,511
Net income attributable to preferred shares		684,986	742,523
Basic and diluted earnings per share	22.i		
Common		0.61810	2.01005
Preferential		0.67991	2.21105

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2020 and 2019
(In thousands of Brazilian Reais)

	2020	2019
Net Income for the Year	996,343	1,080,034
Items that will not be reclassified to income	83,183	(154,922)
Actuarial gains and losses	126,034	(234,730)
Effect of Income and Social Contribution Taxes on actuarial gains (losses)	(42,851)	79,808
Items that will be reclassified to income	(5,795)	(6,078)
Realization of the revaluation surplus	(7,980)	(8,413)
Effect of Income and Social Contribution Taxes on realization of the revaluation surplus	2,713	2,861
Deemed cost realization	(800)	(796)
Effect of Income and Social Contribution Taxes on deemed cost realization	272	270
Total Comprehensive Income for the Year	1,073,731	919,034

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2020 and 2019
(In thousands of Brazilian Reals)

	Capital Stock	Profit Reserves				Retained earnings	Other Comprehensive Income	Total
		Investment plan	Legal	Tax incentives	Additional proposed dividend			
Balancete as at January 1, 2019			282,913	10,209	211,907	-	177,058	5,717,188
Net income for the year	-	-	-	-	-	1,080,034	-	1,080,034
Realization of revaluation surplus	-	-	-	-	-	8,413	(8,413)	-
Realization of taxes on revaluation surplus	-	-	-	-	-	(2,861)	2,861	-
Realization of adjustment to deemed cost	-	-	-	-	-	796	(796)	-
Realization of taxes on adjustment to deemed cost	-	-	-	-	-	(270)	270	-
Actuarial gains and losses	-	-	-	-	-	-	(234,730)	(234,730)
Provision for taxes on actuarial gains and losses	-	-	-	-	-	-	79,808	79,808
Total Comprehensive income for the year	-	-	-	-	-	1,086,112	(161,000)	925,112
Additional dividends from 2018	-	-	-	-	(211,907)	-	-	(211,907)
Proposed destination for A.G.O.:								
Recognition of legal reserve	-	-	53,996	-	-	(53,996)	-	-
Tax incentives	-	-	-	123	-	(123)	-	-
Interest on equity capital	-	-	-	-	-	(330,411)	-	(330,411)
Additional dividends proposed	-	-	-	-	73,932	-	-	73,932
Retained earnings	-	701,582	-	-	-	(701,582)	-	-
Balance as at December 31, 2019	2,851,089	2,885,594	336,909	10,332	73,932	-	16,058	6,173,914
Increase of capital stock	1,145,048	(808,139)	(336,909)	-	-	-	-	-
Total Capital Transactions with Partners	1,145,048	(808,139)	(336,909)	-	-	-	-	-
Net income for the year	-	-	-	-	-	996,343	-	996,343
Realization of revaluation surplus	-	-	-	-	-	7,980	(7,980)	-
Realization of taxes on revaluation surplus	-	-	-	-	-	(2,713)	2,713	-
Realization of adjustment to deemed cost	-	-	-	-	-	800	(800)	-
Realization of taxes on adjustment to deemed cost	-	-	-	-	-	(272)	272	-
Actuarial gains and losses	-	-	-	-	-	-	126,034	126,034
Provision for taxes on actuarial gains and losses	-	-	-	-	-	-	(42,851)	(42,851)
Total Comprehensive income for the year	-	-	-	-	-	1,002,138	77,388	1,079,526
Additional dividends from 2017	-	-	-	-	(73,932)	-	-	(73,932)
Proposed destination for A.G.O.:								
Recognition of legal reserve	-	-	49,757	-	-	(49,757)	-	-
Tax incentives	-	-	-	1,207	-	(1,207)	-	-
Interest on equity capital	-	-	-	-	-	(296,428)	-	(296,428)
Additional dividends proposed	-	-	-	-	60,083	-	-	60,083
Retained earnings	-	654,746	-	-	-	(654,746)	-	-
Balance as at December 31, 2020	3,996,137	2,732,201	49,757	11,539	60,083	-	93,446	6,943,163

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018
(In thousands of Brazilian Reais)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	996,343	1,080,034
Adjustments to reconcile income to cash from operating activities		
Depreciation and amortization	361,867	337,442
Cost of fixed and intangible assets write-offs	11,340	10,707
Impairment	(3,048)	17,126
Discount to present value of financial assets	(1,114)	(22,671)
Allowance for losses on doubtful accounts	90,972	20,850
Deferred Income and Social Contribution taxes, net	(70,283)	(58,317)
Provisions	(1,995)	84,875
Pension plan and health insurance	60,784	60,084
Interest on financing	197,045	200,198
Monetary variations on financing	23,685	15,009
Interest and leasing monetary updates	41,687	46,144
Net exchange rate variation	1,317	(24)
Financial instruments and derivatives variation	(1,268)	40
Equity in earnings (losses) of controlled companies	1,859	5,658
Appropriation of costs of funds raised from third parties	2,241	568
Adjustment to Fair Value – Investments	212	(564)
	715,301	717,125
Changes in assets and liabilities		
Trade accounts receivable	(61,013)	(189,288)
Recoverable taxes and contributions	(6,505)	15,091
Inventories	(7,711)	(7,026)
Court deposits	(22,720)	(94,303)
Other Accounts Receivable	12,552	2,034
Contractors and Suppliers	(625)	23,703
Concession agreements	(31,414)	(29,042)
Taxes and contributions	395,598	399,966
Salaries and social charges	56,044	(26,468)
Collaterals and contractual retentions	118	(356)
Unearned Revenue	(4,200)	(4,200)
Income tax and social contribution paid	(453,902)	(395,846)
Other Accounts Payable	7,678	(30,873)
	(116,100)	(336,608)
Cash Generated by Activities Operational	1,595,544	1,460,551

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in fixed and intangible assets	(968,931)	(1,027,079)
Investments	(1,093)	(2,525)
Cash Used in Investing Activities	(970,024)	(1,029,604)
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing Obtained	860,789	659,830
Amortization of Financing	(295,415)	(465,205)
Payments of Interest on Financing	(191,712)	(202,777)
Leasing payments	(78,746)	(81,555)
Costs of Funds Raised from Third Parties	(13,512)	(270)
Restricted Deposits	(3,011)	1,065
Payments of Dividends and Interest on Equity Capital	(303,649)	(394,600)
Cash Generated by Financing Activities	(25,256)	(483,512)
VARIATION IN CASH AND CASH EQUIVALENTS	(600,264)	52,565
Beginning balance of cash and cash equivalents	274,059	326,624
Ending balance of cash and cash equivalents	874,323	274,059

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF VALUE ADDED

For the years ended December 31, 2020 and 2019
(In thousands of Brazilian Reais)

	2020	2019
Revenues		
Sales of services rendered	5,160,730	5,078,127
Other income (loss)	(49,514)	(57,612)
Losses in the realization and recovery of assets	(90,972)	(20,850)
	5,020,244	4,999,665
Inputs acquired from third parties		
Consumed chemical products	(145,241)	(121,097)
Consumables	(71,630)	(82,946)
Electricity	(449,261)	(474,455)
Other costs from products and services	(461,837)	(467,788)
Third-party services	(247,498)	(232,630)
Other operating expenses	(50,880)	(103,912)
	(1,426,347)	(1,482,828)
Gross value added	3,593,897	3,516,837
Depreciation and amortization	(361,867)	(337,442)
Value added, net	3,232,030	3,179,395
Value added received in transfer		
Equity in earnings (losses) of controlled companies	(1,859)	(5,658)
Financial revenues	59,280	65,516
Total value added to be distributed	3,289,451	3,239,253
Value added distribution		
Employees and managers		
Payroll and charges	931,451	813,574
Remuneration of Directors and Managers	9,548	9,114
Profit sharing program	74,422	76,627
Pension plan and health insurance	108,359	102,835
	1,123,780	1,002,150
Government		
Federal taxes	898,134	903,862
State taxes	425	443
Municipal taxes	2,452	2,369
	901,011	906,674
Financing agents		
Rents	4,262	4,478
Interest and monetary adjustments	264,055	245,917
	268,317	250,395
Shareholders		
Interest on equity capital	296,428	330,411
Net income of the year not distributed	699,915	749,623
Total	3,289,451	3,239,253

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Base Date December 31, 2020
(In thousands of Brazilian Reais)

1. OPERATIONS

Companhia de Saneamento do Paraná – SANEPAR (also identified as “Company” or “Sanepar”), located at Rua Engenheiros Rebouças in Curitiba – Paraná, is a private company, controlled by the government of the state of Paraná and its municipalities, and engaged in rendering basic sanitation services, mainly water distribution, collection and treatment of sewage and solid waste, as well as studies, projects and construction work of new facilities, expansion of water distribution and collection and treatment of sewage networks, and rendering of advisory services and technical assistance in its areas of activity. The Company also collaborates with federal, state, municipal agencies and other entities in issues relevant to the achievement of its basic purposes.

On July 28, 2020, Law No. 20.266/2020 was sanctioned, which amended Article 1 of Law No. 4.684 of January 24, 1963, authorizing the Company to operate, including abroad, in the exploration of public services and private systems water supply, collection, removal and final destination of effluents, domestic and industrial solid waste, urban drainage, services related to the protection of the environment and water resources, in addition to being authorized to sell the energy generated in its units, the services and rights arising from its patrimonial assets and to use networks for the installation of optical fibers. The Company may also participate, majority or minority, in consortia, investment funds or companies with public and private companies. The operation of these businesses may be directly or through subsidiaries, through special purpose companies or other legal types of association approved by the General Shareholders' Meeting.

By means of municipal concessions, the Company renders services of treatment and distribution of water and collection and treatment of sewage. Contract renewals have average term of 30 years.

From a total of 346 municipal concessions operated, about 9 (2.6%) of the contracts are currently being renewed for being expired, 54 (15.6%) expire from 2021 to 2029, and 283 (81.8%) were renewed and expire after 2030. In the case of non renewed concessions, the municipalities shall reimburse to the Company the residual amounts of the assets related to the concession upon termination. In addition, the Company is discussing in court the validity of the additive term that extended the concession with the municipality of Maringá. According to the determination of the Court of Justice of the State of Paraná, the contractual breach with the municipality can only occur after indemnification to the Company of the investments made.

The Company is registered with CVM (Brazilian Securities and Exchange Commission) as a public company type A (issuers authorized to negotiate any securities) and has its shares negotiated in São Paulo's stock exchange (B3 – Brasil, Bolsa, Balcão), listed in Level 2 of Corporate Governance.

The Company has 40% interest in the Special Purpose Entity, organized as a closely-held corporation, named “CS Bioenergia S/A”, engaged in rendering services of proper final destination of solid and organic waste and of the sludge generated in the sewage stations, production of biogas and generation of energy, as mentioned in Note 12.

2. PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Statement of Compliance

The financial statements are presented in conformity with Laws 6.404/76, 11.638/07 and 11.941/09 and were prepared in accordance with Brazilian Accounting Practices which include the Brazilian Corporate Law, the Pronouncements, Guidelines and Interpre-

tations issued by CPC (Committee of Accounting Pronouncements) and also based on the standards and accounting procedures determined by CVM.

The financial statements were authorized for disclosure by the Company's Management on February 11, 2021.

2.2. Operational Continuity

The Company's Management has carried out all its planning and actions aiming at the continuity of its business, so it evaluates that it has the conditions to make available all the resources to continue its operations, it also assessed the impacts of COVID-19, as presented in Note 31. Management is not aware of any material uncertainties that may raise doubts about the Company's operating continuity, and therefore, the financial statements have been prepared taking into account this assumption.

2.3. Measurement and Presentation Basis

The Financial Statements were prepared considering historical cost as base value, financial assets measured at fair value and certain classes of current and non-current assets and liabilities, as presented in the explanatory note to accounting practices.

2.4. Functional and Reporting Currency

All amounts presented in the financial statements, including the amounts in the notes, are stated in thousands of Brazilian Reais, which the Company's functional currency, unless otherwise stated.

3. MAIN ACCOUNTING PRACTICES

The Company has consistently applied the accounting policies described below to all years reported in these financial statements.

The main accounting practices, whose details are available in the respective notes, adopted in the preparation of the financial statements were:

a) Risk Management and Financial Instruments – Note 4

b) Cash and cash equivalents – Note 5

c) Trade accounts receivable – Note 6

d) Allowance for losses on doubtful accounts – Note 6

e) Contractual financial assets – Note 10

f) Contract Assets – Note 11

g) Capitalization of Interest and Financial Charges – Note 11

h) Investments – Note 12

i) Fixed and Intangible assets – Note 13

j) Lease: The classification of the lease as operational or financial is determined based on an analysis of the terms and conditions of the contracts in accordance with CPC 06 - Leases (IFRS 16). The leased assets are shown in Note 13 and the corresponding debt in Note 14.

k) Evaluation of the recoverable value of assets (Impairment test) – Note 13

l) Loans, Financing, Debentures and Lease – Note 14

m) Income and social contribution taxes – Note 16

n) Provisions and Contingent Liabilities – Note 18

o) Pension plan and health insurance – Note 19

p) Related-party transactions – Note 20

q) Shareholders' remuneration – Note 22.h

r) Revenues – Note 23

s) Inventories: Inventories are mainly composed by maintenance and repair materials, recorded at their average acquisition cost, in Current Assets. The amounts accounted for do not exceed its replacement or realization costs.

t) Current and noncurrent liabilities: All liabilities are recorded at known or estimated amounts and, when applicable, adjusted on a pro rata die basis, until the closing date of the financial statements, based on the indexes and agreed-upon charges, with no need of adjustment to present value.

u) Licenses: The Company records the infrastructure used for the operation of public services of basic sanitation as follows:

Concession contracts: The assets from "concession contracts" signed before the enactment of Law 11.445/07 (still ruled by Concessions Law - Law 8.987/95), are recorded as intangible assets and amortized by the economic useful life, based on a technical study made by the Company.

Program contracts: Assets from "Program contracts", in compliance with Law 11.445/07 – Regulatory Framework, which establishes the national guidelines for basic sanitation, in which the granting power (Municipality) shall mandatorily prepare the Municipal Plan of Basic Sanitation, are recorded according to the bifurcated model (intangible asset and financial asset) defined by ICPC 01 (R1) and OCPC 05. In this model, on the date of signature of the Program Contract, the Company records a portion of the assets as intangible assets, as it receives a right (license) to charge the use of the public service to the user, and a portion as financial assets, as the economic useful life of the assets recorded as intangible assets exceeds the term of the Program Contract. The financial asset represents the remaining amount of intangible asset to be reimbursed to the Company by the granting power by the end of the contract. The assets are amortized according to the terms of the contracts or their useful life, whichever is lower.

v) Statements of cash flows and added value: These were prepared and are presented in accordance with Technical Pronouncement CPC 03 (R2) – Statements of cash flows. The Statements of value added were prepared and are being presented according to technical pronouncement CPC 09 – Statement of Value Added.

w) Use of estimates and judgment: The preparation of the financial statements in compliance with Brazilian accounting practices, requires the Company's Management to use estimates and assumptions that affect the amounts disclosed in these statements and notes. Actual results could differ from those estimates.

Estimates and assumptions are continuously reviewed. Reviews of accounting estimates are recognized in the year in which the estimates are reviewed and in any future years affected. The main estimate processes are summarized as follows:

Impairment of financial assets

The Company analyzes at the balance sheet dates if there is objective evidence that the financial asset or group of financial assets is not recoverable.

A financial asset or a group of financial assets is considered not to be recoverable if, and only if, there is objective evidence of impairment as a result of one or more events that happened after the initial recognition of the asset (an incurred 'impairment event'), with such event impacting estimated future cash flow of the financial asset or group of financial assets that can be reasonably estimated.

Impairment loss of non-financial assets

An impairment loss occurs when the book value of an asset or cash-generating unit exceeds its recoverable value, which is the higher between fair value less sale cost and value in use. The calculation of the fair value less sale costs is based on available information on sales of similar assets or market price less additional costs to discard the asset. The calculation of value in use is based on the discounted cash flow model. Cash flows derive from budget for the next five years and do not include reorganization activities to which the Company has not yet committed itself or future significant investments which will improve the assets basis of cash-generating unit object of test. The recoverable value is sensitive to the discount rate used in the discounted cash flow method, as well as to expected future cash receipts and to the growth rate used for extrapolation purposes.

[Provisions for tax, civil, labor and environmental risks](#)

The Company recognizes a provision for tax, civil, labor and environmental proceedings. The assessment of the likelihood of loss includes assessing the evidence available, the hierarchy of the laws, available case law, the most recent court decisions and their significance in the legal system, as well as the opinion of legal advisors.

The Company's Management believes that the provisions for tax, civil, labor and environmental risks are necessary and appropriate based on the effective legislation and represents the best estimate.

[Allowance for losses on doubtful accounts](#)

The allowance for doubtful accounts is set up in an amount deemed sufficient by management to cover possible losses on the realization of accounts receivable, considering historical losses and an individual evaluation of accounts receivable with realization risks.

[Taxes](#)

There are uncertainties in relation to the interpretation of complex tax regulations, and to the amounts and the time of future taxable income. Given the long-term nature and complexity of the existing contractual instruments, differences between the actual results and assumptions adopted, or future changes in such assumptions, may require future adjustments to tax revenue and expenses already recorded. The Company recognized provisions, based on the applied estimates, for the possible effects of audits conducted by tax authorities of the related jurisdictions in which it operates. The amount of these provisions is based on several factors, such as experience in previous tax audits and different interpretations of tax regulations by the taxable entity and responsible tax authority. These differences in interpretation may appear in several subjects, depending on the conditions in effect in the respective domicile of the Company.

A significant judgment from Management is required to determine the amount of deferred tax assets that can be recognized, according to a term considered reasonable, as well as the level of future taxable income expected for future years, along with future strategies of tax planning.

In compliance with ICPC 22, the Company understands that all tax adjustments made in the calculation of taxes and contributions on profit do not present a subject that can be questioned by the federal tax authorities as a result of different tax interpretation.

[Pension plan and health insurance](#)

The cost of the pension plan with defined benefits and other post-employment benefits of medical assistance, as well as the present value of the retirement obligation are established using methods of actuarial evaluation. The actuarial evaluation involves the use of assumptions on discount rates, expected return rates of assets, future increase in salaries, mortality rates and future increase of pension and retirement benefits. The obligation of the defined benefit is highly sensitive to changes in these assumptions. All assumptions are reviewed at each base date.

New standards, amendments and interpretations in force for fiscal years beginning on or after January 1, 2020:

[Amendment to standard IFRS 16 - Lease concessions related to the Covid-19 pandemic](#): Clarifies aspects of the treatment of practical files and disclosure of concessions in leasing contracts as a result of the Covid-19 pandemic. This amendment to the standard is effective for years beginning on or after 6/1/2020, and may be adopted in advance. CVM Deliberation 859 of 07/07/2020 established that companies in Brazil adopt this amendment to the standard for fiscal years beginning on or after 01/01/2020, therefore, the Company has already adopted this amendment to the standard in fiscal year 2020. The Company had no significant impact on its Financial Statements.

[New IFRS and interpretations of the IFRIC \(IASB Financial Information Interpretation Committee\)](#) – The IFRS issues / amendments made by the IASB that are effective for the year started in 2020 had no impact on the Company's Interim Financial Information. In addition, the IASB issued / revised some IFRS standards, which are to be adopted for the year 2021 or later, and the Company is assessing the impacts on its Financial Statements from the adoption of these standards;

[Amendment to IAS 1 standards](#) – Classification of liabilities as Current or Non-current. Clarifies aspects to be considered for the classification of liabilities as Current Liabilities or Non-Current Liabilities. This amendment to the standard is effective for years beginning on or after 01/01/2023. The Company does not expect significant impacts on its Financial Statements.

[Annual improvements in IFRS standards 2018-2020](#)

– Makes changes to IFRS 1 standards, addressing aspects of first adoption in a subsidiary; IFRS 9, addressing the 10% test criterion for reversing financial liabilities; IFRS 16, covering illustrative examples of leasing and IAS 41, covering aspects of measurement at fair value. These changes are effective for exercises beginning on or after 1/01/2022. The Company does not expect significant impacts on its Financial Statements.

[Amendment to IAS 16 - Property, plant and equipment](#)

– Result generated before reaching the expected conditions of use. Clarifies aspects to be considered for the classification of items produced before the fixed asset is in the projected conditions of use. This amendment to the standard is effective for fiscal years beginning on or after 1/01/2022. The Company does not expect significant impacts on its Financial Statements.

[Amendment to IAS 37 standard - Onerous contract](#)

– Cost of fulfilling a contract. Clarifies aspects to be considered for the classification of costs related to the fulfillment of an onerous contract. This amendment to the standard is effective for fiscal years beginning on or after 1/01/2022. The Company does not expect significant impacts on its Financial Statements.

[Amendment to IFRS 3 - References to the conceptual framework](#)

– Clarifies the conceptual alignments of this standard with the conceptual framework of IFRS. This amendment to the standard is effective for fiscal years beginning on or after 1/01/2022. The Company does not expect significant impacts on its Financial Statements.

[Amendment to IFRS 17 - Insurance contracts](#) – Clarifies aspects related to insurance contracts. This amendment to the standard is effective for years beginning on or after 01/01/2023. The Company does not expect impacts on its Financial Statements.

[Amendment to IFRS 4 - Extension of temporary exemptions from the application of IFRS 9](#)

– Clarifies aspects related to insurance contracts and the temporary exemption from the application of IFRS 9 to insurance companies. This amendment to the standard is effective for years beginning on or after 01/01/2023. The Company does not expect impacts on its Financial Statements.

[Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Reference Interest Rate Reform - Phase 2](#)

– Clarifies aspects related to the definition of reference interest rates for application in these standards. This amendment to the standard is effective for fiscal years beginning on or after 1/01/2021. The Company does not expect impacts on its Financial Statements.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company is exposed to financial risks, however, they are managed or mitigated to not significantly affect the results of its operations and are described in this Note.

4.1 Financial risk management

Business risk: The Company's business relates primarily to capture, treat and distribute water, collect and treat sewage for 345 municipal concessions operated in the State of Paraná and 1 in the State of Santa Catarina. The Company's results depend on the maintenance of concessions in the municipalities where it operates, usually the concession contracts and program contracts have a term of 30 years. These contracts foresee meeting targets for the expansion and maintenance of water and sewage systems, related to the rate of service of the water supply and sewage collection networks. In some situations, the municipality may terminate the contract before its fi-

nal term or not authorize its renewal upon compensation at the fair value of the balances of investments not yet depreciated/amortized. The process of readjustment and review of the tariff is approved by the Regulatory Agency.

Credit risk: The Company is exposed to credit risk of the counterpart in its financial transactions (cash and cash equivalents, bank deposits and financial institutions) and accounts receivable (credit to customers and balances with related parties). The maximum exposure is equivalent to the accounting value as at December 31, 2020, and stated in Notes 6, 9 and 20. The risks related to customers are mitigated by their composition, including a pulverized base that covers practically the entire population of the State of Paraná. Considering our type of business, we do not carry out a credit analysis on the customer's payment capacity, adopting the practice of cutting supply in the event of default by giving notice in writing to the user at least thirty days before the scheduled cut, except under State Law No. 20,187 due to the pandemic. The level of losses on accounts receivable is considered normal for the sanitation sector.

The practice of cutting the supply is not applicable to public bodies, however, Management is intensifying efforts to reduce delinquency levels with negotiations with debtor municipalities and if there is no agreement, the Company enters with a judicial collection.

Interest rate risk: Interest rate risk is the risk that the fair value of future cash flows of a certain financial instrument changes due to variations in market interest rates. The Company's exposure to the risk of changes in market interest rates refers mainly to the Company's long-term obligations subject to variable interest rates.

This risk is due to the possibility of the Company incurring losses on account of interest rate fluctuations, which may increase the financial expenses on loans and financing.

Sensitivity analysis of interest rate: the following is the calculation sensitivity to a possible change in the rate of return on financial investments and interest on loans, financing, debentures and leases subject to variable interest rates, which can have significant impact to the Company. If the return rates of investments and interest on the loans held in real varied around 25% and 50% more or less, with all other variables held constant, the effect on profit before taxes would have been R\$11,923 and R\$23,846 plus or minus in particular due to the revenues stemming from financial investments and interest rates expenses lower or higher than in the financial loans as variable interest rates described below:

Description	Index	+25%	-25%	+50%	-50%
Caixa FI Sanepar I Renda Fixa	DI	5,588	(5,588)	11,176	(11,176)
Assets		5,588	(5,588)	11,176	(11,176)
Bank Credit Note - CCB	DI	(1,384)	1,384	(2,768)	2,768
BNDES	TJLP	(199)	199	(398)	398
BNDES-PAC2	TJLP	(1,834)	1,834	(3,668)	3,668
BNDES-AVANÇAR	IPCA	(2)	2	(4)	4
Debentures - 2nd Issuance - 1st to 3rd Series	TJLP	(1,153)	1,153	(2,306)	2,306
Debentures - 2nd Issuance - 2nd Series	IPCA	(927)	927	(1,854)	1,854
Debentures - 3rd Issuance - 2nd Series	IPCA	(550)	550	(1,100)	1,100
Debentures - 4th Issuance - 1st Series	TJLP	(1,600)	1,600	(3,200)	3,200
Debentures - 4th Issuance - 2nd Series	IPCA	(1,032)	1,032	(2,064)	2,064
Debentures - 7th Issuance - 1st to 4th Series	IPCA	(665)	665	(1,330)	1,330
Debentures - 8th Issuance - 1st and 2nd Series	DI	(1,881)	1,881	(3,762)	3,762
Debentures - 9th Issuance - 1st and 2nd Series	DI	(2,580)	2,580	(5,160)	5,160
Debentures - 10th Issuance - Single Series	IPCA	(80)	80	(160)	160
Lease	IPC-FIPE	(1,845)	1,845	(3,690)	3,690
Lease of Right of Use	DI	(1,779)	1,779	(3,558)	3,558
Liabilities		(17,511)	17,511	(35,022)	35,022
Effects on income before taxation		(11,923)	11,923	(23,846)	23,846

The indices considered for the 12-month period were TR of 0.00% and the TJLP of 4.98% obtained from BACEN - Banco Central do Brasil, the IPCA at the rate of 4.52% obtained from IBGE - Instituto Brazilian Geography and Statistics, the DI at the rate of 2.76% obtained from B3 - Brasil, Bolsa e Balcão and the IPC at the rate of 5.62% obtained from Fipe.

Exchange Rate Sensitivity Analysis: we present below the impacts that would be generated by changes in the risk variables related to derivative financial instruments intended to hedge the foreign currency loan. According to data from the Central Bank of Brazil - BACEN, obtained from the Market Ex-

pectations System, the probable scenario for the next quarter is a reduction of 1.4759% in the dollar rate. This scenario uses the average exchange rate projected for the end of 2020, base date 12/31/2020, in relation to the PTAX rate informed on the same date.

Considering the notional amount of €1,486 thousand (R\$9,475 thousand), the value of the Euro quotation as R\$6.3779 for December 31, 2020 (Ptax - Central Bank) and considering the assumption of the value of Euro as U\$1.2273 for each Euro, according to a PTAX of R\$ 5.1967. Below are the 25% and 50% exchange variation for appreciation and depreciation concerning the exposure:

Efeito no resultado	Provável	+25%	-25%	+50%	-50%
Risco de variação do Euro (redução de 1,4759%)	140	(2.369)	2.369	(4.738)	4.738

Liquidity risk: Liquidity risk is the possibility that the Company might not have sufficient funds to meet its commitments due to the different currencies and realization / settlement terms for their rights and obligations. The Company structures the maturities of non- derivative financial agreements, as shown in

Note 14, so as not to affect its liquidity. The management of liquidity and cash flow is performed daily by the Company's management, to ensure that the operating cash generation and the upfront funding raise, when necessary, are sufficient to maintain its schedule of commitments, reducing liquidity risks.

Additionally, the Company approved the dividends and treasury and Market risks policy.

Derivative Financial Instruments: In accordance with the Company's Risk, Treasury and Market Management Policy, in order to mitigate the risks related to foreign exchange exposure, 3 financial institutions were hired to perform hedge operations, without speculative character, when Receipt of proceeds from a loan from

Banco KfW, through the swap of the debt variation in Euros + 1.35% of interest per year for a percentage of the CDI. The Company does not apply the hedge accounting policy to this agreement, measuring it at fair value through profit or loss, presented in the financial result. The debt of this loan is shown in Note 14.

On December 31, 2020 the Company has swap contracts (Euro + Interest x CDI) as shown below:

FINANCIAL INSTRUMENTS - SWAP CONTRACT

Operation	Agent	Start date of the operation	Maturity of the operation	Notional Value EUR	Fair Value of the Asset Position	Fair Value of the Liabilities Position	Gain (Loss) with Derivative Instruments - Swap
1	Itaú BBA	08/09/2019	12/26/2022	6	38	26	12
2	Itaú BBA	09/04/2019	12/26/2022	64	411	294	117
3	Itaú BBA	10/04/2019	12/26/2022	12	75	53	22
4	Itaú BBA	11/13/2019	12/26/2022	368	2,347	1,691	656
5	Itaú BBA	06/05/2020	12/26/2022	632	4,031	3,646	385
6	Itaú BBA	12/15/2020	12/26/2022	404	2,574	2,474	100
TOTAL				1,486	9,476	8,184	1,292

4.2 Capital risk management

The purpose of the capital management of the Company is to guarantee a strong credit rating to financial institutions and an optimal capital ratio in order to support business and maximize values to the shareholders. The Company manages its capital structure by means of adjustments and adequacy to current economic conditions. With this objective, the company can make payments of dividends, enter into new loans, issue promissory notes and contract operations with derivatives. For the period ended on December 31, 2020, there was no change in the objectives, policies or capital structure processes.

In order to preserve its liquidity and payment capability, the Company uses as leverage metrics on net debt / equity. For net debt effect purposes, loans, financing, debentures and lease, minus cash and cash equivalents:

Description	2020	2019
Loans, financing, debentures and lease	3,647,588	3,080,431
Cash and cash equivalents	(874,323)	(274,059)
Net debt	2,773,265	2,806,372
Equity	6,943,163	6,173,914
Ratio Net Debt/Equity	0.40	0.45

4.3. Financial instruments

The financial instruments are recognized in the Company's Financial Statements, as follows:

Description	2020	2019
Assets		
Fair value measured through income		
Financial investments	869,196	257,181
Financial instrument - Swap	9,476	2,040
Restricted deposits	61,614	58,603
Amortized cost		
Cash and banks	5,127	16,878
Trade accounts receivables	799,603	829,562
Contractual financial assets	490,082	435,209
Total	2,235,098	1,599,473
Liabilities		
Fair value measured through income		
Financial instrument - Swap	8,184	2,065
Amortized cost		
Loans, financing, debentures and lease	3,647,588	3,080,431
Contractors and Suppliers	213,820	214,445
Concession agreements	-	31,414
Total	3,869,592	3,328,355

Financial instruments related to financial investments are classified as Level 2, in the hierarchy of fair value according to CPC 48 – Financial Instruments.

5. CASH AND CASH EQUIVALENTS

Accounting practice:

They include cash, bank deposits and short-term investments that are stated at cost, plus income earned by the rates agreed with the Financial Institutions, calculated pro-rata die and appropriated monthly. A financial investment qualifies as a cash equivalent when it has characteristics of immediate convertibility with the issuer in a known amount of cash and is not subject to the risk of significant change in value.

These have the following composition:

Description	2020	2019
Unrestricted bank deposits	2,972	4,516
Restricted bank deposits	2,155	12,362
	5,127	16,878
Financial investments	869,196	257,181
Total of cash and cash equivalents	874,323	274,059

Financial investments are close to fair value and have short term, high liquidity and low risk of changes in value. They are constituted by a fixed income fund, invested in an exclusive Investment Fund (CNPJ 03.737.212/0001-44 - Exclusive Investment Fund Caixa SANEPAR I Renda Fixa) whose portfolio is composed mostly of federal government bonds and Bank Deposit Certificate, with an average remuneration of 100.70% of the CDI (100.31% in 2019). The increase in the balance of Financial Investments is due to new funding (10th issue of debentures R\$350,000 and CCB R\$200,000).

6. TRADE ACCOUNTS RECEIVABLE

Accounting practice:

Accounts Receivable from Customers: Include services measured and invoiced, not yet received, and revenues from water supply and sewage collection, not yet invoiced, accounted for on an accrual basis, according to the estimated consumption between the date the last reading and the end of each month, based on the average consumption of each customer.

Adjustment to Present Value: The balances of accounts receivable from customers referring to installments were adjusted to present value. The installments of individual accounts are updated by SELIC, plus a management and risk fee, and those of government agencies based on the interest of 6% per year. The Company adopts the SELIC rate for the calculation of the Present Value Adjustment for individual accounts and interest of 6% per year for accounts of public agencies.

Provision for Losses on Realization of Credits: In order to estimate the amount of the provision for expected losses on the realization of credits, to be recognized in the period, the Company's Management performs analyzes of its accounts receivable considering the expected loss on the amounts due and overdue amounts.

For the accounts receivable amounts, the provision for expected losses is constituted using a matrix that segments the balances by consumption category and maturity age, resulting in the best expectation of recovery of these credits. For the past due amounts of accounts receivable from customers, a provision is constituted considering the credit recovery policy currently adopted by the Company, which contemplates the interruption of services provided to defaulting customers, and based on the past due amounts segregated by the categories of residential consumers, commercial, industrial and Federal Government overdue for more than 180 days, and based on amounts overdue for more than 2 years for the Municipal Government, except for city halls that are not paying overdue bills, for which it is provision for all credits. The Company does not set up a provision for losses in the realization of credits from the State sector because it is a related party and due to its history of settling debts.

a) The balances of trade receivables break down per maturity as follows:

Description	2020	2019
Falling due accounts receivable	271,640	288,080
Accounts receivable from installment payments ⁽¹⁾	64,447	120,113
Adjustment to Present Value	(8,860)	(4,088)
Accounts to be billed (Unbilled consumption)	210,282	212,452
	537,509	616,557
Overdue accounts receivable		
From 1 to 30 days	136,883	146,804
From 31 to 60 days	53,029	34,697
From 61 to 90 days	31,306	12,816
From 91 to 180 days	55,961	22,404
Over 180 days	271,869	192,771
Allowance for losses on doubtful accounts	(286,954)	(196,487)
	262,094	213,005
Total accounts receivable, net	799,603	829,562
Current	779,404	809,736
Non-current	20,199	19,826

⁽¹⁾ In December 2019, a provision was made for the estimated revenue in the amount of R \$ 61.0 million related to the retroactive adjustment of 3.76% not received from customers in the period from July to November 2019, which was effectively billed in the months from January to April 2020.

We highlight that, due to the impacts of the Coronavirus (COVID-19), as described in Note 31, there was an increase in the provision for Expected Losses in Realization of Credits from accounts receivable, mainly from private customers in the amount of R\$12,328, considering the best estimate for the moment.

We present below the breakdown of total trade accounts receivables due, net of the allowance for doubtful:

Description	Trade accounts receivable	Allowance for doubtful	Adjustment to present value	2020	2019
Municipal administration	99,983	(54,939)	(8,233)	36,811	48,703
Private	976,324	(232,015)	(627)	743,682	767,003
Federal Entity	990	-	-	990	1,723
Government State	18,120	-	-	18,120	12,133
Total	1,095,417	(286,954)	(8,860)	799,603	829,562

b) Changes in the allowance for doubtful accounts were as follows:

Description	2020	2019
Balances at beginning of period	(196,487)	(175,956)
Amounts recorded as expenses*	(90,972)	(20,850)
Write-offs, net of recoveries	505	319
Balances at end of period	(286,954)	(196,487)

* Growth due to overdue accounts, mainly from private customers, due to measures adopted to face Covid-19, such as suspension of cuts due to non-payment of bills.

c) The balance of the allowance for doubtful accounts breaks down as follows:

Description	2020	2019
Private customers	232,015	147,417
Municipal Administrations	54,939	49,070
Total	286,954	196,487

7. RECOVERABLE TAXES AND CONTRIBUTIONS

These have the following composition:

Description	2020	2019
Recoverable income tax	4,747	305
Recoverable social contribution	2,063	-
Total	6,810	305
Current	6,810	305

d) The balances of short- and long-term trade accounts receivable arising from installment payments have been discounted to present value. The changes in present value adjustment was as follows:

Description	2020	2019
Balances at beginning of year	(4,088)	(4,723)
Adjustment to Present Value	(4,772)	635
Balances at end of year	(8,860)	(4,088)

8. RESTRICTED DEPOSITS

Restricted deposits breakdown as follows:

Description	2020	2019
Health National Foundation - FUNASA	4,661	2,855
Reserves kept in CAIXA ⁽¹⁾	56,953	55,748
Total	61,614	58,603
Current	4,661	2,855
Noncurrent	56,953	55,748

(1) Reserve accounts linked to financing contracts in amounts sufficient to meet contractual clauses.

9. OTHER ACCOUNTS RECEIVABLE

The composition is as follows:

Description	2020	2019
Advances to employees	11,280	13,317
Reimbursable payments	12,510	17,909
Guarantee deposits	1,858	1,740
Municipal Fund for the Environment ⁽¹⁾	47,005	48,881
Prepaid expenses	243	3,468
Securities and other credits	753	886
Total	73,649	86,201
Current	27,746	37,642
Noncurrent	45,903	48,559

(1) Anticipation of transfer to the Municipal Funds of the Environment, as provided in a program contract.

10. CONTRACTUAL FINANCIAL ASSETS

Accounting practice:

Contractual financial assets represent the portion of the total amount of constructed operating assets with useful life higher than the contractual term and which, consequently, shall be paid by the Granting Power by the end of the contract. These amounts are initially recognized upon the signature of each Program Contract and then upon the addition of the portion referring to the investment in new assets that exceed the contractual term.

Adjustment to Present Value: The financial assets are discounted to present value using the IPCA projected for the year (index published by BACEN), and the Weighted Average Cost of Capital (WACC) as discount rate, resulting in the application of an equivalent rate which represents the spread between IPCA and WACC rate. The adjustments to present value may represent a revenue or an expense to be recorded in the statement of income in the year they occur.

Changes in financial assets are as follows:

Description	2019	Additions	NPV Revenue	NPV Expense	2020
Unamortized Investments	1,213,062	140,775	-	-	1,353,837
Adjustment to Present Value	(777,853)	(87,016)	16,421	(15,307)	(863,755)
Total	435,209	(a)53,759	16,421	(15,307)	490,082

a) Amount transferred from property, plant and equipment and intangible assets, referring to the expectation of residual value receivable at the end of program contracts, net of Adjustment to Present Value for the period (note 13c).

The equivalent discount rate applied to calculate the present value adjustment was 4.1% (spread between the IPCA projected for the year and the WACC rate) and took into account Program Contracts with terms of 21 to 30 years.

11. CONTRACT ASSETS

Accounting practice:

As determined by CPC 47 / IFRS 15 - Revenue from contract with client, assets linked to the concession under construction, registered under the scope of ICPC 01 (R1) / IFRIC 12 - Concession Contracts, must be classified as Contract Assets during the construction period and transferred to Intangible Assets only after the completion of the works.

Capitalization of Interest and Financial Charges: Interest and other financial charges related to the financing of property, plant, and equipment and intangible assets in progress, are appropriated at the cost of the same, until the conclusion of the construction and/or installation of the asset after that period charges are appropriated as financial expense.

It has the following movement:

Description	2019	Additions	Capitalisation of interest	Write-off and Loss	Transfer to Intangible asset	2020
Projects and Works in Progress	1,642,497	837,555	21,389	267	(975,260)	1,526,448
Inventories for Construction Work	114,217	(5,863)	-	-	-	108,354
Totais	1,756,714	831,692	21,389	267	(975,260)	1,634,802

During the fiscal year of 2020, the amount of R\$831,692 (R\$914,924 in 2019) was recorded as projects and works in progress, due to the expansion of the Water Supply System, mainly in the municipalities of Cascavel, Laranjeiras do Sul, Curitiba, Telêmaco Borba and Fazenda Rio Grande, construction of the Miranguava Dam in São José dos Pinhais and expansion of sewage collection and treatment systems mainly in the municipalities of Curitiba, Ivaiporã, Londrina, Foz do Iguaçu and Ibaiti. And values related to completed works for the expansion of the Water

Supply and Collection and Sewage Treatment System were also transferred to Intangible, mainly in the municipalities of Ponta Grossa, Pato Branco, Guaíra, Maringá and Paranavaí.

During the year 2020, interest and other financial charges on the resources and loans that financed the Company's projects and works were capitalized, in the amount of R\$21,389 (R\$21,543 in 2019). The average rate used to determine the amount of capitalized borrowing costs in relation to total costs was 9.6%.

12. INVESTMENTS

Accounting practice:

Joint Venture: The Company's investment in the joint venture is accounted for based on the equity method, being initially recognized at cost and adjusted for the recognition of changes in the Company's interest in the joint venture's equity as from the acquisition date.

The statement of income reflects the Company's interest in the operating results of the joint venture.

The financial statements of the joint venture are prepared for the same period of disclosure and with the accounting practices aligned with those of the Company.

An annual impairment test is carried out on the balances of jointly controlled investments, whenever there is an indicator that the investment may not be recoverable.

The Company has the following investments:

Description	2020	2019
Investment in joint venture - CS Bioenergia S.A.	-	-
Other investment	2,352	2,671
Total	2,352	2,671

Investment in joint venture – CS Bioenergia S.A.

The Company owns 40% of CS Bioenergia S.A., a Company located next to the Belém Sewage Treatment Plant (ETE), which aims to properly explore and dispose of solid, organic waste and sludge produced in said ETE, in addition to producing of biogas and energy generation through the digestion process. CS Bioenergia S.A. partially started its operation in June 2017 and during 2019 reached its operational stability and started the process of transferring electric credits to Sanepar's consumer units. The financial

contribution made by the Company comprises the amount of R\$35,808 recorded in its Capital Stock and R\$50 thousand as Advance for Future Capital Increase – AFAC.

The Company's interest is accounted for using the equity method in the investee's financial statements, which are summarized below:

Statement of financial position – CS Bioenergia S.A.	2020	2019
Current assets	2,095	2,191
Noncurrent assets	59,907	65,777
• Fixed assets	43,360	42,685
• Lease	14,483	16,148
• Other	2,064	6,944
Total Assets	62,002	67,968
Current Liabilities	10,221	11,231
• Loans, financing and finance lease	7,328	7,651
• Other	2,893	3,580
Noncurrent liabilities	10,066	11,000
• Loans, financing and finance lease	10,066	11,000
Equity	41,715	45,737
Total Liabilities and Equity	62,002	67,968
Statement of income (loss) – CS Bioenergia S.A.	2020	2019
Revenue	12,189	4,335
(-) Service Costs	(12,965)	(12,446)
Resultado Bruto	(776)	(8,111)
(-) Operational expenses	(2,375)	(2,575)
Loss before Net Financial Result and Taxes	(3,151)	(10,686)
(-) Net Financial Result	(1,358)	(3,459)
Result before of the Taxes	(4,509)	(14,145)
Income Taxes (IRPJ and CSLL)	(138)	-
Loss for the year	(4,647)	(14,145)

Changes in the investment in the year are as follows:

Description	2020	2019
Balance at beginning of year	-	20.479
Financial contribution	1.199	2.525
Equity in earnings (losses) of controlled company (percentage of interest 40%)	(1.859)	(5.658)
Impairment Test	660	(17.346)
Balance at end of year	-	-

Investments assets impairment on CS Bioenergia S.A.

As a result of the delay in the conclusion and start-up of the CS Bioenergia S.A. (Company) plant, as recommended by CPC 18 and CPC 01, the Management of Company carried out the impairment test of this investment, and concluded, considering the history of losses and that future cash flows show negative results, for the analyzed period of 5 years, demonstrating that the investment has no recoverable value. Thus, the impact of the Impairment Test of the investment in CS Bioenergia was recorded in the Company's results, this amount being adjusted with the recognition of equity in the year.

Other investments

The Company has investment quotas in FINAM (Amazon Investment Fund) arising from the application of Tax Incentive Income Tax for the amount of R\$2,201, and several investments over which it does not exercise significant influence in the amount of R\$417, which are brought to fair value considering the quotation on 12/31/2020, equivalent to R\$2,352.

13. FIXED AND INTANGIBLE ASSETS

Accounting practice:

Fixed assets: These are stated at acquisition or construction cost, plus revaluations made in previous years and asset and liability valuation adjustments to the new deemed cost, less the depreciation calculated using the straight-line method, according to the rates mentioned in this Note. The impairment test of the fixed assets is carried out annually, whenever there is an indicator that the fixed assets may not be recoverable.

Intangible assets: Intangible assets linked to concession contracts are recorded at their acquisition, construction or contractual cost and include the Right of Use and Concession Contracts. Intangible assets linked to Program Contracts are initially recognized by the difference between the amounts invested in assets related to the concessions and the present value of the Contractual Financial Asset calculated according to Note 9. It is an intangible asset with finite useful life and its value will be amortized within the term of the contract.

The amortization of intangible assets linked to Concession Contracts is calculated based on the economic useful life and the amortization of the assets linked to Program Contracts is calculated according to the effective terms of the contracts or to the economic useful life of the assets forming the infrastructure necessary for the rendering of public services, whichever is lower. For the assets whose useful life exceeds the contract term, a financial asset is recognized, as mentioned in Note 3 (t). An impairment test of intangible assets balances is conducted annually, whenever there is an indication that the intangible asset may not be recoverable.

Lease: The accounting record is made upon the asset's actual availability for use, considering its fair value or, if lower, the present value of minimum payments of the lease. The debt amount is stated in Note 14. After initial recognition, the asset is accounted for according to the applicable policy.

a) Fixed assets

These have the following composition:

By account		2020	2019
Description	Cost	Accumulated depreciation	Net amount
Goods for Administrative Use	359,218	(136,297)	222,921
Other Fixed Assets	2,074	(644)	1,430
Lease of Right of Use	141,037	(79,381)	61,656
Total	502,329	(216,322)	286,007

By account		2020	2019	
Description	Annual depreciation rate	Cost	Accumulated depreciation	Net amount
Plots of land	-	2,932	-	2,932
Civil construction	*1.84%	111,939	(19,827)	92,112
Leasehold	*2%	2,444	(782)	1,662
Facilities	*5.83%	10,901	(3,097)	7,804
Equipment	*6.23%	87,568	(31,016)	56,552
Furniture and fixtures	*7.14%	51,231	(20,543)	30,688
IT equipment	*19.82%	41,172	(27,694)	13,478
Vehicles	*13.05%	27,263	(15,404)	11,859
Machinery, tractors and similar	*19.35%	23,109	(18,045)	5,064
Tools	*6.67%	1,482	(533)	949
Patrimonial assets to incorporate	-	1,251	-	1,251
Lease of Right of Use	-	141,037	(79,381)	61,656
Total		502,329	(216,322)	286,007

* Weighted Average Rate

b) Intangible assets

These have the following composition:

By lines		2020	2019
Description	Cost	Amortization	Valor Líquido
Water mains	5,171,414	(1,720,075)	3,451,339
Sewage mains	5,470,947	(1,338,601)	4,132,346
Solid waste	5,744	(3,853)	1,891
System Use and Operation Rights	125,116	(73,704)	51,412
Other intangible assets	176,137	(78,462)	97,675
Right of Use - Lease	200,851	(14,201)	186,650
Total	11,150,209	(3,228,896)	7,921,313

By nature				2020	2019
Description	Annual amortization rate	Cost	Accumulated amortization	Net amount	
Plots of land	-	198,544	-	198,544	171,068
Wells	*3.10%	156,037	(40,387)	115,650	111,810
Dams	*2.67%	142,153	(60,686)	81,467	83,462
Civil construction	*2.59%	2,476,435	(599,507)	1,876,928	1,690,137
Leasehold	*2.67%	32,876	(4,488)	28,388	23,582
Piping	*2.64%	5,569,305	(1,491,989)	4,077,316	3,780,749
Building connections	*3.33%	835,626	(265,088)	570,538	509,841
Facilities	*5.83%	214,902	(76,955)	137,947	100,727
Hydrometers	*10%	235,368	(94,515)	140,853	127,365
Macro-meters	*10%	6,560	(4,588)	1,972	2,039
Equipments	*6.23%	709,697	(314,966)	394,731	332,402
Furniture and fixtures	*7.14%	6,584	(3,788)	2,796	2,717
IT equipment	*19.82%	89,626	(83,404)	6,222	4,477
Computer programs	*20%	70,862	(45,137)	25,725	18,583
Vehicles	*13.05%	19,642	(12,470)	7,172	7,517
Machinery, tractors and similar	*19.35%	25,947	(20,366)	5,581	3,954
Tools	*6.67%	295	(208)	87	76
Rights of Use of Transmission Lines	*6.25%	171	(135)	36	22
Environmental protection and preservation	*20%	30,602	(22,313)	8,289	6,659
Concession of the Mun. of Curitiba ⁽¹⁾	*1.5%	125,000	(73,594)	51,406	53,281
Concession of the Mun. of Cianorte ⁽²⁾	*5%	116	(111)	5	-
Patrimonial assets to incorporate	-	3,010	-	3,010	1,392
Rights of Use - Lease	-	200,851	(14,201)	186,650	191,700
Total		11,150,209	(3,228,896)	7,921,313	7,223,560

* Weighted average rate.

(1) Right to grant the onerous concession contract signed on December 6, 2001 and whose concession was previously renewed on June 5, 2018 upon signature of the program agreement in accordance with Law No. 11.445, of January 5, 2007, and other relevant legal acts.

(2) High of grant an onerous concession agreement with the Municipality of Cianorte, assigned on march 7, 2002, to provide public utility services of collection, treatment and final disposition of solid waste for a period of 20 years.

Lease:

The Company has lease agreements, with the following characteristics:

(i) asset lease agreement valued at R\$199.3 million resulting from the expansion of the sewage system in the municipalities of Matinhos and Pontal do Paraná, for a period of 240 (two hundred and forty) months, the payment of which started in February 2017, with a substantial transfer of the risks and benefits of the assets which will be owned by the Company at the end of the contract; and

(ii) vehicle, movable and real estate lease contracts, in which the risks and benefits of using the assets remain with the lessor. These contracts do not exceed 5 years.

The obligations arising from these contracts are shown in note 14.

We highlight that the Lease contracts had no changes in terms and conditions due to the Coronavirus (COVID-19) and, therefore, the prerogatives of the amendments to CPC 06 R2 are not applicable.

As of December 31, 2020, the book value for each category of assets under a Lease commitment recorded in Intangible and Tangible Assets is shown below:

By account				2020	2019
Description	Annual Amortization Rate	Cost	Accumulated amortization	Valor Líquido	
Buildings	2.59%	37,434	(2,199)	35,235	35,862
Piping	2.64%	147,315	(9,133)	138,182	141,128
Building connections	3.33%	8,227	(882)	7,345	7,620
Facilities	5.83%	309	(72)	237	257
Equipment	6.23%	6,013	(1,281)	4,732	5,105
Lease - Litoral		199,298	(13,567)	185,731	189,972
Car Rental	13.05%	59,614	(47,901)	11,713	37,036
Civil construction	2.59%	47,305	(12,388)	34,917	32,079
Equipment	6.23%	418	(305)	113	412
IT Equipment	19.82%	35,253	(19,421)	15,832	19,261
Lease - Right of use		142,590	(80,015)	62,575	88,788
Total		341,888	(93,582)	248,306	278,760
Fixed assets		141,037	(79,381)	61,656	87,060
Intangible assets		200,851	(14,201)	186,650	191,700

The Company recorded in its Income Statement the amount of R\$4,262 relating to a low value and short-term lease contracts (less than 12 months).

Assets resulting from leasing contracts present the following changes:

Assets	2019	Additions	Amortization	2020
Lease - Litoral	189,972	-	(4,241)	185,731
Vehicles	37,036	664	(25,987)	11,713
Civil construction	32,079	11,241	(8,403)	34,917
Equipment	412	42	(341)	113
IT Equipment	19,261	7,831	(11,260)	15,832
Balance as of the year	278,760	19,778	(50,232)	248,306

c) Changes in fixed and intangible assets for the year 2020:

Description	2019	Additions	Depreciation and Amortization	Write-offs and losses	Transfers to Work in progress	Transfer	2020
Fixed assets							
Plots and land	2,929	3	-	-	-	-	2,932
Civil construction	82,017	363	(2,110)	(43)	12,732	(847)	92,112
Leasehold	1,383	79	(44)	-	244	-	1,662
Facilities	6,354	791	(548)	-	1,207	-	7,804
Equipment	50,950	8,066	(4,464)	(66)	1,015	1,051	56,552
Furniture and fixtures	29,284	3,933	(3,032)	(189)	692	-	30,688

Description	2019	Additions	Depreciation and Amortization	Write-offs and losses	Transfers to Work in progress	Transfer	2020
IT Equipment	13,356	3,185	(4,156)	(53)	1,146	-	13,478
Vehicles	15,674	-	(2,281)	(483)	-	(1,051)	11,859
Machinery, tractors and similar	6,765	332	(2,013)	(20)	-	-	5,064
Tools	986	43	(80)	-	-	-	949
Patrimonial assets to incorporate	958	293	-	-	-	-	1,251
Right of Use - Lease	87,060	19,969	(45,373)	-	-	-	61,656
Total Fixed Assets	297,716	37,057	(64,101)	(854)	17,036	(847)	286,007
Intangible Asset							
Plots of land	171,068	8,933	-	(30)	18,573	-	198,544
Wells	111,810	443	(1,889)	(865)	6,194	(43)	115,650
Dams	83,462	130	(2,998)	(57)	964	(34)	81,467
Civil construction	1,690,137	6,980	(57,084)	(581)	243,658	(6,182)	1,876,928
Leasehold	23,582	468	(778)	(241)	5,779	(422)	28,388
Piping	3,780,749	22,300	(131,422)	(1,005)	450,556	(43,862)	4,077,316
Building connections	509,841	247	(24,354)	(253)	87,412	(2,355)	570,538
Facilities	100,727	2,003	(10,913)	1,019	45,111	-	137,947
Hydrometers	127,365	-	(20,399)	(2,369)	36,256	-	140,853
Macro-meters	2,039	23	(339)	-	249	-	1,972
Equipment	332,402	36,130	(27,276)	(3,404)	56,879	-	394,731
Furniture and fixtures	2,717	358	(304)	(19)	44	-	2,796
IT Equipment	4,477	43	(1,260)	(17)	2,979	-	6,222
Computer programs	18,583	14,702	(7,256)	(304)	-	-	25,725
Vehicles	7,517	1,051	(1,165)	(231)	-	-	7,172
Machinery, tractors and similar	3,954	3,291	(1,605)	(59)	-	-	5,581
Tools	76	24	(12)	(1)	-	-	87
Rights of Use of Transmission Lines	22	18	(4)	-	-	-	36
Environmental protection and preservation	6,659	-	(1,968)	42	3,570	(14)	8,289
Concession of the Mun. of Curitiba	53,281	-	(1,875)	-	-	-	51,406
Concession of the Mun. of Cianorte	-	-	(6)	11	-	-	5
Patrimonial assets to incorporate	1,392	1,618	-	-	-	-	3,010
Right of Use - Lease	191,700	(191)	(4,859)	-	-	-	186,650
Total intangible assets	7,223,560	98,571	(297,766)	(8,364)	958,224	(52,912)	7,921,313
Grand Total	7,521,276	135,628	(361,867)	(9,218)	(a)975,260	(b)(53,759)	8,207,320

(a) Amount transferred from the Contract Asset account (note 11);

(b) Amount transferred to the Contractual Financial Assets line with reference to the expected residual amount receivable by the end of the program contracts, net of present value adjustment (note 10).

d) Impairment analysis

As of December 31, 2020, even though there are no indicators of impairment on property, plant and equipment and intangible assets with defined useful lives, the Company carried out a technical study to determine the recoverable value of its assets, identifying them as generating units of the water, industrial water, sewage and, separately, solid waste business segments.

d.1) Cash generating unit (CGU) – Water and Sewage segments

- For the determination of the recoverable value of the assets, or cash-generating units of the Company, the value in use method was adopted, that is, the value generated by the use of these assets;
- Useful life based on the expectation of using the set of assets that make up the UGC, also considering the Company's maintenance policy;
- Cash flow estimates were projected over five years, as suggested by CPC 01 (R1) in item 33b, in current currency, that is, the effects of inflation were considered and, in the end, deflated;

- Pre-tax discount rate (13.05%) derived from the methodology for calculating the weighted average cost of capital (WACC), as suggested by CPC 01 (R1) in its items 55 and 56;
- Assumptions for business growth, tariff adjustment, and evolution of OPEX projected as established in the Company's strategic planning;
- The residual book value of the assets (or cash-generating unit), on the final date of the cash flow estimates, was considered as recoverable value, this procedure was adopted due to the concession contracts and program contracts, providing for reimbursement to the company residual assets in the event of non-renewal or breach of contract;
- The evolution of expenses was carried out in line with the growth in demand and inflation in each expense.

The technical study concluded that the Fixed and Intangible Assets that are in operation, generating cash flows, are fully recoverable, and it is not necessary to set up a provision for impairment.

d.2) Cash generating unit – Solid waste segment

The cash-generating unit for Solid Waste operation has the following characteristics:

- Solid waste segment contracts were treated separately, that is, each as a UGC;
- The economic results of all cash-generating units in this operation show a history of losses;
- There is no relevant fact that shows a change in the trend in the negative economic results of these contracts.

Considering that the UGC's of solid waste, presented negative results, and that there is no prospect of improvement for the segment, the technical study concluded that the fixed and intangible assets that are in operation in the amount of R\$9,143 are not recoverable, therefore, a supplement of provision was recorded in the amount of R\$552, except for the UGC for Solid Waste - Cianorte, where the test showed that only 46% of the amounts recorded in Assets will not be recoverable, causing a reversal of the amount previously recorded in the amount of R\$1,897. As of December 31, 2020, revenues and net losses from the solid waste segment were R\$11,863 and R\$1,822, respectively.

14. LOANS, FINANCING, DEBENTURES AND LEASE

Accounting practice:

Loans, financing and debentures are initially recognized at fair value upon the receipt of the funds, net of transaction costs. Then, they are presented at amortized cost. Additionally, loans, financing and debentures are classified as current liabilities, unless the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

The obligations related to lease, net of finance charges, are classified in current and noncurrent liabilities according to the contract term. Payments of lease are allocated considering finance charges and reduction in the corresponding liabilities to obtain constant interest rate on the remaining balance of liabilities. The finance charges are recognized in the statement of income in each period during the lease.

The debentures issued by the Company are not convertible into shares and are accounted for as loans.

a) Composition of loans, financing, debentures and leases are as follows:

Description	Annual Interest Rate	Index	2020			2019		
			Current	Noncurrent	Total	Current	Noncurrent	Total
Currency:								
Debentures 3rd Issuance – 2nd series	6,99%	IPCA	-	-	-	70,916	-	70,916
Debentures 8th Issuance - 1st series	106.50% of the DI	-	95,020	-	95,020	20	94,966	94,986
Bank Credit Notes - CCB	DI + 2.75%	-	132,665	66,205	198,870	-	-	-
Debentures 8th Issuance – 2nd series	108.00% of the DI	-	22	154,902	154,924	78	154,836	154,914
BNDES	TJLP + 1.82%	-	7,705	8,300	16,005	7,732	15,961	23,693
Banco do Brasil - PSI	3.00% to 6.00%	-	3,385	5,652	9,037	3,388	9,022	12,410
Debentures 2nd Issuance – 1st series	TJLP + 1.92%	-	12,347	33,602	45,949	12,394	45,821	58,215
Debentures 2nd Issuance – 2nd series	9,19%	IPCA	21,710	58,959	80,669	21,261	75,205	96,466
Debentures 2nd Issuance – 3rd series	TJLP + 1.92%	-	16,462	44,803	61,265	16,525	61,095	77,620
Debentures 9th Issuance - 1st series	106.05% of the DI	-	174	199,076	199,250	443	199,044	199,487
Banco Itaú - PSI	3.00% to 6.00%	-	3,566	8,044	11,610	3,571	11,586	15,157
Debentures 9th Issuance – 2nd series	107.25% of the DI	-	140	150,776	150,916	346	150,760	151,106
Debentures 4th Issuance - 1st series	TJLP + 1.67%	-	24,287	133,237	157,524	24,394	157,102	181,496
Debentures 4th Issuance – 2nd series	7,44%	IPCA	14,001	76,583	90,584	13,406	86,383	99,789
Debentures 10th Issuance – Single issued	4,66%	IPCA	3,529	354,050	357,579	-	-	-
BNDES - PAC2	TJLP + 1.67% to 2.05%	-	49,561	262,979	312,540	41,687	252,149	293,836
Lease - Litoral	11,14%	IPC-FIPE	10,282	267,633	277,915	9,374	268,165	277,539
Lease – Right of use	3,15%	-	44,099	36,037	80,136	48,763	49,029	97,792
Debentures 7th Issuance - 1st series*	5,20%	IPCA	1,108	44,922	46,030	286	31,141	31,427
Debentures 7th Issuance – 2nd series*	4,79%	IPCA	1,675	69,285	70,960	429	48,686	49,115
Debentures 7th Issuance – 3rd series	6,97%	IPCA	270	20,295	20,565	103	13,576	13,679
Debentures 7th Issuance – 4th series	6,57%	IPCA	401	31,129	31,530	153	21,165	21,318
BNDES - AVANÇAR	3.56% to 3.96%	IPCA	4	24,972	24,976	-	-	-
Caixa Econômica Federal	6.62% to 12.00%	TR	79,092	1,066,008	1,145,100	81,944	975,487	1,057,431
Total in Brazilian Reais			521,505	3,117,449	3,638,954	357,213	2,721,179	3,078,392
Foreign currency								
KfW Bank	1.35%	EURO	-	8,634	8,634	-	2,039	2,039
Total Foreign currency			-	8,634	8,634	-	2,039	2,039
Balances at end of the year			521,505	3,126,083	3,647,588	357,213	2,723,218	3,080,431
Loans and financing			275,978	1,450,794	1,726,772	138,322	1,266,244	1,404,566
Debentures			191,146	1,371,619	1,562,765	160,754	1,139,780	1,300,534
Lease			54,381	303,670	358,051	58,137	317,194	375,331

* IPCA as a variable component of the TLP

Foreign Currency Debt:

On December 11, 2017, the Company signed a loan agreement with KfW Bank of EUR 50 million, with interest subsidy provided by the Federal Republic of Germany for projects that meet the eligibility criteria of the development policy as per terms that meet the OECD - Organization for Economic Co-operation and Development requirements for recognition as Official Development Assistance. The first release of funds took place in August 2019.

The Company will use the Loan exclusively to finance the promotion of the DKTI climate-friendly biogas technology promotion program in the state of Paraná regarding: (i) rehabilitation, expansion and construction of sewage treatment systems and plants; (ii) collection, treatment, disposal and use of biogas from sewage treatment plants; (iii) sludge treatment; (iv) equipment and accessories; and (v) consulting services.

The Company will promote the execution of the contractually planned activities and Banco KfW will disburse the amounts by 06/30/2023. Half-yearly payment of a 0.25% commitment fee will be due per year on the

amount not yet disbursed and interest of 1.35% per year. on the amount disbursed. The debt will be repaid in 21 semi-annual payments as of December 30, 2022.

Throughout the term of the agreement, the Company shall comply with the covenants pursuant to item f of this Note.

The Company contracted derivative hedging instruments with Banco Bradesco S.A., Banco Santander Brasil S.A. and Itaú Unibanco S.A., which were signed on 11/06/2017, 12/07/2017 and 22/01/2018 respectively, to mitigate the foreign exchange risk by assuming a variation in the CDI, as described in Note 4.1. Up to December 31, 2020, €1,486 thousand had been released by Banco KfW, with swap operations to protect the interest rate and exchange rate variation, without speculative character, converting the financial charges to 127.91% of the CDI (weighted average), which represents the percentage of 3.53% for a rate of 2.76% of the CDI.

Lease:

The obligations arising from Leases are allocated to financial charges and reduction of the corresponding liability, reflecting a periodic and constant interest rate on the remaining balance of the liability. Lease liabilities have the following characteristics:

Liabilities	2019	Additions	Financial charges	Payments	2020
Lease - Litoral	277,539	7,380	29,075	(36,079)	277,915
Lease - Right of use	97,792	19,778	5,232	(42,666)	80,136
Total	375,331	27,158	34,307	(78,745)	358,051
Current	58,137				54,381
Noncurrent	317,194				303,670

(i) The asset lease agreement resulting from the expansion of the sanitary sewage system in the municipalities of Matinhos and Pontal do Paraná (Lease - Litoral) provides for an annual monetary update of the debt balance linked to the IPC-FIPE during the term of the agreement. The discount rate applied in the initial recognition of this contract was carried out in the period in which the contractual stages were delivered, being the weighted average of 11.1%; and

(ii) Vehicle, movable and immovable lease agreements (Lease - Right of Use), do not have a contractual term of more than 5 years. The incremental loan rate (weighted average) applied to the liabilities of these leases varies according to the period in which they are signed, when the respective initial accounting record is made. On January 1, 2019, the weighted average discount rate applied to the contracts was 6.88%. As of December 31, 2019, the weighted average discount rate applied to the recognition of these contracts was 6.76%, and as of December 31, 2020, 6.12%. The Company does not have variable rent payments in its lease agreements, nor does it have a sale or leaseback transaction for assets.

The lease liability recognized by the Company is gross of PIS/COFINS, and has the following changes:

As of December 31, 2020, the present value of the minimum future financial obligations related to the Lease is shown below:

Description	Minimum Future Payments	Financial charges	2020	2019
			Present Value of Future Payments	Present Value of Future Payments
Lease - Litoral				
Less than a year	36,730	(26,448)	10,282	9,374
More than a year and less than five years	146,917	(106,690)	40,227	46,797
Above five years	381,632	(154,226)	227,406	221,368
Subtotal	565,279	(287,364)	277,915	277,539
Lease - Right of Use				
Less than a year	47,369	(3,270)	44,099	48,764
More than a year and less than five years	38,601	(2,564)	36,037	49,028
Subtotal	85,970	(5,834)	80,136	97,792
Total	651,249	(293,198)	358,051	375,331

The liabilities for use rights lease were measured considering the discount rate of the incremental loan, with the incorporation of projected inflation, and presents the following composition:

Description	2020
Vehicles	18,260
Mobile goods	21,706
Real estate	43,579
Total	83,545

Below we present the future payment flows, considering the projected inflation until the maturity of the contracts, by nature of the lease, in relation to the lease commitments for the right to use:

Description	2021	2022	2023	2024	2025	Total
Vehicles	14,921	3,967	-	-	-	18,888
Mobile goods	13,325	6,683	3,106	-	-	23,114
Real estate	8,409	9,244	10,103	11,037	12,078	50,871
Total	36,655	19,894	13,209	11,037	12,078	92,873

The composition of the Company's loans, financing, debentures and lease expressed in Brazilian Reais subject to variable and fixed interest rates are shown below:

Index	2020	2019
TR	1,145,100	1,057,431
TJLP	593,283	634,860
IPCA	722,893	382,710
DI	798,980	600,493
IPC-FIPE	277,915	277,539
EURO	8,634	2,039
No Monetary Adjustment	100,783	125,359
Total	3,647,588	3,080,431

b) Description of loans, financing, debentures and lease:

Description	Period of Issuance	Final Maturity	Amount Contracted	Amount Contracted	Payments	
					Amortization	Interest
Debentures 8th Issuance – 1st series	2018	2021	95,000	9,500	2021	Six-monthly
Bank Credit Notes - CCB	2020	2022	200,000	-	Monthly	Monthly
Debentures 8th Issuance – 2nd series	2018	2023	155,000	15,500	2023	Six-monthly
BNDES - 1 Contract	2007	2023	81,357	-	Monthly	Quarterly during grace period and monthly at amortization
Debentures 9th Issuance – 1st series	2019	2024	199,150	19,915	2024	Six-monthly
Banco do Brasil - PSI - 11 Contracts	2013 to 2014	2024	30,793	-	Monthly	Quarterly during grace period and monthly at amortization
Debentures 2nd Issuance - 1st and 3rd series	2011	2024	276,609	7,000	Monthly	Quarterly during grace period and monthly at amortization
Debentures 2nd Issuance – 2nd series	2011	2024	118,547	3,000	Annual	Annual
Banco Itaú - PSI - 13 Contracts	2013 to 2014	2025	33,175	-	Monthly	Quarterly during grace period and monthly at amortization
Debentures 9th Issuance – 2nd series	2019	2026	150,850	15,085	2026	Six-monthly
Debentures 4th Issuance – 1st series	2014	2027	230,012	7,000	Monthly	Quarterly during grace period and monthly at amortization
Debentures 4th Issuance – 2nd series	2014	2027	98,576	3,000	Monthly	Quarterly during grace period and monthly at amortization
Debentures 10th Issuance – Single issue	2020	2027	350,000	35,000	2027	Semestral
BNDES - PAC2 - 4 Contracts	2011 to 2014	2029	629,594	-	Monthly	Quarterly during grace period and monthly at amortization

Description	Period of Issuance	Final Maturity	Amount Contracted	Amount Contracted	Payments	
					Amortization	Interest
KfW Bank (Euro)	2017	2032	50,000	-	Six-monthly	Six-monthly
Lease - Litoral	2013	2036	460,592	-	Monthly	Monthly
Lease - Right of Use	2015 to 2020	2020 to 2025	135,748	-	Monthly	Monthly
Debentures 7th Issuance – 1st series	2018	2038	47,279	19,733	Monthly	Quarterly during grace period and monthly at amortization
Debentures 7th Issuance – 2nd series	2018	2038	120,437	50,267	Monthly	Quarterly during grace period and monthly at amortization
Debentures 7th Issuance – 3rd series	2018	2038	20,263	8,457	Monthly	Quarterly during grace period and monthly at amortization
Debentures 7th Issuance – 4th series	2018	2038	51,616	21,543	Monthly	Quarterly during grace period and monthly at amortization
BNDES - AVANÇAR	2020	2040	254,788	-	Monthly	Quarterly during grace period and monthly at amortization
Caixa Econômica Federal - 294 Contracts	2003 to 2018	2042	3,273,144	-	Monthly	Monthly

c) The amortization timeline is as follows:

Description	2021	2022	2023	2024	2025	2026	2027 to 2042	Total
Debentures 2nd Issue	50,519	48,164	48,164	41,036	-	-	-	187,883
Debentures 4th Issue	38,288	37,582	37,582	37,582	37,582	37,582	21,910	248,108
Debentures 7th Issue	3,454	9,791	9,791	9,791	9,791	9,791	116,676	169,085
Debentures 8th Issue	95,042	-	154,902	-	-	-	-	249,944
Debentures 9th Issue	314	-	-	199,075	-	150,777	-	350,166
Debentures 10th Issue	3,529	-	-	-	-	-	354,050	357,579
Subtotal Debentures	191,146	95,537	250,439	287,484	47,373	198,150	492,636	1,562,765
BNDES	7,705	7,661	639	-	-	-	-	16,005
BNDES - PAC2	49,561	44,768	43,557	43,557	43,557	38,839	48,701	312,540
BNDES - AVANÇAR	4	-	734	1,469	1,469	1,469	19,831	24,976
Banco do Brasil - PSI	3,385	3,369	2,093	190	-	-	-	9,037
Banco Itaú - PSI	3,566	3,542	3,056	1,420	26	-	-	11,610
Bank Credit Notes - CCB	132,665	66,205	-	-	-	-	-	198,870
Caixa Econômica Federal	79,092	73,724	63,787	67,757	71,974	75,730	713,036	1,145,100
KfW Bank	-	444	817	817	817	817	4,922	8,634
Subtotal loans and financing	275,978	199,713	114,683	115,210	117,843	116,855	786,490	1,726,772
Lease - Litoral	10,282	8,705	9,591	10,579	11,682	12,914	214,162	277,915
Lease - Right of Use	44,099	16,978	11,993	5,198	1,868	-	-	80,136
Subtotal Lease	54,381	25,683	21,584	15,777	13,550	12,914	214,162	358,051
Total	521,505	320,933	386,706	418,471	178,766	327,919	1,493,288	3,647,588

d) Changes in loans, financing, debentures and Finance Lease were:

Description	2020		2019	
	Current	Noncurrent	Current	Noncurrent
Balances at beginning of year	357,213	2,723,218	478,770	2,292,548
Releases	-	860,789	-	659,830
Interest and fines on financings	197,045	-	200,198	-
Monetary Variations on financings	-	23,685	-	15,009
Transfers	480,325	(480,325)	357,594	(357,594)
Amortization	(565,873)	-	(749,537)	-
Costs of funds raised with third parties	(1,290)	(9,981)	190	108
Exchange rate variation	-	1,317	-	(24)
Interest and Monetary Updates Lease	34,307	7,380	36,016	10,128
Lease	19,778	-	33,982	103,213
Balances at end of year	521,505	3,126,083	357,213	2,723,218

e) The main events in the year were as follows:

During 2020, the Company obtained and amortized funds from third parties, as stated below:

Index	Releases	Amortization
Debentures 2nd Issue	-	(64,603)
Debentures 3rd Issue	-	(77,426)
Debentures 4th Issue	-	(55,104)
Debentures 7th Issue	49,110	(9,715)
Debentures 8th Issue	-	(7,481)
Debentures 9th Issue	-	(10,745)
Debentures 10th Issue	350,000	(7,816)
BNDES	-	(8,998)
BNDES - PAC2	62,000	(62,653)
BNDES - AVANÇAR	26,000	-
Banco do Brasil - PSI	-	(3,782)
Banco Itaú - PSI	-	(4,192)
KfW Bank	6,118	(61)
Bank Credit Notes - CCB	200,000	(4,777)
Caixa Econômica Federal	167,561	(169,774)
Subtotal	860,789	(487,127)
Lease ⁽¹⁾	19,778	(78,746)
Grand Total	880,567	(565,873)

(1) Releases represent right of use (without impact on cash)

f) Restrictive Contractual Clauses – Covenants

Covenants and restrictive clauses linked to the loans, financing and debentures are shown below:

• Covenants in BNDES contracts and in 2nd, 4th and 7th Issuance of Debentures

Index	Limit	Range
EBITDA / Debt Service	Equal to or higher than 1.5	Less than 1.5 and equal to or higher than 1.2
Net Bank Debt/ EBITDA	Equal to or under than 3.0	Equal to or under 3.8 and higher than 3.0
Other Onerous Debt/ EBITDA	Equal to or under than 1.0	Equal to or under 1.3 and higher than 1.0

• Covenants of contracts of the 8th, 9th and 10th Issuance of Debentures and of Bank Credit Notes - CCB

Index	Limit
Adjusted EBITDA/Net Financial Expenses	Equal to or higher than 1.5
Net Bank Debt / adjusted EBITDA	Equal to or under than 3.0

• Covenants of contracts of the Caixa Econômica Federal

Index	Limit
Adjusted EBITDA/Net Financial Expenses	Equal to or higher than 1.5
Net Bank Debt / adjusted EBITDA	Equal to or under 3.0
Other Onerous Debt/Adjusted EBITDA	Equal to or under 1.0

• Covenants of contracts of the KfW Bank

Index	Limit
EBITDA / Debt service	Equal to or higher than 1.5
Net Bank Debt / Adjusted EBITDA	Equal to or under than 3.0
Other Onerous Debt / Adjusted EBITDA	Equal to or under 1.0
Levels of debt	Equal to or under 60

For BNDES financings contracts, including the new contract called "AVANÇAR" and the 2nd, 4th and 7th Issuance of Debentures, the Company shall maintain throughout the term of the financing agreements the limit ratios, calculated on a quarterly basis and related to cumulative values for the past 12 months.

In case one or more of the Company covenants should exhibit for a minimum of two (02) quarters, consecutive or not, within 12 months, ratios within the range mentioned above, the monthly amount for the installment of the transferred rights granted in es-

crow in the terms of the clause "Fiduciary Assignment of Rights" for each of the contracts will be automatically increased by twenty percent (20%).

For contracts in item (ii), of the 8th, 9th and 10th issuances of simple debentures, not convertible into shares, the type species and for the Bank Credit Notes - CCB contracted with Banco BTG Pactual, considering that it does not confer any special or general privilege to the holders, the Company must maintain the ratios mentioned above throughout the period and until the final maturity.

In relation to the contracts of the Caixa Econômica Federal, related to the 3rd phase of Normative Instruction 14 and Normative Instruction 29, pursuant to Item 16.1 of Clause Six of said agreements, the Company shall maintain throughout the term and until the final maturity the indexes pointed above.

With respect to the KfW Bank agreement, pursuant to paragraph 11.11 of the loan agreement, the Borrower undertakes to comply at all times with the stipulated financial ratios above.

As of December 31, 2020, the Company is fully complying with the restrictive clauses stipulated when issuing debentures, financing from BNDES, Caixa Econômica Federal, Banco KfW and CCB with Banco BTG Pactual.

15. TAXES AND CONTRIBUTIONS

The composition is as follows:

Description	2020	2019
Income tax - payable	-	12,671
Social contribution - payable	-	8,682
COFINS (tax on sales) payable	25,202	31,792
PASEP (tax on sales) payable	5,464	6,895
IPTU (Property tax) - installment payment ⁽¹⁾	670	1,100
Taxes and Contributions Withheld at Source	41,460	40,226
Total taxes and contributions	72,796	101,366
Current	72,691	100,770
Noncurrent	105	596

(1) The amount of IPTU (Urban Property Tax) by the City of Curitiba, relevant to the legal expropriation of property subject to an area occupied by ETE CIC/Shale, for the period 2002-2013, encompassing interest, and monetary indexed and legal fees of 10% on the total amount of debt. The amount of debt of R\$1,664, was divided by the Company in 90 monthly installments restated by the IPCA, plus moratorium interest of 1% per month, and until 12/31/2020, 76 installments amounting to R\$2,460 had been paid.

16. INCOME AND SOCIAL CONTRIBUTION TAXES

Accounting practice:

Income and social contribution taxes are recorded according to taxable income and prevailing rates: 15% for Corporate Income Tax, plus a surtax of 10% on the income exceeding (if applicable) the limit established by the law, and 9% for Social Contribution Tax.

Deferred income and social contribution taxes were calculated based on the effective rates of these taxes and recorded as established by law, according to CPC 26 (R1) and CPC 32, addressing the temporary differences of these taxes. The Company prepares periodical analysis that show that these taxes are recoverable through future operations.

Deferred tax assets and liabilities are presented net given that there is a legal or contractual right to offset the tax assets against the tax liabilities.

The Company assesses whether there is evidence of uncertainties regarding taxes on profit, as required by ICPC 22 and discloses when applicable.

a) Reconciliation of Income Tax and Social Contribution Expenses Recorded in the Statements of Income

Description	2020		2019	
	Income Tax	Social Contribution Tax	Income Tax	Social Contribution Tax
Income before Income and Social Contribution Taxes	1,365,755	1,365,755	1,453,884	1,453,884
Income and social contribution taxes - current rate	(341,439)	(122,918)	(363,471)	(130,850)
Interest Deductibility Benefit on Interest on Equity Capital	74,107	26,678	82,603	29,737
Workers' Meal Program – PAT ⁽¹⁾	-	-	12,613	-
Corporate Citizen Incentive ⁽²⁾	573	-	563	-
Equity in earnings (losses) of the controlled companies	(464)	(166)	(1,414)	(509)
IBAMA installment payment - Law n° 13.494 / 2017	(4,738)	(1,706)	-	-
Other	543	118	(2,240)	(882)
Total expenses	(271,418)	(97,994)	(271,346)	(102,504)
Total Income and Social Contribution taxes	(369,412)		(373,850)	
Effective rate	27.0%		25.7%	

(1) According to Law no. 6.321, of 04/14/1976;

(2) According to Decree 7.052, of December 23, 2009, regulating Law no. 11.770, of 09/09/2008.

b) Current and deferred income and social contribution taxes

The composition of these items for the year is as follows:

Description	2020	2019
Income tax	(323,443)	(314,566)
Social Contribution Tax	(116,252)	(117,601)
Realization of Deferred Income Tax	52,025	43,220
Realization of Deferred Social Contribution	18,258	15,097
Total	(369,412)	(373,850)

Possible tax impacts for the recognition of actuarial gains and losses in Net Equity are disclosed in the statement of Comprehensive Income.

c) Deferred income and social contribution taxes

The composition of the basis for deferred income tax and social contribution on assets and liabilities for future realization is as follows:

Description	Estimated realization term				2020	2019
		Calculation basis	Income tax	Social Contribution Tax	Total	Total
ASSETS						
NPV on Contractual Financial Assets	30 years	863,755	215,939	77,738	293,677	264,470
Lease - Litoral (Asset)	20 years	277,915	69,479	25,012	94,491	94,364
Pension and Health Plans	15 years	1,171,352	292,838	105,422	398,260	420,445
Impairment on assets	10 years	11,631	2,908	1,047	3,955	4,763
Civil, Labor, Tax and Environmental Provisions	5 years	544,677	136,169	49,021	185,190	185,869
Leases - Right of Use (asset)	5 years	80,136	20,034	7,212	27,246	33,249
Impairment on the investment - CS Bionergia	5 years	16,686	4,171	1,502	5,673	5,897
NPV of trade accounts receivable	5 years	8,860	2,215	797	3,012	1,390
Net Realizable Value of Inventory	5 years	2,732	683	246	929	438
AVJ - Investments Appraised at Fair Value	5 years	265	66	24	90	18
Allowance for doubtful accounts	3 years	51,821	12,955	4,664	17,619	15,677
Provision for expected on accounts receivable - CPC 48	3 years	12,328	3,082	1,110	4,192	-
PAI – Encouraged Retirement Program	1 year	77,276	19,319	6,955	26,274	132
Provision for PPR	1 year	70,242	17,561	6,321	23,882	25,141
Total			797,419	287,071	1,084,490	1,051,853
LIABILITIES						
NPV on Contractual Financial Assets	30 years	809,368	202,342	72,843	275,185	255,737
IRPJ Deferred on Construction and Improvements	24 years	115,773	28,943	-	28,943	30,252
Lease - Litoral (Liabilities)	20 years	185,731	46,433	16,716	63,149	64,590
Donations from Public Agencies	20 years	11,539	2,885	1,038	3,923	3,513
Revaluation surplus	13 years	97,412	24,353	8,767	33,120	35,833
Lease - Right of use (Liabilities)	5 years	62,559	15,640	5,630	21,270	30,188
Attribution of New Cost to Fixed Assets	3 years	7,073	1,768	637	2,405	2,677
Total			322,364	105,631	427,995	422,790
Total Net			475,055	181,440	656,495	629,063

d) Estimated Future Realization of Deferred Income Tax and Social Contribution

The estimated future realization of deferred tax assets and deferred tax liabilities as at December 31, 2020 is as follows:

Periods of Realization	Deferred Tax Assets			Deferred Tax Liabilities		
	Income Tax	Social Contribution	Totais	Income Tax	Social Contribution	Totais
2021	76,455	27,524	103,979	18,881	6,344	25,225
2022	39,576	14,247	53,823	18,881	6,344	25,225
2023	55,613	20,020	75,633	18,881	6,344	25,225
2024	32,898	11,843	44,741	13,079	4,255	17,334
2025	168,896	60,803	229,699	13,079	4,255	17,334
2026 to 2028	93,188	33,548	126,736	39,237	12,766	52,003
2029 to 2031	94,229	33,923	128,152	39,237	12,766	52,003
2032 to 2034	93,189	33,548	126,737	35,179	11,305	46,484
2035 to 2037	49,801	17,928	67,729	30,246	9,530	39,776
2038 to 2040	21,594	7,774	29,368	24,442	7,440	31,882
2041 to 2043	21,594	7,774	29,368	24,009	7,284	31,293
2044 to 2046	21,594	7,774	29,368	20,234	7,285	27,519
2047 to 2049	21,594	7,774	29,368	20,234	7,285	27,519
2050	7,198	2,591	9,789	6,745	2,428	9,173
Total	797,419	287,071	1,084,490	322,364	105,631	427,995

17. UNEARNED REVENUE

The Company has session contract for operation of financial services with Caixa Econômica Federal for a sixty-month term (sixty), starting in March/2017, for the amount of R\$21,000. Revenues corresponding to this contract are recognized on a monthly basis, for the term of the contract, on the accrual basis. The amount recognized in the results during 2020 was R\$4,200 (R\$4,200 in 2019). The balance as at December 31, 2020 was R\$4,900 (R\$9,100 as at 12/31/2019), with R\$4,200 (R\$4,200 as at 12/31/2019) recorded as current liabilities and R\$700 (R\$4,900 in 2019) as non-current liabilities.

18. PROVISIONS, CONTINGENT LIABILITIES AND COURT DEPOSITS

Accounting practice:

The Company records provisions when Management, supported by the opinion of its legal counselors, understands that there are chances of probable loss in certain legal proceedings arising in the normal course of its business.

The provisions are reviewed and adjusted to take into consideration changes in circumstances, such as applicable statutes of limitations, conclusions from tax inspections or additional exposures identified based on new matters or court decisions.

a) Provisions

The Company books provisions for civil, labor, tax and environmental claims classified as probable losses, with the following changes:

Nature	2019	Additions	Reversals	Payments	2020
Labor claims (i)	302,119	65,647	(31,558)	(17,486)	318,722
Civil claims (ii)	206,654	47,510	(3,820)	(49,173)	201,171
Environmental claims (iii)	18,256	29,482	(11,921)	(18,951)	16,866
Tax claims (iv)	19,643	5,705	(17,430)	-	7,918
Total	546,672	148,344	(64,729)	(85,610)	544,677

In the first quarter of 2020 there was a reversal of the provision of R\$36,930, related to the judicial process of economic and financial rebalancing of the contract with the DM / LFM / SEF consortium, resulting from costs incurred for the replacement of sand basement material for gravel. In addition, in relation to this same lawsuit, a provision of R\$14,978 was recorded, referring to the residual amount challenged in the case, attorney's fees, court costs and fine.

In the third quarter of 2020, an environmental provision of R\$18,951 was constituted as a result of an appeal by IBAMA that consolidated the amount of the debt of the Environmental Infraction Notice, which established a fine for exploration of underground water from the karst aquifer, without a competent environmental license. The Company's management approved adherence to public call No. 02/2018, upon conversion of the environmental fine, according to a relevant fact published on October 6, 2020.

In the year of 2020, there was a supplement to the labor provision in the amount of R\$5,153, referring to a lawsuit filed by the Union of Engineers of the State of Paraná - SENGE, related to salary differences in the Positions, Career and Compensation Plan.

b) Contingent liabilities

The Company, given the nature of the claim proceedings in which it is involved and supported by the opinion of its legal advisors, discloses its contingent liabilities that are expected to incur possible losses. For these actions, no provisions were made for possible losses, as established by CPC 25 of the Accounting Pronouncement Committee.

The position of contingent liabilities with possible loss for civil, environmental and tax claims, is as follows:

Nature	Contingent liabilities	
	2020	2019
Labor claims (i)	44,051	55,933
Civil claims (ii)	494,577	465,131
Environmental claims (iii)	388,910	328,049
Tax claims (iv)	23,414	16,989
Total	950,952	866,102

(i) Labor

Labor claims are mostly related to claims filed by former employees of the company and providers (joint responsibility), who vindicate salary differences and labor charges. The main suits involving the Company are in relation to: i) plan for jobs and wages; ii) premium for unhealthy and nocturnal; (iii) functional reintegration; iv) wage equalization; v) reduction of the employer contribution to the health plan; vi) FGTS fines 40% and vii) work accident.

(ii) Civil

Civil proceedings are related to requests for compensation of customers and suppliers, and third-party damages. The main suits involving the Company are in relation to: i) reimbursement of costs incurred for the replacement of materials; ii) other proceedings resulting from indemnification related to the suspension of the contract, traffic accidents, property damage, loss of profits, among others.

(iii) Environmental

SANEPAR has several environmental actions, related to infraction notices issued by Municipal, State and Federal environmental agencies, motivated by different non-conformities, presented primarily in the sewage process, as specified below: i) Leakage and overflow of collection networks; ii) Deficiencies in environmental licensing and grants from Sewage Treatment Plants - ETE; iii) Release of effluents from sewage treatment stations in disagreement with the parameters required by law; and iv) Incorrect destination of the residues (sludge) resulting from the treatment.

Some tax assessment notices are being challenged both at the administrative level, by the respective bodies, and in court.

As a result of the infraction notices drawn up by IBAMA, this Federal Agency filed in 2014 and 2015, 17 Public Civil Actions (ACP) that are being processed before the 11th Federal Court of Curitiba. In 2018, 17 Terms of Judicial Agreements - TAJ were signed in these Public Civil Actions, duly signed by the Federal Public Ministry, IBAMA and Instituto Água e Terra - IAT and ratified by the Federal Court. Of the 251 ETEs in operation that make up Sanepar's Sanitary Sewage System (SES), 183 were covered by these Judicial Agreement Terms (TAJ).

In 2019, the Court of the 11th Federal Court of Curitiba ruled for non-compliance with the Agreement regarding a Clause provided for in two agreements (ACP 5001669-33.2015.4.04.7015 and ACP 5001739-56.2015.4.04.7013) that oblige SANEPAR to pay fine in the estimated amount of R \$ 14.6 million. This amount is disclosed as a contingent liability, with a "Possible" probability of loss. SANEPAR appealed the decision, obtaining favorable opinions from IBAMA, Instituto Água e Terra and the Federal Public Ministry. In December 2020, the Company concluded the renegotiation with IBAMA and IAT, with the adjustment of some construction schedules and the elaboration of new clauses with the establishment of compensations for the respective agreements signed in 2018. In the first half of 2021, the renegotiation will be carried out to the Court for analysis and manifestation.

(iv) Tax

Tax proceedings are mainly in relation to queries connected to collection of ISSQN (Tax over Services of Any Nature) due to divergent interpretations of the law. The main claims with which the Company is involved include the municipalities of Londrina, Paranavaí, Campina da Lagoa, Campo Mourão, Porecatu and Pinhais.

c) Court deposits

The Company has made court deposits that will only be recovered in case of a favorable sentence for the Company.

The breakdown is as follows:

Nature	Depósitos Judiciais	
	2020	2019
Labor claims	227,969	185,806
Civil claims	73,575	99,786
Environmental claims	5,096	2,492
Tax claims	13,835	9,671
Total	320,475	297,755

19. PENSION PLAN AND MEDICAL INSURANCE

Accounting practice:

The Company has a mixed pension plan (defined contribution during the working phase and defined benefit with lifetime income for retirees, pensioners and risk benefits) and in the health area, it sponsors a plan of medical and dental benefits for its employees, dependents and retirees, whose effects are recognized on the accrual basis and according to the criteria established by CVM Decision No. 695, as stated in this Note.

Sanepar sponsors the Fundação Sanepar de Previdência e Assistência Social – FUSAN, non-profit legal entity, with the main purpose of managing the company's retirement plan that targets supplementing pension benefits for Company staff.

Due to the Coronavirus (COVID-19), the financial market and the health sector were significantly affected, so we highlight below the reflections for the retirement plans (Fusanprev) and medical assistance (Sanesaúde), sponsored by the Company:

Fusanprev: Considering that the Financial Market improved significantly in the last quarter of 2020, mainly due to accommodative monetary policies of the main central banks, accompanied by a fiscal stimulus package in the United States with the inauguration of its new president and the good expectation of a consistent recovery of world economic growth due to the beginning of the Coronavirus (COVID-19) immunization of populations in more developed economies, coupled with the suspension by the Brazilian Government of income transfer measures without counterparts, the maintenance of the Selic rate at 2% per year by the Central Bank and the 9.3% increase in the IBOVESPA index in December, provided the plan with an accumulated profitability of 6.07% in the 4th quarter, above the market reference index (CDI), which stood at 0.47%. However, even with a positive return of 6.65% in the year, the Plan's result was below the plan's actuarial minimum of 10.98%. Due to the fact that it has a diversified investment portfolio with a moderate profile, applied in several asset classes, with medium and long term profile, based on an ALM (Asset Liability Management) study, it provides sufficient liquidity to honor the payment of benefits. Considering the governance structure of FUSAN for decision-making, following the advice of the regulatory bodies linked to Supplementary Pension Plans, due to the practice of being closely monitoring the investments made, including checking the investment opportunities that arose in the crisis, due to the very strong performance of the Central Banks countries that are injecting a significant volume of resources into the economy, thus maintaining the liquidity and functioning of the system, and even considering the uncertainty in Brazil regarding the country's fiscal situation (Debt x GDP), the projection is that GDP increase by 3% in 2021 and that inflation remains at an estimated rate of 3.4% in the same period, in addition to interest rates remaining low, with an estimated Selic rate of 3%. In view of the above, we understand that for the end of the Fiscal Year 2020, there is no change in the amounts provisioned other than those supported by the actuarial calculation per-

formed by an independent company shown below in this Explanatory Note.

Sanesaúde: The plan presented a surplus result at the end of the fiscal year of 2020, in the amount of R \$ 16.8 million, mainly due to the reduction in the demand for care in practically all medical and dental coverage. The reduction in the demand for care is due to several factors, such as the prohibition of surgeries and hospitalizations for elective procedures by the health agencies in certain months of the year and the change in the behavior of the beneficiaries during the pandemic months, which reduced the number of calls. It should be noted that the impact of the COVID-19 cases on the Plan's expenses so far is quite limited. Technical reserves indicate that the plan is in balance. Fundação Sanepar adhered to the model established by ANS (RN nº 451/2020), in April 2020, which made it possible to untie part of the provisions that were recorded in the solvency margin that became part of the Plan's result and increased the ability to cope with rising costs and possible impacts of the pandemic. Another measure that had a positive impact was the postponement by ANS - National Supplementary Health Agency, of the formation of funds for the Provision for Events that Occurred and Not Reported - Peona SUS and Provision for Insufficiency of Considerations - PIC for 2021. The monthly contributions of the Plan 7.64% were readjusted in June 2020, which, under current conditions, should maintain the balance between income and expenses until June 2021, when the plan's contributions will be readjusted. It is expected that during 2021, with the cooling of the pandemic and the consequent relaxation of restrictive measures, there will be an increase in demand for services, a fact that may consume part of the positive result generated in the year 2020. Considering that the Sanepar Foundation monitors daily the scenario based on the hospitalization census, with a view to taking the necessary measures for the management of the Plan, as well as assessing the impacts of the pandemic and carefully monitoring the measures and recommendations of the regulatory bodies related to Supplementary Health, we do not estimate any change in the values provisioned in addition to those supported by the actuarial calculation performed by an independent company shown below in this Explanatory Note

The retirement/pension plan managed by FUSAN has the following main features: defined contribution during the working phase and defined benefit with lifetime income for retirees, pensioners and risk benefits (disability retirement, death pension, sickness and accident). This year, the Sponsor passed on the amount of R\$34,335 (R\$33,598 in 2019) as contribution to FUSAN.

The technical reserves for purposes of meeting the standards established by Previc - National Superintendency of Complementary Pensions are determined by the actuary responsible for the pension plan.

The Company also sponsors the Fundação Sanepar de Assistência Social, a non-profit social welfare association that manages health care for active and retired Sanepar employees, called SaneSaúde.

SaneSaúde is a collective of medical and dental care insurance plan, self-managed, financed by pre-payment, and the contributions made on average 63.5% for the sponsor and 36.5% for active and retired ben-

eficiaries through defined monthly contributions for the regulation of the plan, which are determined annually based on actuarial calculations, which take into account the age of the beneficiary, and the existence of limiting factors for use of the services offered.

As a contribution to the Foundation, this year, the Company transferred the amount of R\$74,024 (R\$ 69,238 in 2019).

Additionally, for the purposes of complying with the determinations contained in CPC 33 (R1), approved by CVM Deliberation 695, the company Mirador Assessoria Atuarial Ltda. Was hired for the year ended December 31, 2020, which issued detailed reports, supporting the information included on the said base date.

The information below shows the actuarial position of liabilities related to pension and health care plans. The Projected Unit Credit method (PUC) was used to calculate the actuarial liability.

Statement of actuarial liabilities:

Description	Pension Plan	Medical Insurance	2020	2019
Valor presente da obrigação no início do ano	1,377,079	779,761	2,156,840	1,762,549
Custo de juros sobre a obrigação	91,072	53,429	144,501	159,973
Custo do serviço corrente, líquido	3,524	6,784	10,308	4,565
Contribuições de Participantes	9,319	-	9,319	10,109
Benefícios pagos no exercício	(92,123)	(25,801)	(117,924)	(100,807)
Ganhos e (Perdas) atuariais do exercício	160,417	(159,535)	882	320,451
Obrigação total no exercício	1,549,288	654,638	2,203,926	2,156,840
Valor justo dos ativos do plano no início do ano	(920,238)	-	(920,238)	(820,761)
Juros sobre os ativos do plano	(60,459)	-	(60,459)	(73,504)
Contribuição dos participantes	(9,319)	-	(9,319)	(10,109)
Contribuição da patrocinadora	(7,764)	-	(7,764)	(30,950)
Benefícios pagos no exercício	92,123	-	92,123	100,807
Ganho (Perda) sobre os ativos do plano no exercício	(126,917)	-	(126,917)	(85,721)
Valor justo dos ativos no exercício	(1,032,574)	-	(1,032,574)	(920,238)
Passivo reconhecido no final do exercício	516,714	654,638	1,171,352	1,236,602
Circulante	34,448	43,642	78,090	82,440
Não Circulante	482,266	610,996	1,093,262	1,154,162

We describe the assumptions used in the actuarial evaluation, as follows:

Economic hypotheses	2020	2019
Discount rate for health	Annual rate of 7.38%	Annual rate of 6.97%
Discount rate for social security	Annual rate of 7.28%	Annual rate of 6.81%
Expected rate of return on assets for health	Annual rate of 7.38%	Annual rate of 6.97%
Expected rate of return on assets for social security	Annual rate of 7.28%	Annual rate of 6.81%
Future increase in salaries	Annual rate of 3.42%	Annual rate of 3.44%
Inflation	Annual rate of 3.34%	Annual rate of 3.60%
Real increase in medical costs	Annual rate of 3.00%	Annual rate of 3.00%
Demographic hypotheses	2020	2019
Mortality table	AT-2000 Basic	AT-2000 Basic
Mortality table for disabled participants	Winkloss D10	Winkloss D10
Disability table	Grupo Americana	Álvaro Vindas D20
Age of retirement	55 years	55 years

Analysis of sensitivity of changes in interest rate:

Description	Pension Plan	Medical Insurance
Interest rate		
With an increase of 1%	(10,49%)	(11,92%)
With a reduction of 1%	12,86%	14,83%
Increase of costs		
With an increase of 1%	-	25,09%
With a reduction of 1%	-	(20,42%)
Life expectation		
With an increase of 1 year	1,69%	3,19%
With a reduction of 1 year	(1,71%)	(3,17%)
Increase in salaries		
With an increase of 1%	0,70%	-
With a reduction of 1%	(0,62%)	-

Plan assets

The fair value of the plan assets approximates their book value and breaks down as follows:

Description	2020	%	2019	%
Fixed income ^(a)	1,169,383	66.8	1,192,978	69.6
Floating income ^(b)	275,945	15.8	226,295	13.2
Properties ^(c)	37,038	2.1	37,722	2.2
Transactions with participants ^(d)	92,792	5.3	94,438	5.5
Structured ^(e)	143,648	8.2	148,255	8.6
Foreign investments ^(f)	32,031	1.8	15,355	0.9
Fair value of the plan's assets	1,750,837	100	1,715,043	100

(a) Fixed income: These are Federal Government Bonds and private credit securities with remuneration established upon purchase;

(b) Floating income: Assets negotiated at stock exchanges and regulated by authorities whose returns and investments cannot be measured at the time of the investment;

(c) Properties: Real estate owned by the Foundation;

(d) Transactions with participants: Loan transactions for participants of the plan;

(e) Structured: Assets in investments of projects not traded in the stock exchanges and multimarket funds included in this segment;

(f) Investments Abroad: Investment funds set up in Brazil that trade assets abroad.

Unallowed investments types:

- Day-Trade: It is forbidden to conduct day-trade transactions in the exclusive funds invested by the plan; and
- Real estate financing: It is forbidden to grant real estate financing, established in the Segment of Transactions with Participants, during the effective period of this Investment Policy;

The table below shows the projected expenses for 2021:

Description	Pension Plan	Medical Insurance	2021
Current service cost	9,916	4,706	14,622
Current service cost	109,018	47,389	156,407
Expected return on the plan's assets	(71,915)	-	(71,915)
Contributions of the sponsor/participants	(14,468)	(25,779)	(40,247)
Total	32,551	26,316	58,867

20. RELATED-PARTY TRANSACTIONS

Accounting practice:

The Company has conducted business transactions with several related parties, especially with the state of Paraná and some municipalities, as stated in this note.

The Company assigned to the state of Paraná interest on equity capital of 2020 in the amount of R\$55,657 (R\$62,055 in 2019). This amount depends on approval at the General Shareholders Meeting. The Company also provided water and sewage services to the state of Paraná, whose revenue was R\$106,740 and R\$124,913 for 2020 and 2019, respectively.

The Company provides water and sanitary sewage services to a number of city administrations, with which it maintains Concession Contracts and Municipal Program Contracts, with the revenues from said contracts with municipal administrations being, during 2020, R\$87,694 (R\$105,324 in 2019). The Company also provides services of urban solid waste management in some municipalities of the State of Paraná, with the revenue for this service being R\$11,863 (R\$11,722 in 2019). In addition, the Company has accounts receivable from these prefectures in the amount of R\$36,811 in 2020 (R\$48,703 in 2019), as shown in Note 6a.

The Company transacts with CS Bioenergia SA, and during the year 2020, it obtained revenues from the treatment of sewage effluents in the amount of R\$153 (R\$1,174 in 2019) and rental of property in the amount of R\$287 (R\$352 in 2019), in addition to reimbursable electricity costs in the amount of R \$ 419 and also expenses related to: (i) sludge removal from the Sewage Treatment Station - ETE Belém in the amount of R\$12,189 (R\$4,190 in 2019) and (ii) lease of a mini-generator of electric energy from biogas in the amount of R\$1,081. Additionally, on December 31, 2020, the Company has accounts receivable from CS Bioenergia S.A. in the following composition:

i) in the amount of R\$131 (of which R \$ 78 from electricity and R\$53 from expenses with generator rental);

ii) installments of debts arising from the treatment of sewage effluents from September 2018 to February 2020 in the total amount of R\$1,187, in 150 installments.

The Company also carries out operations with the Sanepar Foundations (Health Plan and Pension Plan), and during the year 2020 obtained revenues for the supply of water and sewage services in the amount of R\$16 (R\$20 in 2019), expenses of rent of property

in the amount of R\$563 (R\$600 in 2019) and of employer contributions to the employee benefit plans in the amount of R\$108,359 (R\$102,836 in 2019), as described in note 19.

All transactions with related parties were practiced by Sanepar's Management under the same market conditions as practiced with its other customers, except for some municipalities that have discounts on invoices of water supply and sewage, depending on the set maximum consumption in each special contract with the government to obtain the benefit.

Management compensation

The overall annual management compensation for the year ending December 31, 2020 was approved by 56^a/2020 Annual General Meeting (AGO) of April 23, 2020, for the amount of R\$15,036. For 2019, the approval was issued by the 55^a/2019 Annual General Meeting (AGO) held on April 24, 2019, for the amount of R\$13,918.

The following are the payments made to managers:

Description	2020	2019
Remuneration	9,548	9,113
Charges and Benefits	2,933	2,817
Social charges	2,749	2,507
Profit sharing	-	134
Health plan (Sanesaúde)	66	53
Sanepar Foundation (Fusan)	110	109
Supplementary programmes	8	14
Total	12,481	11,930

21. OTHER ACCOUNTS PAYABLE

The composition is as follows:

Description	2020	2019
Contracts and Agreements with third parties	13,073	7,370
Agreements with municipal administrations	18,177	16,238
Collaterals and amounts reimbursable	9,146	5,938
Installment payment IBAMA – PRD ⁽¹⁾	61,124	63,888
Municipal Sanitation and Environmental Management Fund	5,396	5,506
Other account payables	-	250
Total	106,916	99,190
Current	77,299	56,496
Noncurrent	29,617	42,694

(1) Installment payment of debts referring to 31 environmental assessment notices from the Brazilian Institute of Environment and Renewable Natural Resources – IBAMA, in accordance with the Non-Tax Debt Settlement Program – PRD created by Law No. 13.494/2017. Until 12/31/2017, 20% of consolidated debt amounting to R\$29,083 (adhesion to installment payment) was settled and the remaining was paid in installment up to 60 monthly installments, adjusted at SELIC interest rate, and until 12/31/2020 36 installments in the amount of R\$63,350 were paid.

22. EQUITY

a) Capital stock

In the 1st quarter of 2020, the Company split its shares, transforming each common and preferred share into 3 (three) shares, and each Unit into 3 Units. In the case of Units, they will continue with the same formation of 1 common share and 4 preferred shares.

Capital stock, fully paid-in, is composed by 1,511,205,519 shares, with no par value, being 503,735,259 common shares and 1,007,470,260 preferred shares. In addition to the common and preferred shares, the Company started to negotiate Share Deposit Certificates ("Units"), being each "Unit" formed by one common share and four preferred shares.

Preferential shares are not entitled to vote, but they have assured: (i) equally participate with ordinary shares in the distribution of shares or any other bonds or benefits, including incorporation of reserves to capital stock; (ii) priority treatment in the reimbursement of capital in case of the Company's liquidation; and (iii) the right to receive compensation, of at least 10% higher than the amount attributed to each ordinary share.

The equity value of each share on December 31, 2020, is R\$4.59 (R\$12.26 on December 31, 2019 and R\$4.09 adjusted for the split).

In the first quarter of 2020, the Company increased its Capital by R\$1,145,048 with the use of part of the balance of Profit Reserves, without bonus shares. The increase was due to the fact that the balance of the Profit Reserves exceeded the amount of the Capital Stock.

Subscribed and paid-in capital stock as at December 31, 2019 is R\$2,854,952, which net of share issue cost amounts to R\$2,851,089, with shareholding structure as follows:

Shareholders	Number of shares					
	Common	%	Preferred	%	Total	%
State of Paraná	302,658,716	60.1	3	-	302,658,719	20.0
Municipal Administrations	-	-	5,572,423	0.6	5,572,423	0.4
Foreign Investors	89,613,850	17.8	454,015,404	45.0	543,629,254	36.0
Other Investors	111,462,693	22.1	547,882,430	54.4	659,345,123	43.6
Total	503,735,259	100.0	1,007,470,260	100.0	1,511,205,519	100.0

b) Revaluation surplus

The reevaluation surplus was realized in the year, transferring to Retained earnings the amount of R\$5,267 (R\$5,552 in 2019), net of Income Tax and Social Contribution. The realization of this reserve occurs in the same ratio as of right down and depreciation of assets registered in the fixed and intangible assets line, object of said reevaluation.

The changes in the realization of the Reevaluation Surplus were as follows:

Description	2020	2019
Balances at beginning of year	69,559	75,111
Realization of revaluation surplus	(7,980)	(8,413)
Realization of Taxes on the Revaluation surplus	2,713	2,861
Balances at the end of the year	64,292	69,559

c) Valuation Adjustments to Equity

Constituted in accordance with article 182 of the Brazilian Corporation Law, referring to the equity valuation adjustments, while not computed in the income for the year in accordance with the accrual basis, the counterparts of increases or decreases in amounts attributed to assets and liabilities, as a result of their valuation at fair value.

During this year it was transferred to retained earnings, the amount of R\$528 (R\$526 in 2019), net of income tax and social contribution. The realization of this account occurs in the same proportion of the write-offs and depreciation of property, plant and equipment and intangible assets, to which new values have been assigned.

The changes in the realization of the Valuation Adjustments were as follows:

Description	2020	2019
Balance at beginning of year	5,196	5,722
Realization of Adjustments to Assigned Cost.	(800)	(796)
Realization of Taxes on Adjustments to Assigned Cost	272	270
Balance at the end of the year	4,668	5,196

d) Reserve for Investment Plan

The investment plan reserve corresponds to remaining profit, after constituting the legal reserve, the fiscal incentives reserve, and the distribution of interest on shareholders' equity and dividends. The limit for constituting this reserve is the value of the paid-in shareholders capital. The funds allocated to the investment plan reserve will be invested in construction projects and expansion of water supply systems, collection and treatment of sewage, as established in the Company's investment plans.

Management proposes to appropriate the amount of R\$654,746 from retained earnings for the recognition of a Reserve for investment plan, subject to later approval at the Shareholders' Meeting. These funds will be applied in projects of construction and expansion of the systems of water supply and sewage collection and treatment, as established in the investment plans of the Company.

e) Legal Reserve

Constituted in the amount of R\$49,757 in 2020 (R\$53,996 in 2019), in accordance with the Brazilian Corporation Law and the Bylaws, based on 5% of the net income for each year, less the amount destined to constitute the Reserve for Tax incentives, until reaching the limit of 20% of paid-in capital. The legal reserve can only be used to increase capital or absorb accumulated losses. Also in accordance with the Brazilian Corporation Law, Management respects the capital limit for setting up profit reserves.

f) Tax incentive reserve

Constituted in the amount of R\$1.207 in 2020 (R\$123 in 2019), related to the portion of net income from donations and government subsidies, in accordance with article 195-A of the Brazilian Corporation Law. This amount was excluded from the calculation basis of Dividends.

g) Other Comprehensive Income

Pursuant to CPC 33 (R1), adjustments to the fair value of actuarial liabilities related to employee benefit plans (Note 19) arising from actuarial gains or losses are recorded directly in Shareholders' Equity. Adjustments are also made referring to the Realizations of the Revaluation Reserve and the Adjustment to the Deemed Cost.

The changes in actuarial gains and losses were as follows:

Description	2020	2019
Balance at the beginning of the year	(58,697)	96,225
Actuarial gains and losses	126,034	(234,730)
Taxes on actuarial gains and losses	(42,851)	79,808
Balance at the end of the year	24,486	(58,697)

h) Shareholders' compensation

Accounting practice:

Interest on equity capital was calculated in accordance with legislation in effect, observing the limit of variation of the Long-Term Interest Rate – TJLP, applied to adjusted equity. Interest on equity capital is recorded as financial expenses and reclassified to equity for purposes of presentation and disclosure of the financial statements. If the amount credited as interest on equity capital in the year results in a percentage of distribution lower than that proposed by Management, a supplementary value as additional dividends is recorded. Mandatory minimum dividend is recorded in current liabilities and possible values higher than the minimum limit are recorded in a reserve as Additional proposed dividends in Equity.

The Company Bylaws provide for the mandatory distribution of dividends of 25% of the adjusted net income in accordance with the Brazilian Corporate Law. Holders of preferential shares was assigned interest on shareholders' equity (dividend) per share 10% higher than that of holders of common shares.

The tax laws allow companies to proceed, within certain limits, with payments of interest on shareholders' equity to shareholders and to treat said payments as deductible expenses in calculating Income Tax and Social Contribution owed. This distribution, applicable to mandatory dividends payable by the Company, is treated for accounting purposes as a deduction of the shareholders' equity, similar to dividends. On these values is withheld income tax at the rate of 15% and paid by the Company upon the payment of interest.

Interest on equity capital payable was calculated within the limit of TJLP variation pursuant to Law No. 9.249/95, plus subsequent legal provisions. The total of interest was accounted for in financial expenses, generating a tax benefit of R\$100,785, according to tax law. For the purposes of these financial statements, this interest is being presented in Shareholders' Equity, charged to the retained earnings account.

The Company's management observing the Dividends Policy, and also considering the good current financial condition and the public interest of the Company, is proposing the approval of profit distribution at the General Shareholders Meeting, as follows:

	2020	2019
Net income for the year	996,343	1,080,034
Government grants and donations	(1,207)	(123)
Recognition of legal reserve	(49,757)	(53,996)
Basis for calculation of mandatory dividends	945,379	1,025,915
Mandatory dividends (25%)	236,345	256,479
Supplementary dividends	60,083	73,932
Proposed dividends and interest on equity capital	296,428	330,411

The amount of interest on equity capital calculated in 2020 was R\$296,428 (R\$330,441 in 2019), being withheld the amount of R\$29,733 (R\$28,123 in 2019) as withholding income tax, which resulted in an effective rate of 10% (8.5% in 2019).

The balance of the remuneration to shareholders recorded in Current Liabilities is as follows:

	2020	2019
Previous balance	229,341	183,678
Additional Dividends Authorized	73,932	211,907
Payments made during the year	(303,649)	(394,600)
Interest on Equity Capital and Dividends	296,428	330,411
(-) Retention of IRRF on Interest on Equity Capital	(29,733)	(28,123)
(-) Additional Dividends Proposed	(60,083)	(73,932)
Dividends and Interest on Equity Capital to payable (Current liabilities)	206,236	229,341

The portion of interest on equity capital/dividends in excess of the mandatory minimum dividends in the amount of R\$60,083 will be maintained in the Company's equity reserve, until decision of the General Shareholders Meeting, when, if approved, it will be then transferred to the caption of current liabilities.

The credit of the remuneration to Company's shareholders is attributed based on the shares composition as at June 30 and December 31 of each year and possible negotiations after the announcement of the credit are considered ex-dividends (interest on equity capital and dividends).

i) Earnings per share

In view of the credit of remuneration to the shareholders occurred at 06/30/2020 and 12/31/2020, interest on equity capital and additional proposed dividends per share were the following:

Interest on equity capital - 06/30/2020	Quantity	Total Remuneration	Remuneration per share
Common Shares	503,735,259	47,090	0.09348
Preferred Shares	1,007,470,260	103,597	0.10283
Total	1,511,205,519	150,687	
Remuneration for 1 UNIT			0.50480

Interest on equity capital - 12/31/2020	Quantity	Total Remuneration	Remuneration per share
Common Shares	503,735,259	45,544	0.09041
Preferred Shares	1,007,470,260	100,197	0.09945
Total	1,511,205,519	145,741	
Remuneration for 1 UNIT			0.48823

The amount of remuneration to shareholders, per share, was as follows:

Description	2020	2019
Common Shares	0.18389	0.61493
Preferred Shares	0.20228	0.67642
Value for 1 "Unit"	0.99303	3.32060

In 2020, the Company's shares were split.

The table below establishes the calculation of the profit per share (in thousands, except amounts per share):

Basic and diluted earnings (loss) per share	2020	2019
Numerator		
Net income for the year attributed to Company shareholders		
Common Shares	311,357	337,511
Preferred Shares	684,986	742,523
Denominator		
Weighted average of number of common shares	503,735,259	167,911,753
Weighted average of number of preferred shares	1,007,470,260	335,823,420
Basic and diluted earnings		
Per ordinary share	0.61810	2.01005
Per preferred share	0.67991	2.21105

23. OPERATING REVENUES

Accounting practice:

Revenue from services: Revenues are recognized on the accrual basis. According to CPC 47 - Revenue from Contract with Clients and considering the Company's Corporate Purpose, where it is possible to verify that there are no contractual stages in the execution of the services rendered to the clients related to the performance obligation, the recognition occurs by billing in a basis at the fair value of the consideration to be received. Revenue from supply of water and sewage collection includes amounts billed to clients on a monthly basis and unbilled revenues recognized at fair value of the consideration received or receivable and are stated net of taxes, rebates or discounts applicable to them, including additional amounts for

late payment by the clients (fine). Revenues not yet billed are recognized based on estimated consumption from the date of the last metering until the end of the accounting period.

Construction revenue: The revenue from construction of assets linked to rendering of public service shall be recognized using percentage-of-completion method, as long as all applicable conditions are effective. Pursuant to this method, contractual revenue shall be proportional to contractual costs incurred on the balance sheet date in relation to total estimated cost. The Company adopted null margin to measure the revenues and costs of construction.

Operating Revenues composition, by nature, is the following:

Description	2020	2019
Revenue		
Revenues from Water	3,124,101	3,068,658
Revenues from Sewage	1,856,001	1,811,905
Revenues from services	119,347	143,099
Revenues from Solid Waste	11,863	11,722
Services Provided to Municipalities	20,413	18,380
Donations made by clients	21,708	18,844
Other Revenue	7,297	5,519
Total operating revenues	5,160,730	5,078,127
Deductions from Operating Revenues		
COFINS	(296,749)	(291,998)
PASEP	(64,326)	(63,303)
Total Deductions	(361,075)	(355,301)
Total operating revenues, net	4,799,655	4,722,826

The Company incurred revenues and costs with construction contracts linked to the concessions in the amount of R\$98,571 (R\$65,639 in 2019), during the year of 2020, that is, with zero margins. Revenue is shown net of construction costs.

According to the Material Fact disclosed by the Company on December 29, 2020, the Regulatory Agency for Delegated Public Services of Paraná - AGEPAR, approved the application of the 5.11236% Tariff Readjustment for the year 2020, as of February 5, 2021.

24. COST OF SERVICES RENDERED

The composition of costs, by nature, is the following:

Description	2020			2019		
	Water	Sewage	Total	Water	Sewage	Total
Persinell	(304,774)	(132,446)	(437,220)	(285,788)	(110,968)	(396,756)
Materials	(96,761)	(77,049)	(173,810)	(87,437)	(63,431)	(150,868)
Electricity	(394,079)	(48,872)	(442,951)	(416,725)	(50,812)	(467,537)
Third-party services	(234,698)	(190,361)	(425,059)	(237,498)	(170,263)	(407,761)
Depreciation and amortization	(149,560)	(145,913)	(295,473)	(138,400)	(133,031)	(271,431)
Indemnities of third-party damages	(5,681)	(3,939)	(9,620)	(5,290)	(5,231)	(10,521)
Other costs	(94,906)	(42,122)	(137,028)	(111,482)	(42,577)	(154,059)
Total	(1,280,459)	(640,702)	(1,921,161)	(1,282,620)	(576,313)	(1,858,933)

25. SELLING, ADMINISTRATIVE AND OTHER EXPENSES

The composition of these expenses, by nature, is the following:

Description	2020	2019
Selling		
Personnel	(147,310)	(127,047)
Materials	(3,167)	(4,179)
Third-party services	(112,217)	(105,419)
Depreciation and amortization	(11,452)	(11,977)
Losses in Realization of Credits	(90,818)	(20,850)
Municipal Sanitation and Environmental Management Fund	(65,927)	(63,194)
Indemnities of third-party damages	(1,737)	(3,371)
Sanepar Rural program	(3,939)	(2,859)
Other expenses	(1,292)	(19,300)
Total selling expenses	(437,859)	(358,196)
Administrative		
Personnel	(627,666)	(570,948)
Materials	(39,893)	(48,996)
Third-party services	(118,652)	(116,064)
Depreciation and amortization	(54,942)	(54,034)
Impairment of inventories	(1,444)	(1,288)
Regulatory fee	(25,373)	(22,394)
Travel expenses	(3,610)	(7,522)
Exhibitions, congresses and events	(54)	(657)
Environmental and social programs	(5,969)	(6,827)
Indemnities of third-party damages	(1,772)	(1,407)
Other expenses	(14,193)	(18,846)
Transfers to Selling expenses and cost ⁽¹⁾	125,151	159,009
Expenses Capitalized ⁽²⁾	82,896	103,418
Total administrative expenses	(685,521)	(586,556)

Descrição	2020	2019
Other operating revenues (expenses)		
Expenses		
Eventual or extraordinary loss ^{(3) (4)}	(37,168)	(28,691)
Environmental fines ⁽⁵⁾	(19,389)	(896)
Write-off of assets	7,255	(28,589)
Adjustment to Fair Value – Investments	(212)	564
Total other operating revenues (expenses), net	(49,514)	(57,612)

(1) These amounts are first recorded as administrative expenses and later transferred to costs of selling expenses;
(2) These amounts refer to capitalized administrative expenses, as they relate to projects and works in progress, allocated directly by the Company's Management;
(3) Amount of R\$37,137 (2020) related to the settlement of a lawsuit filed by the DM / LFM / SEF consortium, related to the economic and financial rebalancing of CA 05.1/2000;
(4) Amount of R\$28,690 (in 2019) related to compensation to the municipality of Maringá, in respect of assets incorporated into the Company's equity, arising from the execution of water and sewage networks donated directly by the landowners to the Company, from June 1983 to February, 2014; e
(5) Amount of R\$18,951 (in 2020) referring to adherence to the installment related to Law No. 13,494 / 2017, for the exploration of underground water in the Karst Aquifer without an environmental license.

26. PROFIT SHARING PROGRAM

The Company provisioned the amount of R\$74,422 (R\$76,627, of which R\$73,946 referring to 2019 and R\$2,681 referring to 2018), of which R\$4,180 refer to the complement of the provision for the 2019 Profit Sharing Program and R\$70,242 referring to the provision in title Profit Sharing in 2020, which is recorded in the Salaries and Social Charges account, in current liabilities.

27. FINANCIAL INCOME (LOSS)

Description	2020	2019
Financial revenues		
Financial investments	22,483	24,996
Monetary variation gains	18,679	11,448
Active Exchange Rate Variations	374	65
Gain on Derivative Financial Instruments	1,651	36
Other financial revenues	16,093	28,971
Total financial revenues	59,280	65,516
Financial expenses		
Financing and Debenture Interest and Charges and Lease	(220,155)	(226,138)
Monetary variation losses	(22,938)	(14,165)
Passive Exchange Rate Variations	(1,692)	(41)
Loss on Derivative Financial Instruments	(383)	(76)
Other financial expenses ⁽¹⁾	(18,887)	(5,497)
Total financial expenses	(264,055)	(245,917)
Financial income (loss), net	(204,775)	(180,401)

(1) R\$11,057 (2020) refers to the change in the useful life of the items Fluidized Sludge Anaerobic Reactors and High Efficiency Upflow Anaerobic Reactors from 60 to 40 years, reflecting in the accounting for the Adjustment to Present Value of assets contractual financial terms.

28. INFORMATION BY BUSINESS SEGMENT

The Company has two clearly identifiable business segments, to wit, water distribution and treatment and sewage collection and treatment. The process of collecting and treating solid waste was considered in the sewage segment. The operational profit by segment is represented by the revenue, with deductions of direct costs and direct and indirect operating expenses that can be allocated to these segments. The identifiable assets and liabilities per segment are presented separately. Corporate assets and liabilities were not directly attributed to each business segment.

The Company evaluates the performance targeting, based on information generated by the accounting records, and miscellaneous expenses are allocated by means of apportionment, as shown in following table:

Description	2020			2019		
	Water	Sewage	Total	Water	Sewage	Total
Direct operating revenue	3.211.863	1.899.449	5.111.312	3.174.925	1.860.459	5.035.384
Other operating revenues	28.181	21.237	49.418	24.435	18.308	42.743
Total gross operating Revenue	3.240.044	1.920.686	5.160.730	3.199.360	1.878.767	5.078.127
Revenue Deductions (PASEP and COFINS)	(205.916)	(155.159)	(361.075)	(203.076)	(152.225)	(355.301)
Net operating revenue	3.034.128	1.765.527	4.799.655	2.996.284	1.726.542	4.722.826
Cost	(1.280.459)	(640.702)	(1.921.161)	(1.282.620)	(576.313)	(1.858.933)
Gross profit	1.753.669	1.124.825	2.878.494	1.713.664	1.150.229	2.863.893
Selling expenses	(249.692)	(188.167)	(437.859)	(204.771)	(153.425)	(358.196)
Administrative expenses	(390.924)	(294.597)	(685.521)	(335.317)	(251.239)	(586.556)
Impairment	-	1.095	1.095	-	(19.391)	(19.391)
Other operating revenues (expenses)	(28.236)	(22.373)	(50.609)	(32.935)	(5.286)	(38.221)
Equity in earnings (losses) of controlled companies	-	(1.859)	(1.859)	-	(5.658)	(5.658)
Financial income (loss), net	(92.367)	(112.408)	(204.775)	(76.802)	(103.599)	(180.401)
Profit sharing program	(42.440)	(31.982)	(74.422)	(43.806)	(32.821)	(76.627)
Provisions	1.160	835	1.995	(48.579)	(36.296)	(84.875)
Pension plan and medical insurance	(34.658)	(26.126)	(60.784)	(34.346)	(25.738)	(60.084)
Income before taxes and contributions	916.512	449.243	1.365.755	937.108	516.776	1.453.884
Income and social contribution taxes	(247.900)	(121.512)	(369.412)	(240.966)	(132.884)	(373.850)
Net income for the year	668.612	327.731	996.343	696.142	383.892	1.080.034
Operating margin	30,2%	25,4%	28,5%	31,3%	29,9%	30,8%
Net margin	22,0%	18,6%	20,8%	23,2%	22,2%	22,9%
Investments in fixed /Intangible assets in the year ⁽¹⁾	499.402	469.529	968.931	516.674	510.405	1.027.079
Indebtedness – Loans, Financing, Debentures and Finance Lease	1.483.480	2.164.108	3.647.588	1.203.347	1.877.084	3.080.431
Fixed assets and intangible assets, net	4.435.159	5.406.963	9.842.122	4.149.840	5.128.150	9.277.990
Depreciation and amortization for the year	(187.426)	(174.441)	(361.867)	(176.138)	(161.304)	(337.442)
Accounts receivable (current and non-current) ⁽²⁾	711.095	384.322	1.095.417	691.294	338.843	1.030.137
Total assets	5.944.201	7.246.657	13.190.858	5.340.321	6.599.283	11.939.604
Total liabilities (current and noncurrent liabilities)	2.841.229	3.406.466	6.247.695	2.561.289	3.204.401	5.765.690
Number of Users – Not Audited/Reviewed ⁽³⁾	3.273.811	2.308.138	-	3.194.537	2.231.127	-
Volume Thousand m3 Invoiced – Not Audited/Reviewed ⁽⁴⁾	525.791	396.232	-	532.830	399.225	-

(1) The amounts invested in administrative assets were allocated in proportion to the investments of each segment;

(2) Presented by the gross value;

(3) The users included in the sewage sector are practically all included in the water sector;

(4) Billed volumes of the sewage sector are derived from the billed volumes of the water utility sector.

29. INSURANCE

The Company has insurance contract with MAPFRE Seguros Gerais S/A covering its main assets located in a number of localities throughout the State of Paraná, for the amount of R\$1,647,329, with coverage term from 03/13/2020 to 03/13/2021, basic cover for fire, wind and electrical damages to the equipment.

Assets	Amount insured
Buildings	785,971
Machinery, equipment and vehicles	776,007
Inventory	85,351
Total	1,647,329

Additionally, the Company has legal guarantee insurance policies to guarantee values that would be deposited and/or replace the values already deposited and/or seized property in legal proceedings of labor, civil, environmental, and tax proceedings. Until December 31, 2020, the Company offered guarantees through Guarantee Insurance in 200 legal proceedings in the amount of R\$212,883 with Pottencial Seguradora S/A.

The Company also signed/renewed the contract with Starr Internacional Brasil Seguradora S/A for insurance coverage in the modality of civil liability of directors and administrators of Sanepar (D & O - Directors and Officers) with National and International coverage, with the maximum limit guarantee of R\$20,000, with a 365-day contract term ending on 09/09/2021.

30. OPERATIONS “RÁDIO PATRULHA”, “INTEGRAÇÃO” AND “ÁGUAS CLARAS” AND ITS EFFECTS ON THE COMPANY

Operations “Rádio Patrulha” and “Integração”:

At the end of 2018, the announcement of Mr. Nelson Leal Júnior was published in the scope of the operation called “Rádio Patrulha”, which mention, among others, some former managers of the Company. The operation “Rádio Patrulha” investigates a supposed payment scheme for the diversion of funds through bids in the “Patrulha do Campo” program, which aimed to restore rural roads in the State of Paraná.

The operation “Rádio Patrulha” made a former manager of the Company a defendant.

The operation “Integração” investigates the alleged scheme of corruption and money laundering, which would have lasted from 1999 to 2018 and is related to the federal highway concession procedures in the State of Paraná of the so-called “Anel de Integração”. The first phase of operation “Integração” was launched on February 22, 2018 and the second phase on September 26, 2018. Within the scope of operation “Integração”, one of the employees of the Federal Public Ministry also mentioned in his agreement some former managers of the Company.

As part of the collaboration process with the authorities in the process of investigating the facts and for the adequate clarification and protection of the Company's interests in the above operations, at the end of 2018 the Company installed investigative procedures conducted by its Internal Audit, which included access the totality of available documentation, as well as hearings from people related to the allegations under investigation by the authorities, which resulted in two reports: (i) “Preliminary Special Audit Report No. 004/2019 of 05/29/2019; and (ii) “Complementary Special Audit Report No. 004/2019 of 7/30/2019 (collectively, “Reports”).

The Reports preliminarily revealed certain specific flaws in the internal controls of the Company in force at the time the facts occurred, which were forwarded to the Public Prosecutor's Office of the State of Paraná, through Letter 008/2019-AUD, of May 29, 2019 and Official Letter DP 259/2019, of August 6, 2019. The Company's Internal Audit attended the meeting, held on February 12, 2020, to provide clarifications to the Public Prosecutor's Office for the Protection of Public Property - MPPR.

On August 13, 2019, the Company released a Material Fact to the market with information on the matter, known until that moment, realizing that the results of the investigations conducted by the Company's Internal Audit did not allow inferring the existence of any or potential impacts that could materially affect its financial statements and the corresponding comparative accounting information for previous periods, and

informed about the appointment and installation of an "External Investigation Commission" ("CEI").

On August 15, 2019, at its 6th/2019 Extraordinary Meeting of the Board of Directors ("CA") approved the creation of the CEI composed of three independent members. At the 7th/2019 Extraordinary Meeting of the Board of Directors, of August 23, 2019, the members of the CEI were elected, being an independent member of the Board of Directors of the Company, elected by minority shareholders, and two independent external members with extensive experience in forensic investigations.

As of its appointment, CEI reviewed the work already developed by the Company and the corresponding documentation. After the conclusion of this analysis, it issued an opinion recommending the hiring of a law firm to conduct an independent forensic investigation, with the objective of investigating the allegations related to operations "Integração" and "Rádio Patrulha".

On November 28, 2019, in compliance with the opinion issued by CEI and in accordance with the best governance practices, the Company hired the law firm "Taul & Checker Advogados", associated with Mayer Brown, to conduct an independent forensic investigation, being the work plan managed by the CEI. To support the conduct of an independent internal investigation regarding forensic data collection, electronic data processing, conducting financial analysis and related work, Ernst & Young - EY (also referred to as "Investigation Team") was also hired.

On November 6, 2020, at the 22nd / 2020 Extraordinary Meeting, the Board of Directors authorized the renewal of the term of Special Contracts nº 04/2019 and nº 05/2019 referring to the "External Investigation Commission" - CEI, reconciled with the final term to conclude the Forensic investigation work and deliver the final reports of operations "Integração" and "Rádio Patrulha"

On November 12, 2020, at the 24th / 2020 Extraordinary Meeting, the Board of Directors authorized the signing of a contractual amendment with the Investigation Team for the completion of the forensic investigation procedures of the operations "Integração" and "Rádio Patrulha".

Operation "Águas Claras":

On December 13, 2019, after the appointment of CEI and the hiring of the Investigation Team, the Company published a Notice to the Market on the outbreak of Operation "Águas Claras". The Operation "Águas Claras", which is an offshoot of Operation "Pecúlio" that took place in 2016, investigates alleged frauds in sewer works bids with the favor of a company whose representatives allegedly paid undue advantages to a retired Company employee, as well as alleged bribery payments by the same company disguised as investment in advertising and sponsorship. The alleged illegal conduct would have been practiced between 2011 and 2016 and would involve some employees of the Company.

Notwithstanding the initiation of said operation occurred after the beginning of the internal investigation work independent of the operations "Rádio Patrulha" and "Integração", by resolution at the 1st / 2020 Ordinary Meeting of the Company's Board of Directors held on January 31, 2020, the allegations related to Operation "Águas Claras" were included in the object of the independent forensic investigation conducted by the Investigation Team.

Based on the above deliberation, the Investigation Team included the allegations of Operation "Águas Claras" in the scope of the independent forensic investigation and initiated preliminary investigation procedures and synergies with the investigations of Operations "Rádio Patrulha" and "Integração". However, in the course of the work, the Company's Board of Directors took a new decision at the 9th / 2020 Ordinary Meeting of the Board of Directors held on September 24, 2020 and decided that the scope of the independent forensic investigation should observe and fulfill the scope originally contracted (ie, investigation of the allegations arising from Operations "Integração" and "Rádio Patrulha").

On November 6, 2020, at the 22nd / 2020 Extraordinary Meeting, the Board of Directors reconsidered the resolution contained in the 9th / 2020 Regular Meeting of 9/24/2020, with regard to Operation "Águas Claras", to authorize the Executive Board Governance, Risk and Compliance Assistant to finalize all the necessary procedures to hire the technical and specialized services for the composition of the External Investigation Commission - CEI, Forensic In-

vestigation and "Shadow Investigation", in that order, and the hiring of the Forensic investigation depends prior contracting of the CEI components, all concerning Operation "Águas Claras".

On November 10, 2020, at the 23rd / 2020 Extraordinary Meeting, the Board of Directors approved the hiring of members of the "External Investigation Commission" - CEI, with reference to contracts signed on November 11, 2020, for a period of 365 days.

On December 22, 2020, at the 28th/2020 Extraordinary Meeting, the Board of Directors approved the hiring in relation to Operation Águas Claras: (i) the law firm Taul & Checker Advogados to conduct the independent forensic investigation services and the Ernst & Young - EY audit to support the conduct of independent research; and (ii) the auditing company BDO RCS Auditores Independentes to carry out Shadow Investigation work, with contracts signed on 12/28/2020.

Operation "Ductos":

On July 20, 2020, the Company published a Notice to the Market on the "Duct Operation", related to an investigation that investigates conduct involving people related to the Company. The investigations initiated about two years ago by the Special Action Group to Combat Organized Crime (Gaeco), mainly investigate the undue payment for services not provided and fraud in bids. It is also investigated, the billing for service not fully executed or for overpriced service, using false measurements or not supervised by Sanepar employees. The Company's management removed all employees involved in the referred operation. On the same date, the Board of Directors decided to include the "Operation Ducts" process in the scope of the Independent Forensic Investigation, with the Deputy Governance, Risk and Compliance Department being authorized to take the necessary administrative measures for the implementation of the measure.

The Board of Directors, at its 13th / 2020 Extraordinary Meeting held on July 20, 2020, decided to include Operation "Ductos" in the scope of the Independent Forensic Investigation and the Investigation Team included the allegations of Operation "Ductos" in the scope of the work, beginning from preliminary

investigation and synergistic procedures to investigations by Operations "Rádio Patrulha", "Integração" and "Águas Claras". However, considering that at the 9th / 2020 Ordinary Meeting of the Board of Directors, mentioned above, the Company's Board of Directors took a new decision and, in effect, decided that the scope of the independent forensic investigation should observe and comply with the scope originally contracted (ie, investigation of the allegations arising from Operations "Integração" and "Rádio Patrulha").

At the same time, the Company constituted a task force tasked with preparing an audit report that was served as the basis for hiring an "External Investigation Commission", Forensic Investigation and Shadow Investigation to monitor the Operation "Ductos".

On November 6, 2020, at the 22nd / 2020 Extraordinary Meeting, the Board of Directors reconsidered the resolution contained in the 9th / 2020 Regular Meeting of 9/24/2020, with regard to Operation "Ductos", to authorize the Deputy Executive Board Governance, Risk and Compliance Committee to finalize all the necessary procedures to contract the technical and specialized services for the composition of the External Investigation Commission - CEI, Forensic Investigation and "Shadow Investigation", in that order, and the hiring of the Forensic investigation depends on the prior contracting of the CEI components, all concerning the Operation "Ductos".

On November 10, 2020, at the 23rd / 2020 Extraordinary Meeting, the Board of Directors approved the hiring of members of the External Investigation Commission - CEI, with reference to contracts signed on November 11, 2020, for a period of 365 days.

On December 22, 2020, at the 28th/2020 Extraordinary Meeting, the Board of Directors approved the hiring in relation to Operation Ductos: (i) from the law firm Taul & Checker Advogados to conduct the independent forensic investigation services and the audit firm Ernst & Young - EY to support the conduct of independent research; and (ii) the auditing company BDO RCS Auditores Independentes to carry out Shadow Investigation work, with contracts signed on 12/28/2020.

Progress of the Activities:

Since December 2019, the independent forensic investigation initiated to verify the allegations related to the Operations "Integração" and "Rádio Patrulha" continues in progress. This investigation continues to be conducted by the Investigation Team and accompanied by CEI and the Company's external auditor. Until the publication of this interim financial information, the work of the Investigation Team is on schedule and is being concluded.

Although, to date, it is not possible to conclude on the extent of the alleged irregularities mentioned in Operations "Integração" and "Rádio Patrulha", Sanepar's Management has received an interim report from CEI on the results obtained up to the current stage of the work and continues to monitor the development of investigations conducted by public authorities, collaborating with them and taking all appropriate measures in relation to the matter, as required in the circumstances.

Regarding the independent forensic investigation to investigate the allegations related to the Águas Claras and Ductos Operations, the Investigation Team has already been hired and the work has started.

Sanepar's Management will continue to apply its best efforts to support the work of the independent internal investigation conducted by the Investigation Team and CEI with respect to the operations mentioned above, as well as keeping the market duly informed of any other relevant information on the matter.

31. IMPACTS OF THE CORONAVIRUS (COVID-19)

The year 2020 was marked by the emergence of the new coronavirus, SARS-CoV-2, which causes the acute respiratory disease called COVID-19. The disease was identified in the city of Wuhan, China, in December 2019. In March 2020 it was elevated to pandemic status by the World Health Organization - WHO. Since then, more than 81 million infections have been reported worldwide. In Brazil, the cases exceeded the mark of 7.5 million. In Paraná, 413,412 cases and 7,912 deaths were recorded. In order to contain the transmission of the disease, there was a need for social isolation, restriction of business at the local and international level, as well as a halt in

non-essential activities. Gradually, economic activities have resumed, but still in a restricted and uncertain manner due to the recent increase in the numbers of cases and deaths from the disease, which followed a period of easing of the social distance measures. Within this context, Basic Sanitation, considered as an "essential service", contributed to the maintenance of people's quality of life and mainly for personal hygiene, the act of washing the face and hands is often one of the main measures of prevention of disease.

In this scenario of economic uncertainties and the Company is actively monitoring developments in economic and social behavior, especially in the consequences that will be perceived by the population served in the municipalities where Act.

The Company understands that there are no risks in the continuity of its operation, however, we present below our analysis for measuring the economic and financial impacts resulting from the new coronavirus:

- Revenues, costs, accounts receivable and cash flows: As these are essential services, revenues from the sanitation sector were less impacted by the effects of the pandemic, in relation to other segments. However, operating cash flow was affected by an increase in defaults and a temporary extension of the maturity of water and sewage bills for low-income consumers. In this regard, the Company published a Material Fact on March 23, 2020, informing about the postponement of the collection of water and sewage bills, for customers registered in the Social Tariff, approximately 184 thousand families, for a period of 90 days. On June 24, September 21 and December 15, 2020, the Company published new Material Facts extending the postponement of collection by an additional 90 days for each period. The monthly billing of the social tariff is of the order of 3.8 million. Also in the material fact of December 15, 2020, the Company informed about the rules for the payment of installments of debts of the beneficiaries of the Social Tariff, which were approved by the Regulatory Agency for Public Delegated Services of Paraná (AGEPAR), which allow the installment of the amount due, without entry, in up to 24 times, and without charge of fine or monetary correction in the period of extension of maturity.

In addition, the enactment of laws that restrict the cut off of the provision of services to certain categories of consumers, during emergency situations, as in the case of COVID-19, corroborated the increase in the default rate, due to the increase in accounts receivable from customers, impacting the Company's liquidity.

After the beginning of the quarantine period, starting on March 19, 2020, the Company has been analyzing collection and defaults on a basis, and considering the best estimate for the moment, constituted a provision for expected losses on accounts receivable in the amount of R\$12.3 million.

In terms of costs, especially those related to the acquisition of imported chemical products, given the current exchange rates, the Company does not expect a significant increase in costs, since certain products tend to have their cost reduced by decreasing demand, thus offsetting possible unfavorable changes in the exchange rate. The Company is monitoring inventory levels and has requested a contingency plan from contracted companies for products that may have difficulties in supply.

- Loans and Financing: The Company has Financing agreements with CAIXA, Sistema BNDES and KfW, in addition to issues of public and private debentures. There were no renegotiations of interest rates related to these contracts and changes to the conditions already contracted are not expected. During the year of 2020, the Company obtained funds in the amount of R\$861 million referring to the settlement of the 10th issue of incentive debentures in the amount of R\$350 million, raising of R\$200 million through the Bank Credit Notes - CCB in the amount of R\$200 million and through funds released by CAIXA, BNDES and KfW.
- Leases: The Company has (i) an asset lease agreement with a substantial transfer of the risks and benefits of the assets which will be owned by the Company at the end of the agreement; (ii) vehicle, movable and immovable lease agreements, in which the benefits of the assets will remain with the lessor. There was no change in the terms and conditions of the contracts.

• Management evaluated the impacts on employee benefits and the Company's obligations and understands. In this year despite the great uncertainty in the financial market and the impacts on the health scenario, considering the best information available, did not identify any adjustment to be made in the record of the provisions arising from the Retirement and Medical Assistance Plans, in addition to those supported by actuarial calculation shown in Note 19 .

• Additionally, Management assessed and concluded that there is no evidence of loss in the recoverability of its Assets, linked to Concessions and Right of Use Assets, at the end of Fiscal Year 2020, in addition to those shown in Note 13.

With regard to its professionals and customers, the Company has adopted the following preventive guidelines, in line with the recommendations of the Ministry of Health and local laws:

- 14 (fourteen) day home isolation for employees who have or live with a family member who have respiratory symptoms and/or fever;
- Remote work regime for employees over 60 (sixty) years old, with chronic, respiratory, immunocompromised diseases, in cancer treatment and for pregnant and lactating women;
- Remote work regime and/or flexible working hours for part-time, for parents or minors, of minors up to 12 (twelve) years old;
- Regime of 4 hours in person + 4 hours in home office for administrative activities that can be carried out partially remotely;
- 8-hour schedule on relay scales for face-to-face work, as needed;
- Definition of the minimum workforce for internal work, performing a 6 (six) hour relay schedule or regime; and

- Service in the relationship centers follows the criteria and definitions in a document disclosed to the General Managements, Regional Managements and Client Coordination, as well as the considerations contained in the decrees and social restrictions.

In order to preserve liquidity, the Company was adopted the following measures, as permitted in normative acts issued by the Federal Government: i) suspension and payment of the FGTS referring to the competences of March, April and May 2020, in the amount of R\$10,628 according to Provisional Measure n° 927/2020; ii) postponement of the payment of the contributions of COFINS, PIS / PASEP and INSS Patrimonial referring to the powers of March, April and May 2020, in the amount of R\$123,453, for cumulative payment with the powers of July, September

and October 2020, respectively, according to Ordinance No. 139; and iii) reduction of the mandatory contribution to the "S" System for the period from April to June 2020, according to Provisional Measure n° 932/2020.

The Company will continue to assess the impacts that COVID-19 may bring to its business.

32. SUBSEQUENT EVENTS

On February 11, 2021, at the 1st Extraordinary Meeting, the Board of Directors approved the 11th (eleventh) issue of simple, non-convertible debentures, of unsecured type, in up to 3 series, for public distribution with restricted efforts under the terms of CVM instruction 476, in the amount of R\$500 million.

EXECUTIVE BOARD, BOARD OF DIRECTORS, FISCAL COUNCIL AND ACCOUNTANT

EXECUTIVE BOARD

Claudio Stabile
(Chief Executive Officer)

Abel Demetrio
(Chief Financial and Investor Relations Officer)

Sergio Wippel
(Chief Operating Officer)

Leura Lucia Conte de Oliveira
(Chief Investment Officer)

Elerian do Rocio Zanetti
(Chief Commercial Officer)

Andrei de Oliveira Rech
(Chief Legal Officer)

Priscila Marchini Brunetta
(Chief Administrative Officer)

Julio Cesar Gonchorosky
(Chief of Environment and Social Action Officer)

BOARD OF DIRECTORS

Vilson Ribeiro de Andrade (Chairman)
Jacques Geovani Schinemann
Rodrigo Sanchez Rios
Adriano Cives Seabra
Eduardo Francisco Sciarra
Claudio Stabile
Joisa Campanher Dutra Saraiva
Elton Evandro Marafigo

FISCAL COUNCIL

Ricardo Cansian Netto (Chairman)
Luis Otavio Dias da Fonseca
Laerzio Chiesorin Junior
Reginaldo Ferreira Alexandre
Paulo Roberto Franceschi

ACCOUNTANT

Ozires Kloster
Accounting Manager
CRC-PR 030.386/O-8

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the
Shareholders and Management of
Companhia de Saneamento do Paraná – Sanepar
Curitiba-PR

Opinion on the financial statements

We have audited the financial statements of Companhia de Saneamento do Paraná - Sanepar (the Company), which comprise the statement of financial position as at December 31, 2020 and the respective statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, its financial performance and its cash flows for the year then ended in accordance with Brazilian accounting practices and International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

Basis for opinion on the financial statements

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the relevant ethical principles established in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Association of Accountants (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis

On going Independent internal investigation ("Rádio Patrulha", "Integração" and "Águas Claras" operations)

As mentioned in Note 31 to the financial statements and in the Key Audit Matters - KAM, the Company's Board of Directors on August 2019 ratified the creation of the External Investigation Commission - CEI and in August 2019 elected the members of the CEI, to coordinate investigations for the purpose of providing clarification on investigations within the scope of the "Radio Patrol" and "Integration" operations. Subsequently, in December 2019, the "Águas Claras" operation was included in the scope of the investigations and more recently the "Ductos" operation, the latter started in July 2020 by the Special Action Group to Combat Organized Crime (GAECO) of the Public Ministry of Paraná. In November 2020, the Board of Directors decided on the hiring of CEI, for the operations "Águas Claras" and "Ductos" and made the hiring in December 2020 of CEI and forensic Investigators. The internal investigations, which are being followed up by the CEI, are still ongoing in the evaluation phase of data collected in relation to the operations "Rádio Patrulha" and "Integração", and in the initial planning phase of the operations "Águas Claras" and "Ductos" and, at this moment, it is not possible to predict future developments for the Company arising from them, nor is there knowledge about developments on the side of public authorities. Our opinion is not being qualified in relation to this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the subject described in the "Emphasis" section related to the investigation, we have determined that the matters described below are the main audit matters to be communicated in our report.

Investigation of the operations "Rádio Patrulha", "Integração", "Águas Claras" and "Ductos"

As described in Note 30, to the Company's financial statements for the fiscal year ended December 31, 2020, certain former managers, ex-members, persons related to the Company, and the Company itself, are mentioned in the and investigations by the Federal Public Ministry and the Attorney's Office of the Republic of the State of Paraná in relation to the "Rádio Patrulha" and "Integração" Operations. In August 2019, the Company's Board of Directors approved the creation of the External Investigation Commission - CEI and in August 2019 its independent members were elected. In November 2019 an independent Investigation Team was hired in order to conduct internal investigations. In addition, in November 2020, the Board of Directors confirmed the inclusion of "Águas Claras" and "Ductos" operations in the scope of the investigations. The work of the Investigation Team and the CEI are in progress for the operations "Radio Patrulha e Integração" and, in an initial phase, for the operations "Águas Claras" and "Ductos", without any conclusion. The risks and uncertainties involved in these independent investigation works, in addition to the existence of the aforementioned operations by public authorities, and others that are still in the due diligence stage that may exist, may or may not result in possible impacts on the Company's financial statements, if any, including with regarding their disclosures, which may result in changes in the assumptions used to recognize provisions.

Due to the risks and uncertainties involved, in addition to the ongoing investigations of the processes already started, and others still under diligence stage, which may result in possible impacts on the financial statements, including in the aspect of disclosures concerns, this matter has taken up a large part of our attention and of our efforts and, therefore, it was treated as significant in our audit due to the fact that we have to monitor all developments related to ongoing investigations, which may eventually impact the financial statements.

Audit response to the matter

Our audit procedures included, among others:

- We read the public documents available for the aforementioned operations;
- We read the preliminary reports prepared by the internal audit as mentioned in Note 30 and discussed those responsible for the internal audit;
- We verified the internal approvals and documentation regarding the constitution and contracting of the External Investigation Committee and the Investigation Team, responsible for the independent internal investigation itself, aiming at corroborating its scope of action;
- We verified the existence of communication from the Board of Directors determining the inclusion of the Operation "Águas Claras" and "Ductos" in the scope of the independent internal investigation;
- We participated in meetings, evaluated and discussed the main investigative actions of the Company conducted by the independent investigation and respective forensic specialist;
- We participated of meetings and discussions with the Company's internal and external legal advisors in order to understand what the impacts and risks of all ongoing processes and diligences would be;

- We evaluated the qualitative and quantitative information available and the respective disclosures presented in Note 30 to the financial statements.
- We evaluated the scope and scope of the investigations, the procedures and methodologies used by independent researchers to date, including the procedures for collecting and analyzing documents and/or critical information.

Based on the evidence obtained through the procedures described above, we consider the independent internal investigation, as well as their respective disclosures related to the process and due diligence involving the investigations on the operations mentioned above, are appropriate in the context of the financial statements taken as a whole, for the year ended December 31, 2020.

Pension plan and health insurance

As described in Note 19, the Company is the sponsor of a supplementary defined benefit pension plan and of a health insurance plan aimed to active and retired employees. The calculation of actuarial liabilities is determined from reports issued by the independent actuary. The information on the plan's assets and liabilities, as well as the criteria for measurement of the obligations are described in the note referred to above.

The matter was considered relevant for our audit because of the amount involved and the high level of complexity required to determine the assumptions and judgment associated to the calculation of the actuarial liabilities. Variations in the assumptions used, such as mortality, turnover, discount rates and inflation may significantly affect the liabilities recognized by the Company.

Audit response to the matter

Our auditing procedures included, among others, the involvement of our actuarial specialists to assist us in evaluating the assumptions used in the calculation of actuarial liabilities, and we compared the assumptions with the market data. In addition, we reviewed the adequacy of the disclosures made by the Company in relation to the matter.

Based on the audit procedures performed, we consider that the estimates used in the recognition of actuarial liabilities of the Company are appropriate to support the judgments and information included in the financial statements as a whole.

Recognition of unbilled revenue

As presented in Note 23, the Company recognizes on a monthly basis as operating revenues amounts referring to services rendered but not billed to final consumers ("unbilled revenues"). As billing is performed cyclically, and often not coinciding with monthly closing, the Company makes estimates which include information such as average consumption from last reading of hydrometers to be attributed to each consumer for the period between the date of measurement of consume and the date of the accounting closing, attributable to each operating segment of the Company.

Considering the amount involved and the level of judgment required from management in making such estimates, we understand that there are significant risks related to the recognition of revenue in incorrect periods and/or risk of material misstatement of the financial statements.

Audit response to the matter

Our procedures included, among others, understanding the internal controls established by the Company over the process of revenue recognition, mainly understanding the methodology used in the calculation of the estimate of unbilled revenue. Additionally, we recalculated the estimated billings that resulted in the balances recognized in the financial statements.

Based on the audit procedures followed, we consider that the estimates on the recognition of unbilled revenues of the Company are appropriate to support the judgments made and information included in the financial statements as a whole.

Administrative proceedings and court claims

As described in Note 18, the Company is a passive party in several labor, civil, environmental and tax proceedings, whose provision for contingencies amounts to R\$544,677 thousand as of December 31, 2020, as a result of its operating activities.

Monitoring of this matter was considered significant for our audit due to the relevance of the amounts involved, to the level of judgment involved in determining the need for recognizing a provision, and to the complexity of the tax environment in Brazil.

Audit response to the matter

Our procedures included, among other things, obtaining and analyzing confirmation letters received from the Company's legal counselors, in order to compare their assessments of the open proceedings with the positions held by Management, as well as conducting interviews with Company's Management and with the legal department, to discuss the assumptions used for the accounting and development of the main legal proceedings in course. Additionally, we evaluated the Company's history of losses and if the disclosure of the matter included in Note 18 is reasonable.

Based on the audit procedures followed, we consider that the Company's policies on the recognition of provisions for contingencies are appropriate to support the balances accounted for and information included in the financial statements as a whole.

Concession/Program agreements

As disclosed in Notes 10, 11 and 13b to the financial statements, the Company maintains the amount of R\$ 490,082 thousand recorded as Contractual Financial Assets, R\$ 1,634,802 thousand recorded as Contract Asset and R\$ 7,921,813 thousand recorded in Intangible Assets as of December 31, 2020, related to investments made in accordance with its sanitation services program/concession agreements. The values of Intangible Assets are expected to recover over the respective program/concession agreements, based on the receipt of tariffs for services provided to users, while the values of the Contractual Financial Assets represent the portion indemnified by the grantor at the time of termination of the agreement.

As these investments are amortized over the term of the respective program/concession agreements, the Company's Management evaluates, at least annually, the existence of indications of impairment of these assets and, additionally, it elected to disclose the results of its impairment analysis based on a discounted cash flow model, which requires Management to adopt some assumptions based on information generated by its internal reports, which involve judgments about the future results of the business.

Audit response to the matter

Our procedures included, among others: (i) interviews with the Company's legal and operational department, in addition to its financial-accounting area, to understand situations of pending renewals of past-due contracts; (ii) obtaining the opinion of the Company's legal department regarding the situation and likelihood of gain of possible contracts in dispute between the Company and the respective granting authority; and (iii) review of minutes of board meetings and Company councils in order to identify problems related to the continuity of its program/concession agreements. These procedures were intended to support our conclusion regarding the Company's analysis that no indications of possible impairment of assets related to the Company's program/concession agreements were identified. Additionally, due to the fact that the Company optionally

performs an analysis of the value in use of its Intangible Assets and discloses this information according to Note 13d, even though it is not required according to technical pronouncement CPC 01 (R1) Impairment of Assets because they are assets with a defined useful life, our procedures included the reading of the report prepared by the Company including the future cash flow forecasts considered and the main assumptions used and analysis of the adequate disclosure of these assumptions in the notes to the financial statements.

Based on our auditing procedures, we consider that the Company's finding that it has not identified impairment evidence for the assets related to the program/concession agreements are appropriate to support the accounting balances and the information included in the financial statements.

Other matters

Audit of amounts corresponding to the previously year

The amounts corresponding to the financial statements for the year ended December 31, 2019, presented for comparison purposes, were audited by us, and we issued a report dated February 6, 2020, containing an emphasis paragraph referring to "Internal investigation in progress (Operations "Radio Patrol", "Integration" and "Águas Claras)".

Statements of value added

The financial statements referred to above include the statements of value added, prepared under the responsibility of the Company's Management for the year ended December 31, 2020, and presented as supplemental information for IFRS purposes. That financial information was submitted to the same audit procedures followed for the audit of the Company's financial statements. In order to form an opinion, we have checked whether this financial information is reconciled with the financial statements and accounting records, as applicable, and whether its form and contents meet the criteria established in NBC TG 09 - Statement of Value Added. In our opinion, the statements of value added were properly prepared, in all material respects, in accordance with the criteria established in that technical pronouncement and are consistent with the financial statements taken as a whole.

Other information accompanying the financial statements

The Company's Management is responsible for this other information that comprises the Management Report.

Our opinion on the financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Brazilian accounting practices and the IFRSs, issued by IASB, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian standards and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Curitiba, February 11, 2021.

BDO RCS Auditores Independentes SS
CRC 2 PR 006853/F-9
Paulo Sérgio Tufani
Contador CRC 1 SP 124504/O-9 – S - PR

EXECUTIVE DIRECTORS' DECLARATION ON FINANCIAL STATEMENTS

By this instrument, the Executive Board of Companhia de Saneamento do Paraná -Sanepar, a state-owned public company, with its headquarters at Rua Engenheiros Rebouças, 1,376, Curitiba - PR, registered at CNPJ under No. 76.484.013/0001-45, for the purposes of items V and VI of article 25 of CVM Instruction No. 480 / 2009, declares that it has reviewed, discussed and agreed with Sanepar's interim financial statements for the period ended on December 31, 2020.

Curitiba, February 11th, 2021.

CLAUDIO STABILE
Chief Executive Officer

ABEL DEMETRIO
Chief Financial and Investor Relations Officer

SERGIO WIPPEL
Chief Operating Officer

LEURA LUCIA CONTE DE OLIVEIRA
Chief Investment Officer

ELERIAN DO ROCIO ZANETTI
Chief Commercial Officer

ANDREI DE OLIVEIRA RECH
Chief Legal Officer

PRISCILA MARCHINI BRUNETTA
Chief Administrative Officer

JULIO CESAR GONCHOROSKY
Chief of Environment and Social Action Officer

EXECUTIVE DIRECTORS' STATEMENT ON THE INDEPENDENT AUDITORS' REPORT

Through this instrument, the Executive Board of Companhia de Saneamento do Paraná -Sanepar, a state-owned public company, with its headquarters at Rua Engenheiros Rebouças, 1,376, Curitiba - PR, registered at CNPJ under No. 76.484.013/0001-45, for the purposes of dispositions of items V and VI of article 25 of CVM Instruction No. 480 / 2009, has reviewed, discussed and agreed with the opinions stated in the audit report issued by BDO RCS Auditores Independentes with respect to the Sanepar interim financial statements for the period ended on December 31, 2020.

Curitiba, February 11th, 2021.

CLAUDIO STABILE

Chief Executive Officer

ABEL DEMETRIO

Chief Financial and Investor Relations Officer

SERGIO WIPPEL

Chief Operating Officer

LEURA LUCIA CONTE DE OLIVEIRA

Chief Investment Officer

ELERIAN DO ROCIO ZANETTI

Chief Commercial Officer

ANDREI DE OLIVEIRA RECH

Chief Legal Officer

PRISCILA MARCHINI BRUNETTA

Chief Administrative Officer

JULIO CESAR GONCHOROSKY

Chief of Environment and Social Action Officer

STATUTORY AUDIT COMMITTEE SUMMARY ANNUAL REPORT – 2020

To the Board of Directors of Companhia de Saneamento do Paraná - SANEPAR:

Introduction

The Statutory Audit Committee ("CAE") of Companhia de Saneamento do Paraná - SANEPAR was installed at the Extraordinary Meeting of the Board of Directors on May 30, 2017. The composition, discipline and functioning of the CAE are contemplated in its own Internal Regulation, contained in the Company's official website. According to the statutory amendment made in September 2018, its constitution includes 4 independent members, one of whom is a member of the Board of Directors.

CAE is a statutory advisory body to the Board of Directors, with permanent and independent action, with the main duties of evaluating and monitoring the processes for preparing and presenting the financial statements, the risk management and internal controls processes, the effectiveness of performance of internal audit and independent auditors. Additionally, it also assesses the reasonableness of the parameters that support the actuarial calculations and results of the benefit plans maintained by the Foundations linked to SANEPAR and the monitoring, together with the Management, of the transactions with the Company's related parties.

The Directors are responsible for the preparation and integrity of the financial statements, for the management of risks, for the maintenance and effectiveness of the internal control systems and for the compliance of activities with legal and regulatory standards.

Internal Audit is responsible for the periodic review and assessment of controls related to the main risk areas, acting independently to verify their effectiveness and adequacy of the applicable governance criteria.

BDO RCS Auditores Independentes is responsible for auditing the Company's annual financial statements and for the special review of its quarterly information. As a normal part of its duties, it also carries out assessments regarding the quality and adequacy of the internal control systems and compliance with applicable legal and regulatory provisions.

Principais atividades do CAE no exercício

The main non-recurring issues that occurred during the year, consisted of the following:

Pandemic - COVID 19

The pandemic was installed in Brazil, effectively, from March 2020, having since then caused significant developments in practically all activities. This situation was a matter of concern on the part of the CAE, having been the subject of several occasional meetings with SANEPAR's Management, from March to July 2020. As a result, the CAE sent a Technical Note to the Board of Directors, reporting the actions in progress to assess the main developments that could affect the Company's operations, as well as offering suggestions and recommendations on the potential effects and consequences that could arise in the future, associated with, basically with the following:

- Impacts on the performance of employees and collaborators directly linked to the Company's operational processes that permanently require face-to-face monitoring;

- Reflections on the delivery of products and their potential consequences on revenues;
- Evaluation and measures for the performance of employees, administrators and directors subject to remote action, and
- Policy for disclosing to the market, customers, suppliers, consultants, external auditors and regulators about the measures taken and other preventive actions to preserve the Company's brand and reputation.

Water crisis

The main area of population density in which the Company operates consists of the Metropolitan Region of Curitiba, where the main water deficiency of the last fifty years occurred, having even justified the disclosure of a "Material Fact" by the Financial and Investor Relations Office. The monitoring of the potential developments in this matter required the exploration of mitigating measures possible in the circumstances, with the result that the strategic risk of Water Unavailability became one of the priorities.

Rádio Patrulha, Integração, Águas Claras e Ductos Operations

In the middle of the year, MPPR triggered Operation Ductos, which was added to the previous Operations that have involved the Company in different extensions. During the course of the exercise, intense work was required on the part of the External Investigation Commission ("CEI"), of companies specialized in forensic investigation and independent auditors with shadow investigation activities. Internally, additional support work was also carried out through a Task Force, made up of categorized employees from different areas and with the participation of Internal Audit.

The CAE followed up on this issue throughout the year, having held several meetings with the representatives of the entities mentioned above. Given that these works originated in 2019, it was expected that part of the investigations could be concluded in 2020. However, several factors contributed to make this expectation unfeasible, with the result that the new premise is that all investigation processes are concluded in 2021. To this end, all the hiring and formalization processes applicable between the Company and external service providers are concluded.

Other recurring issues

CAE held several formal meetings with the Company's Directors, with Foundations Directors, with the management of the affiliate CS Bioenergia, with members of the Fiscal Council, with the Independent Auditors and with members of the CEI.

In these meetings, issues related to the preparation and disclosure of the financial statements and their developments of a corporate and tax nature, risk management and internal controls and transactions involving related parties were addressed, in particular.

In the dialogues between CAE members and internal auditors, external auditors and those responsible for risk management, their work plans were appraised and their results, conclusions and recommendations were known. During the year of 2020, several improvements were discussed and recommended in the scope, work methodology and dimensioning of teams in the areas of performance of Internal Audit and Risk Management.

Conclusions

CAE's opinions and judgments rest on the data and information presented to it by the Company's Management (especially in the Accounting, Legal, Risk Management and Internal Audit areas), of its affiliate CS Bioenergia, of the Foundations involved in meeting the benefits to the employees and the External Audit.

Regarding the External Audit, CAE has not identified a situation that could affect its independence and is not aware of significant technical differences between Management, Independent Auditors and CAE itself.

As for the structure of internal controls and risk management, CAE considers that there is satisfactory coverage for the size and complexity of the Company's business, although improvements are required in critical matters inherent to the provision of services, the object of its activity.

Regarding the Internal Audit, the results of its performance in the course of 2020 did not reveal any deviations or significant flaws in the procedures related to the effectiveness of the internal controls adopted by the Company, as well as regarding the adherence to the policies and practices established by the Management and in meeting rules and regulations applicable to the activity.

CAE considers that all relevant matters pertinent to its performance were properly covered in its diligences and discussions with the Company's Management, which allows it to conclude that they are being adequately disclosed in the financial statements for the fiscal year ended December 31, 2020, accompanied by the opinion of the independent auditors. It therefore recommends that the Board of Directors approve the aforementioned audited financial statements.

Curitiba, February 11th, 2021.

Artemio Bertholini
Chairman

Cassio Prudente Vieira Leite
Member

João Paulo de Castro
Member

Vilson Ribeiro de Andrade
Member

FISCAL COUNCIL OPINION

The Fiscal Council members of Companhia de Saneamento do Paraná - SANEPAR, within their legal duties and responsibilities, performed the examinations of the Management Report, the Financial Statements and Proposal for the allocation of the net Income referring to the fiscal year ended on December 31, 2020. Based on these examinations, considering also the qualified opinion "Report" of the Independent Auditor, "BDO RCS Auditores Independentes SS", dated February 11th, 2021, as well as the information and clarifications received during the year, opine that these documents are ready for being appraised by the General Shareholders' Meeting.

Curitiba, February 11th, 2021.

RICARDO CANSIAN NETTO
Chairman

LAERZIO CHIESORIN JUNIOR
Member

LUIS OTAVIO DIAS DA FONSECA
Member

REGINALDO FERREIRA ALEXANDRE
Member

PAULO ROBERTO FRANCESCHI
Member

