



**MANAGEMENT REPORT
AND FINANCIAL STATEMENTS**

2021

-
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SANEPAR

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SEMPRE

Presentation

The Management Report and 2021 Financial Statements presents the Company's results, in compliance with current regulations, such as Laws No. 6.404/76 and 13.303/16, and guidelines from the Brazilian Securities Commission (CVM). In addition, the financial information contained in this report is prepared in accordance with accounting practices adopted in Brazil, in compliance with the International Financial Reporting Standards (IFRS) and with the requirements of B3's Level 2 governance model. The document portrays the period from January 1st to December 31st, 2021.

We emphasize that this document may contain forecasts that reflect only expectations of our management and we undertake no obligation to update such forecasts in light of new information or future developments.



01

Message from the President



Sanepar is approaching an important milestone: in 2023 we will celebrate six decades of positively transforming cities and improving people's lives. We close the 2021 cycle with the certainty that we have made a major contribution so that, in the 2023 celebrations, we can look back with pride on our journey, marked by determination.

This determination, which has brought us to this point and drives us forward, is overflowing with triumphs. In 2021, we continue to experience the water crisis and pandemic scenario that began in 2020. Without a doubt, these were unprecedented challenges in all of our history.

But thanks to the commitment and dedication of our nearly 6,300 employees, supported by well-planned management practices, we are able to overcome the difficulties. We have focused on no other action than offering the best sanitation solution to the entire population which, in turn, has promptly responded to the call for the conscious use of water.

The people of Paraná were diligent in reducing consumption, quickly changing habits and adapting to the restrictions imposed by such an atypical and adverse hydric scenario. I am extremely grateful for the collaborative attitude that we have observed during this period. The response would not have been the same if the road was not a two-way street. We were transparent about the gravity and urgency of the moment; in return, we received support, trust, and care from the population.

The extremely volatile and complex environment in which we operate demands ever faster decisions from our planning. We are proud of our decision-making capacity. Never taking shortcuts, we have been able to make quick, yet safe and consistent decisions. The key to our success is prudent investments.

The sanitation sector is entering a new era, full of challenges, many of which are still unknown. To remain competitive, we will have to propose new solutions, operate in new areas and new territories. We feel confident to face this near future. The search for excellence, through continuous improvement, strongly embedded in our culture, mitigates risks, alleviating potential crises.

The change in behavior, in a process of continuous adaptation to adjust to the scenario changes, encourages the integration of innovations in our processes, adding new experiences to the expertise acquired.

In recent years, we have worked to strengthen our governance area. We have strengthened internal controls, made an independent whistleblowing channel available, and improved our risk management. All because we understand that integrity, transparency, and accountability are fundamental tools for us to be as prepared as possible to respond promptly to threats and to be able to take full advantage of opportunities.

We are prepared to demonstrate our ability to generate added value to society, our shareholders and employees, through effective practices, transparency, and social and environmental responsibility.

The report that we present below portrays our successful performance. Enjoy your reading.

Claudio Stabile

02

2021 Financial Capital

We are a mixed capital and publicly traded company, operating in the collection, treatment, reservation and distribution of water, in the collection and treatment of sewage, in addition to the operation of three sanitary landfills in the interior of the State of Paraná. Sanepar is organized in regional units, with the administration centralized in five cities - Curitiba, Londrina, Maringá, Ponta Grossa and Cascavel - where Regional Managements, responsible for the business administration are located.

We achieved optimal operational performance in 2021, overcoming considerable challenges derived from the pandemic, the water crisis, and the restructuring of the sanitation sector in Brazil.

In the quest for universalization, in 2021 alone, we made investments of R\$1.3 billion. Committed to our economic and financial sustainability, we continue to be a reference, ensuring the balance of our finances through efficient management of revenues, costs, expenses and cash flow, in addition to the execution of prudent investments aligned with the Company's strategic objectives.

SANEPAR IN FIGURES

FINANCIAL CAPITAL

R\$ **1.7** billion
Cash generation

R\$ **1.3** billion
Investments

R\$ **7.8** billion
Net Worth

1,4 times EBITDA
Debt level
*net bank debt versus EBITDA

NATURAL CAPITAL

752.4 m³ million
Produced
(Number of water produced and available)

733.4 Kw/h million
Estimated energy resources
(Adding water, sewage, industrial and administrative ETA)

HUMAN CAPITAL

6281
Own employees

8059
Outsourced employees

SOCIAL CAPITAL

90.12%

Satisfaction with the call center service (0800)

16

Relationship Channels
(End customer and government)

INTELLECTUAL CAPITAL

891.2 thousand

Hours of training

COMPETITIVE ADVANTAGES



Operational excellence.



Managerial excellence.



Solid financial performance.



Predictable and resilient business, with a diversified customer base and credibility in the market.

MANUFACTURED CAPITAL

168

Water Treatment Plants (ETAS)

1247

Wells

4

Dams

3.3 million

Water connections

59,070 km

Distribution network

258

Sewage Treatment Plants (ETES)

2.4 million

Sewer connections

3

Landfills

39,660 km

Collecting network

521,515

Invoiced Volume/Water
(In millions of cubic meters)

396,455

Invoiced Volume/Sewage
(In millions of cubic meters)

OUTPUTS/ DELIVERIES

100%

Water supply network coverage

4.2 million

Active water economies

99.9%

Compliance rate of distributed water

77.3%

Sewage network coverage

100%

Treatment of collected sewage

3.2 million

Active sewage economies

64,2 thousand tons

Treatment of collected waste

OUTCOMES/VALUE GENERATION



High quality water distribution service (100% compliance).



Attendance with sewage collection index, above the national average, with a positive impact on the health and quality of life of our customers.



Dividends payment and cash generation.

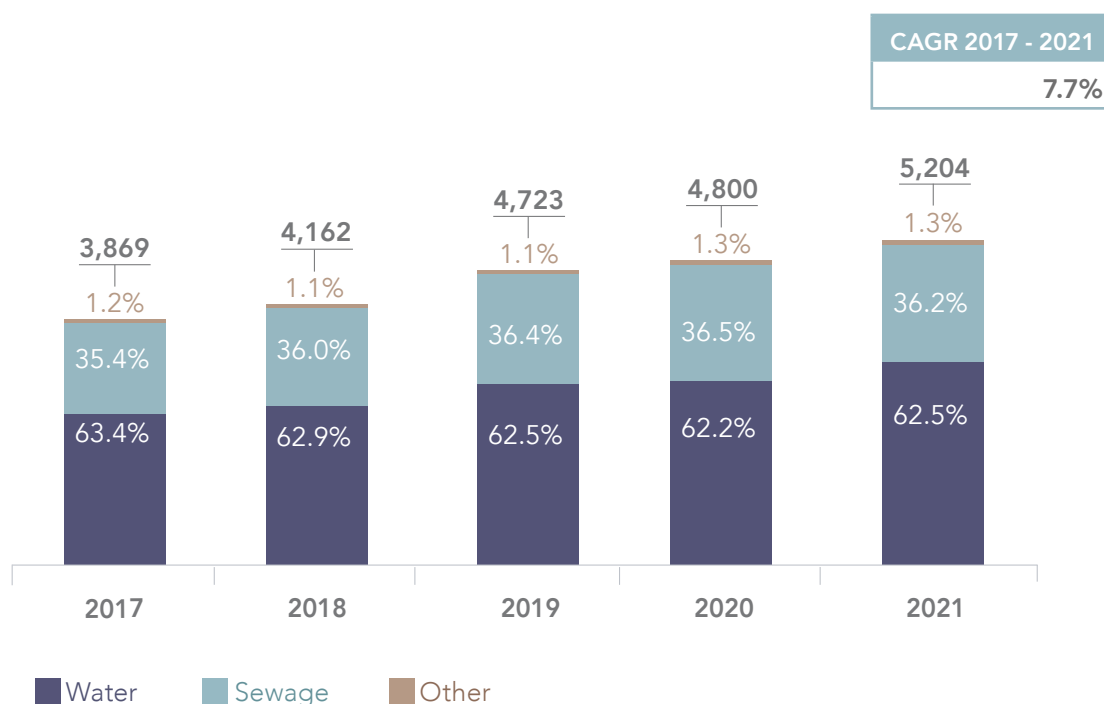


Impact management and environmental compliance.

NET REVENUE

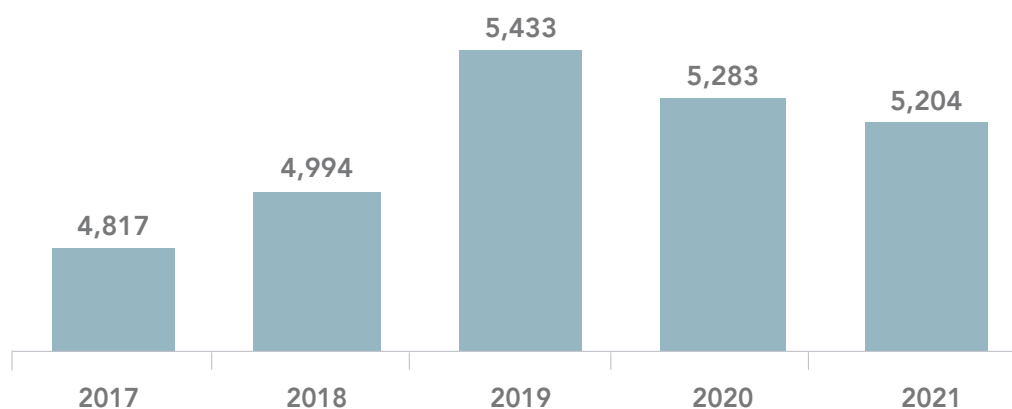
The net operating revenue in 2021 was R\$5,204.4 million, 8.4% higher than in 2020, reflecting the Annual Tariff Readjustment - IRT of 5.11% as of February 05th, 2021 and the tariff revision of 5.77% as of May 17th, 2021, despite the decrease in billed volumes of water and sewage, reflecting the prolonged water crisis and changes in the consumption profile of served families.

NET REVENUE (R\$ | MM)



NET REVENUE IN ACTUAL VALUES (R\$ | MM)

Updated values by IPCA¹



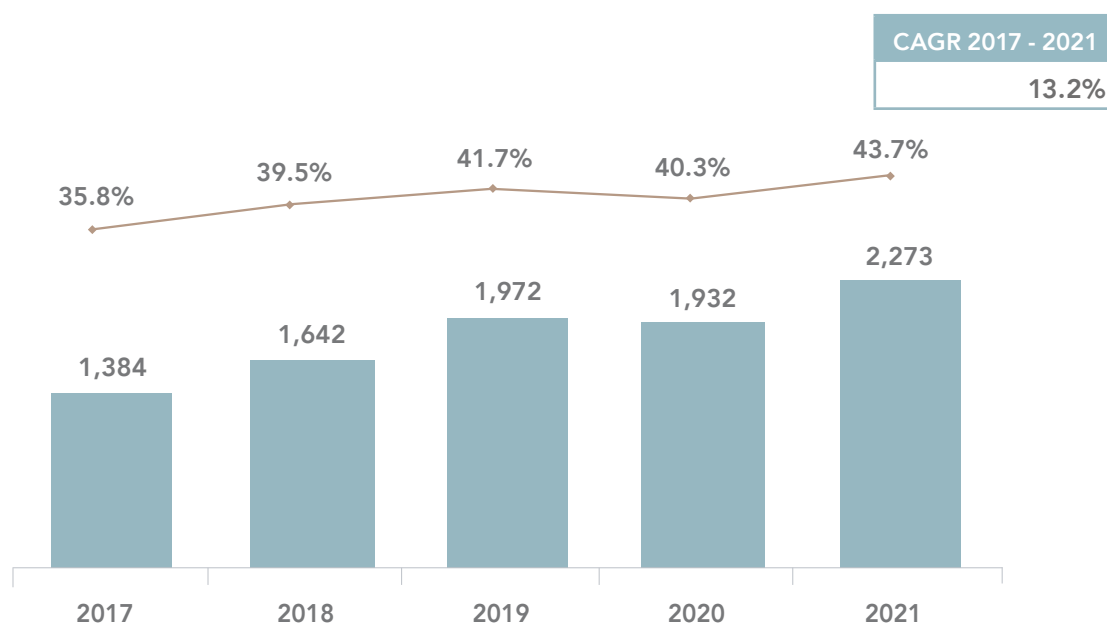
¹ IPCA IBGE: 2018: 3.75% | 2019: 4.31% | 2020: 4.52% | 2021: 10.06%

EBITDA AND EBITDA MARGIN

In 2021, EBITDA grew 17.6% compared to 2020, reaching R\$2,273.1 million, the result of efficient operational management, that kept the growth of operating costs lower than the growth of net operating revenue. The EBITDA margin for 2021 was 43.7%, higher than the previous year when it reached 40.3%.

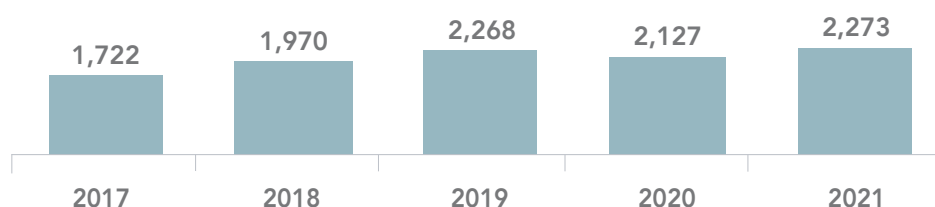
While the net revenue grew 8.4%, the operational costs that influence the EBITDA increased 2.2%. In 2021, the cost with personnel reduced 11.3%, as a result of the Incentivized Retirement Program - PAI, implemented in 2020. On the other hand, the cost of electricity, the Company's main input and largest operating cost grew 26.6%.

EBITDA AND EBITDA MARGIN (R\$ | MM)



EBITDA IN ACTUAL VALUES (R\$ | MM)

Updated values by IPCA¹



¹ IPCA IBGE 2018: 3.75% | 2019: 4.31% | 2020 4.52% | 2021; 10.06%

EBITDA COMPOSITION FROM THE NET INCOME:

EBITDA (R\$ thousand)						
Description	2017	2018	2019	2020	2021	Var.%
Net Income of the year	686,172	892,487	1,080,034	996,343	1,177,631	18.2%
(+) Taxes on net income	227,901	272,515	373,851	369,412	425,935	15.3%
(+) Financial Results	227,167	205,639	180,400	204,775	275,182	34.4%
(+) Depreciation and amortization	247,282	271,387	377,442	361,867	394,466	9.0%
EBITDA	1,383,522	1,642,028	1,971,727	1,932,397	2,273,214	17.6%
= EBITDA Margin	35.8%	39.5%	41.7%	40.3%	43.7%	3.4 p.p.

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

NET PROFIT

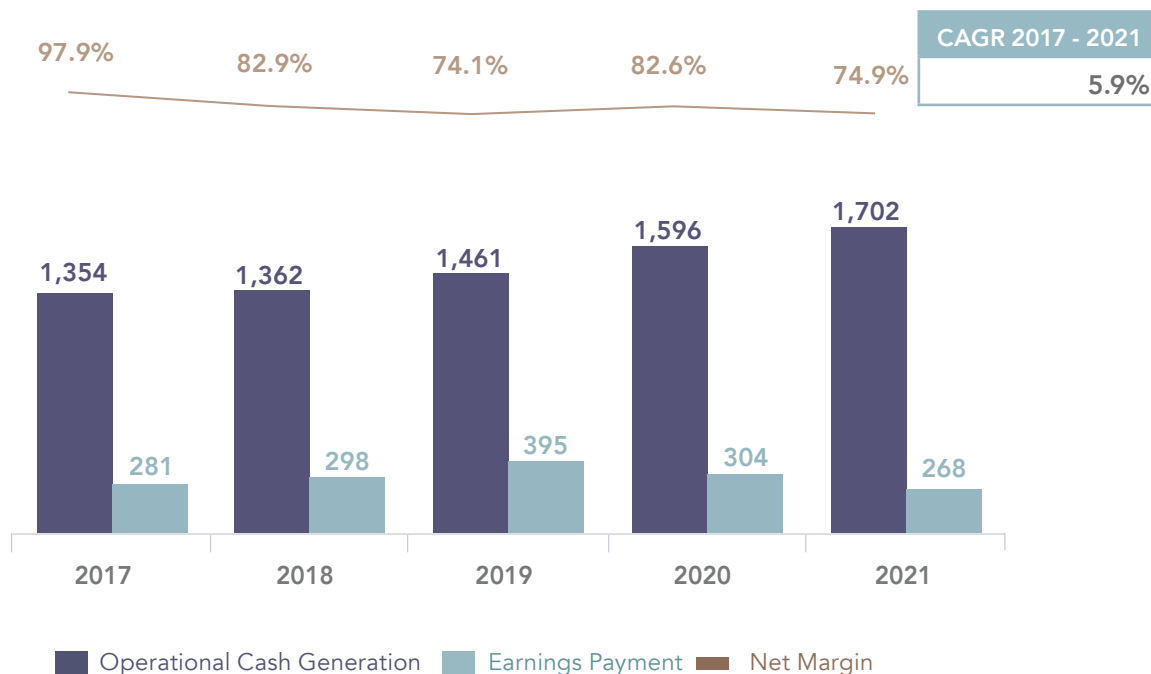
Net profit totaled R\$1.2 billion, an 18.4% growth over the previous year. The net margin grew 1.9 p.p., reaching 22.7% in 2021. The increase in net profit is the result of growth in net revenue, efficient costs and expenses management that the Company has been presenting in recent years, as well as the tariff adjustment and revision of the period, and tax savings resulting from the Substitution of payments of mandatory dividends for credit of interest on shareholder's equity distribution.

OPERATING CASH FLOW GENERATION

The company's operations generated a cash flow of R\$1.7 billion in 2021, 6.6% more than in the previous year. In the same period, the amount of R\$267.6 million was paid in dividends and interest on equity.

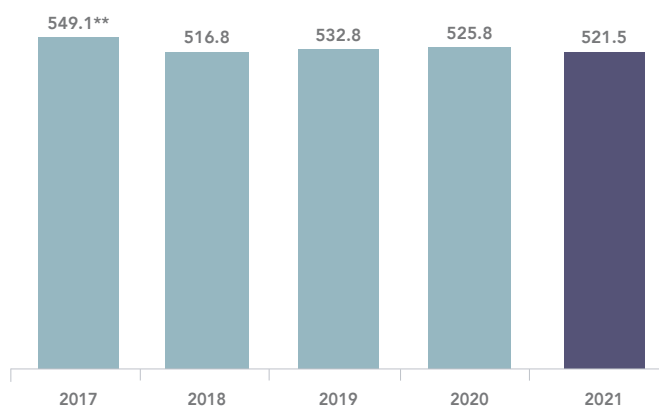


CASH GENERATION, EARNINGS AND EBITDA CONVERSION (R\$ | MM)



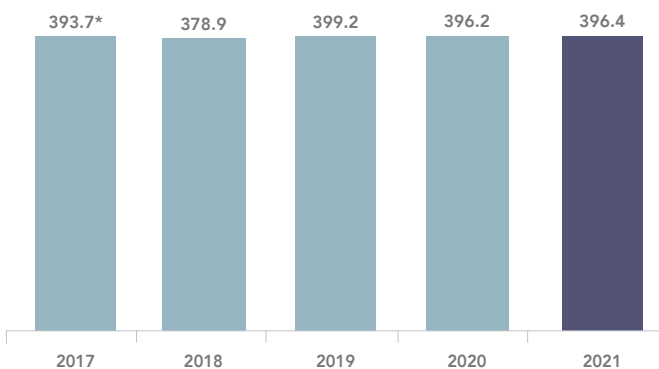
INVOICED VOLUME*/WATER (In millions of cubic meters)

* 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.



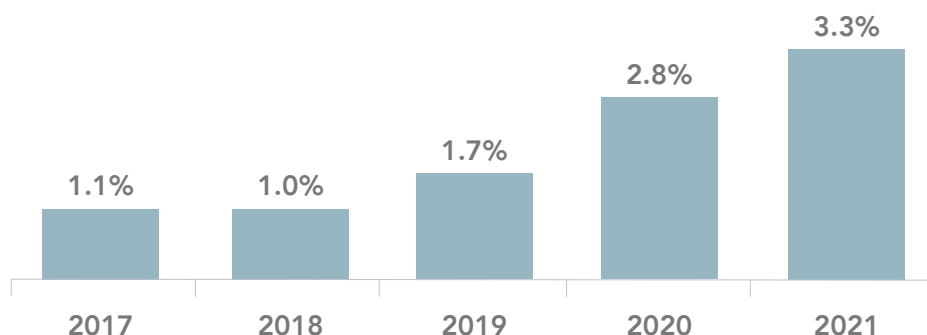
INVOICED VOLUME*/SEWAGE (In millions of cubic meters)

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



DEFAULT

In 2021, the default rate reached 3.3%, due mainly to the effects of the COVID-19 pandemic. Because we provide essential services to society, we comply with State Law 20.187, of 04/22/2020, which prohibits cuts due to nonpayment for the duration of the pandemic.



FUNDRAISING

In order to expand the services provision and maintain the Company's liquidity, Sanepar uses third-party resources, which are raised in the financial market via public banks (Caixa Econômica Federal and BNDES) and capital markets. The 2020 scenario, with a water crisis and pandemic, worsened in 2021 and brought a challenging horizon not only for Sanepar but for the entire sanitation sector in Brazil.

Funding raised with financial institutions in 2021

Caixa Econômica Federal: R\$262,643 thousand

BNDES - PAC2: R\$27,500 thousand

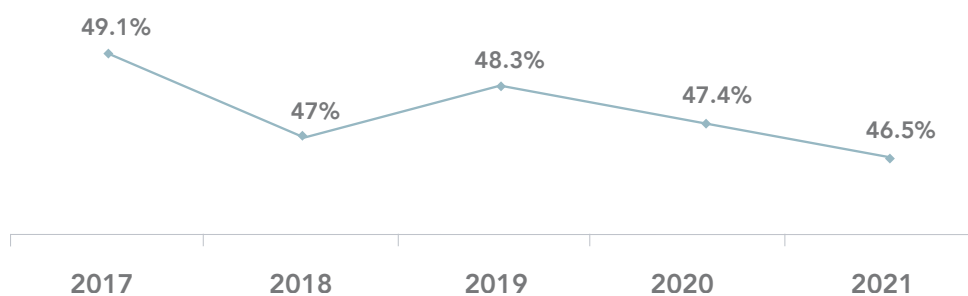
Banco KFW: R\$3,404 thousand

In addition to the amounts raised with financial institutions, the Company carried out the 11th issue of Debentures, raising R\$500 million in the market. Of these R\$500 million, R\$370 million were through Incentivized Debentures, which follow the guidelines of law 12.431, whose objective is to encourage the development of the country infrastructure, offering tax incentives in the form of Income Tax exemption.

INDEBTEDNESS

The company closed the year with assets of R\$14.6 billion, shareholders' equity of R\$7.8 billion, and total debt of R\$6.8 billion. The Debt to Assets ratio was 46.5% in 2021.

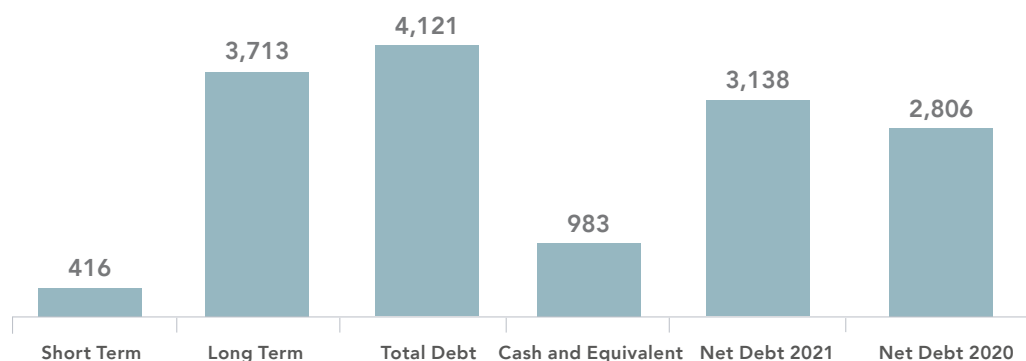
DEBT ON ASSETS (%)



NET DEBT

Net Debt, which reflects the Company's degree of indebtedness, was R\$3,137.5 million in 2021, while the Net Debt to EBITDA ratio, which measures the leverage ratio, remained at 1.4 in 2021 and 2020.

NET DEBT VALUES (R\$ | MM)



INVESTMENTS AND FINANCIAL PLANNING:

We are sizing our Investment Plan to comply with Law 14.026, of July 15th, 2020 complemented by Decree 10.710, of May 2021. This Investment Plan, prepared for a five-year cycle is called the Pluriannual Investment Plan - PPI and is reviewed annually, with the participation of the entire management body of the company. Quarterly monitoring reports are presented to the Board of Directors and guide the annual reviews.

Proof of the Company's economic and financial capacity with regard to universalization was presented to the regulatory agencies: AGEPAR, ARIS and ANA. This is the motto of the law, which requires that by 2033 all Sanitation companies in the country must provide coverage for at least 99% of the urban population with treated water supply and 90% of sewage collection in their concession areas. Sanepar already has 100% coverage of the treated water distribution network, but with sewage, today we serve 77%, that means, we have around 100 small cities without sewage system in place. The new sanitation legal framework dictates that we need to start taking sewage operation to these locations. For this, the whole company has been working together.

The challenge is big because these are very small municipalities, with a reduced user base and low payment capacity - often beneficiaries of subsidies such as the Água Solidária (sympathetic water). The work to implement Sanitary Sewage Systems is complex and expensive - the cross-subsidy is fundamental to achieve - universalization goals. Despite the great challenge, we are willing to overcome obstacles and meet the goal, if possible, before legal deadline, as we understand; sewage universalization is also a social commitment.

In the last five years, the accumulated investment was of R\$5.2 billion, destined to the maintenance and expansion of operations and improvement of services.

In 2021 alone, the company made investments of R\$1.3 billion, distributed as follows:

47%

for water systems

45%

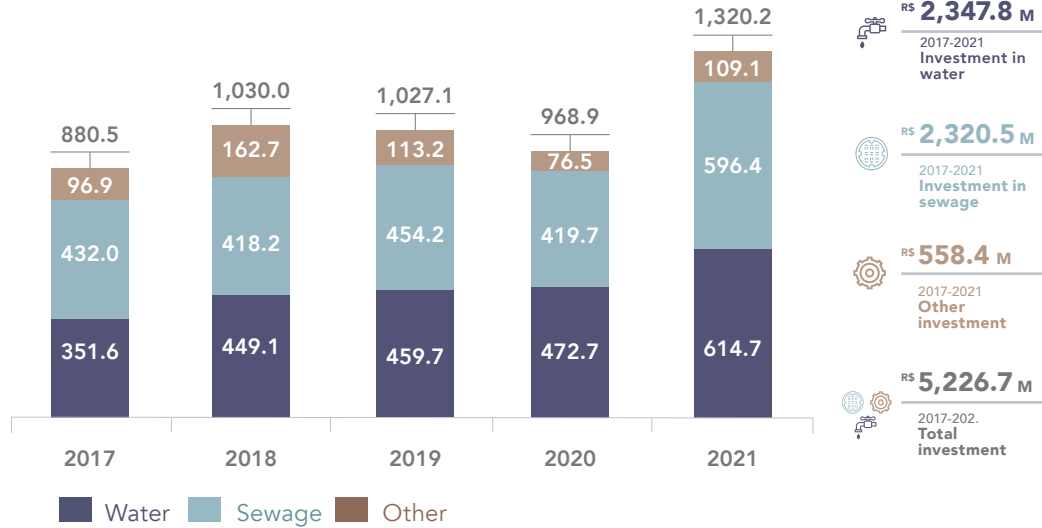
for the sewage operation

8%

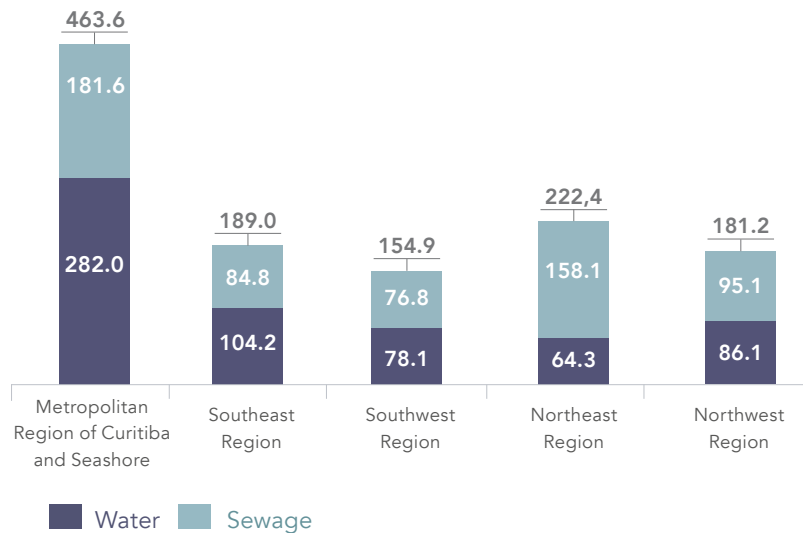
for administrative works and other investments

By 2026, the company's PPI projects investments of R\$9.07 billion. Of this, R\$5.07 billion will be allocated to sewage operations, R\$3.63 billion to water systems and R\$379.5 million to other investments.

INVESTMENTS (R\$ | MM)



INVESTMENTS BY REGION



R\$ 614.7 M

Total water investment in 2021



R\$ 596.4 M

Total sewage investment in 2021



REGULATORY BACKGROUND

The new General Regulations for Sanitation Services (RGS), prepared by the Paraná Delegated Public Services Regulatory Agency - AGEPAR, went into effect on May 30, 2021, updating the sector's rules, established in 1988.

The regulation establishes the conditions for the provision and use of sanitation services to be observed by the service provider, customers and third parties involved, seeking to guarantee a quality service provision to the customer and an adequate flow of investments, in order to ensure that services are maintained and expanded according to needs established in the service provider's planning.

The annual tariff adjustment for 2020, whose base date would be May of that year, was only applied as of February 05, 2021 by AGEPAR decision, as a result of COVID-19 pandemic impacts. For the readjustment in question, the index of 5.11% was established, ratified in AGEPAR's board of directors' ordinary meeting, which also determined that the differences related to the deferral, should be compensated in the Second Periodic Tariff Review (RTP).

As established by AGEPAR, the 2nd RTP was divided into two phases. Phase One, based on the methodology applied in the first tariff cycle, was consolidated into nine technical notes. In accordance with the provisions of State Complementary Law 222/2020, the technical notes were submitted to public consultation from January 4 to February 17th, 2021, and public hearing on March 31st, 2021. The entire process for tariff definition, as well as the elements that comprise it can be consulted at: <http://www.agepar.pr.gov.br/pagina/notas-tecnicas>.

Phase One approved a preliminary tariff of R\$5.67/m³, representing a 5.77% variation, which became applicable in May 2021. The definitive tariff will be approved in phase Two of the review, scheduled for 2022.



03

Shareholder Compensation

Our dividend policy, in line with legal precepts, establishes limits and criteria for remunerating shareholders (proceeds), through distribution of dividends and/or interest on equity (IE) attributed to dividends. Dividends correspond to the portion of the Company's net profit distributed to its shareholders in proportion to the number of shares they own.

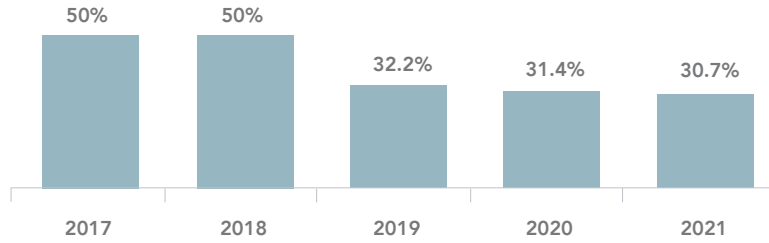
According to our Bylaws, the mandatory dividend cannot be less than 25% of the adjusted net profit, as per article 202, of Law 6,404/76. Besides the established minimum dividend, the Management may also approve additional dividends distribution, of up to another 25% of the net profit.

The compensation credit to the Company's shareholders is usually attributed based on the shareholding position on the last business day of June and December of each year. Trades subsequent to the credit are considered ex-dividends. The compensation awarded to the preferred shares is 10% higher than that awarded to the ordinary shares. On June 18, 2021, the payment of JCP credits relative to the 1st and 2nd semester of 2020 took place, in accordance with the decision of the 57th Ordinary General Assembly, in the amount of R\$296.4 million.

For the 2021 fiscal year, Management proposes a distribution of R\$343,6 million, corresponding to 30.7% of the Adjusted Net Income for the period.

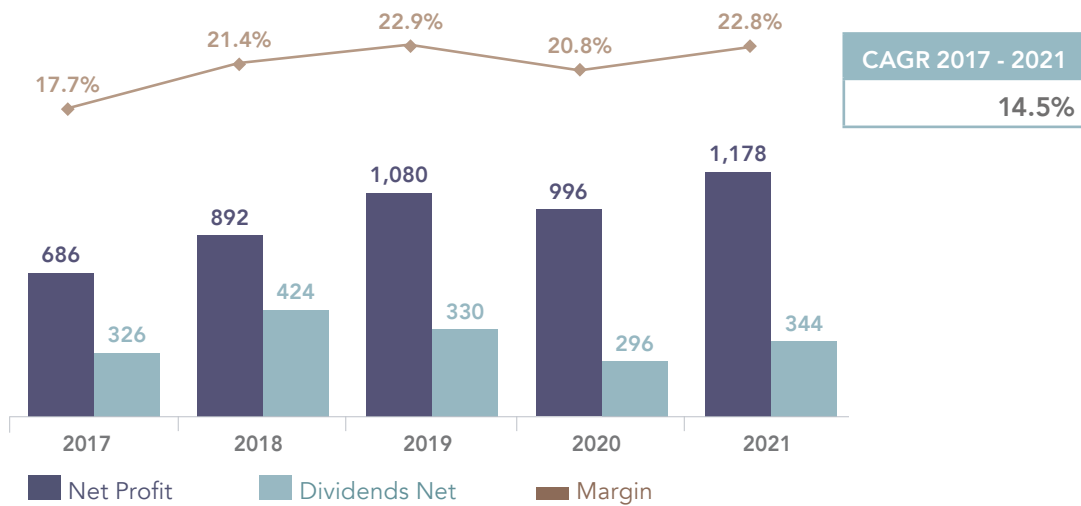
The payment will take place within 60 days after the Annual General Meeting that will approve the accounts for fiscal year 2021.

PAYOUT¹



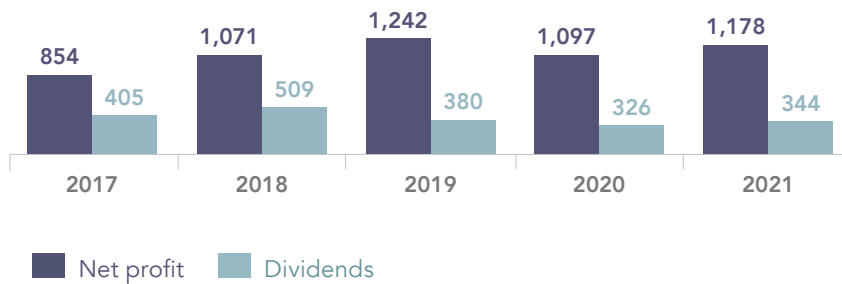
¹ Payout: percentage of revenue distribution

NET INCOME, DIVIDENDS AND NET MARGIN (R\$ | MM)



NET INCOME, DIVIDENDS IN REAL VALUES (R\$ | MM)

Updated values by IPCA¹

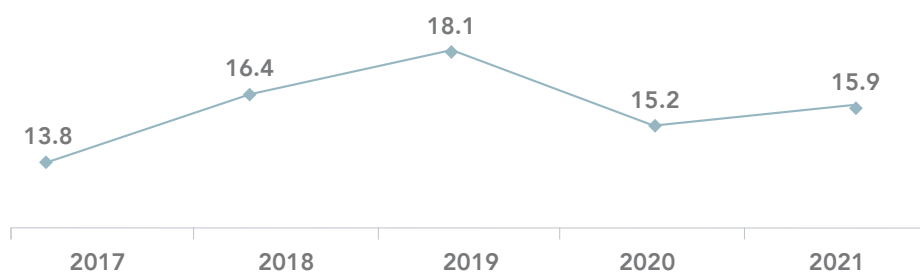


¹ IPCA IBGE: 2018: 3.75% | 2019: 4.31% | 2020: 4.52% | 2021: 10.06%

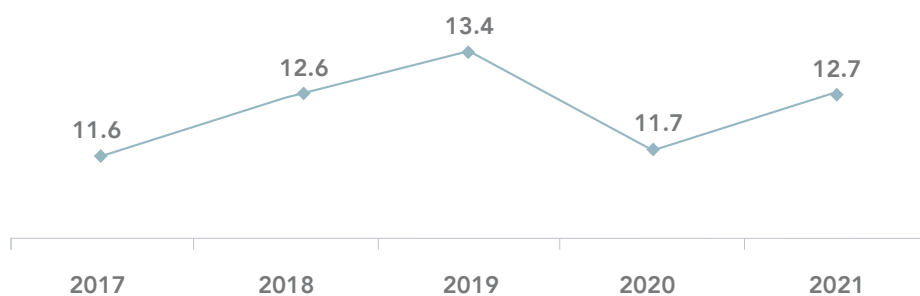
PROFITABILITY

With the performance achieved, the Company presented growth in profitability in relation to Net Equity: the index went from 15.2% in 2020 to 16.0% in 2021. The return on invested capital also showed good performance, increasing from 11.7% in 2020 to 12.7% in 2021.

PROFITABILITY ON SHAREHOLDERS' EQUITY (%)



RETURN ON INVESTED CAPITAL (%)





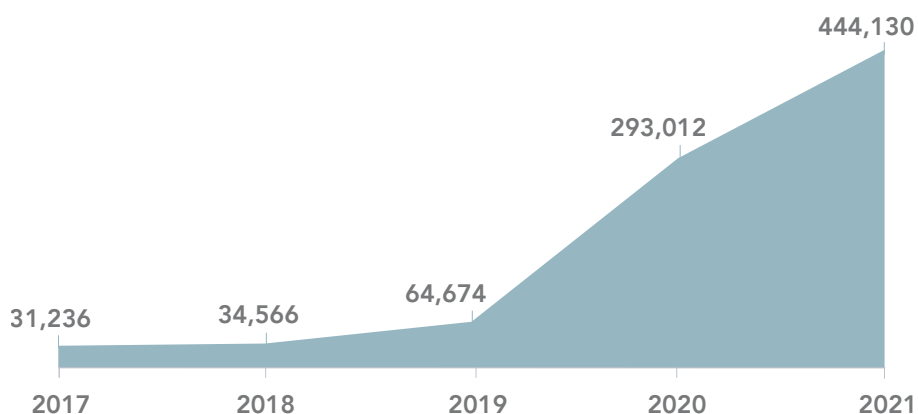
04

Value Generation

We are evolving toward a new Sanepar, focused on safe, ethical and more competitive performance. We continually strive to ensure the continuity of our business, sustainability and value creation for our shareholders and for society as a whole.

In the stock market, we continue to promote the necessary improvements to serve the related public. With expressive evolution in number of individual investors, we carried out specific work to capture the perceptions and reactions of the market. We applied a satisfaction survey with the investor public, which pointed out where efforts should be made. In general, the result suggests a more simplified approach for the "Individuals" audience, which is increasingly interested in the Company's performance.

SHAREHOLDER BASE - SANEPAR

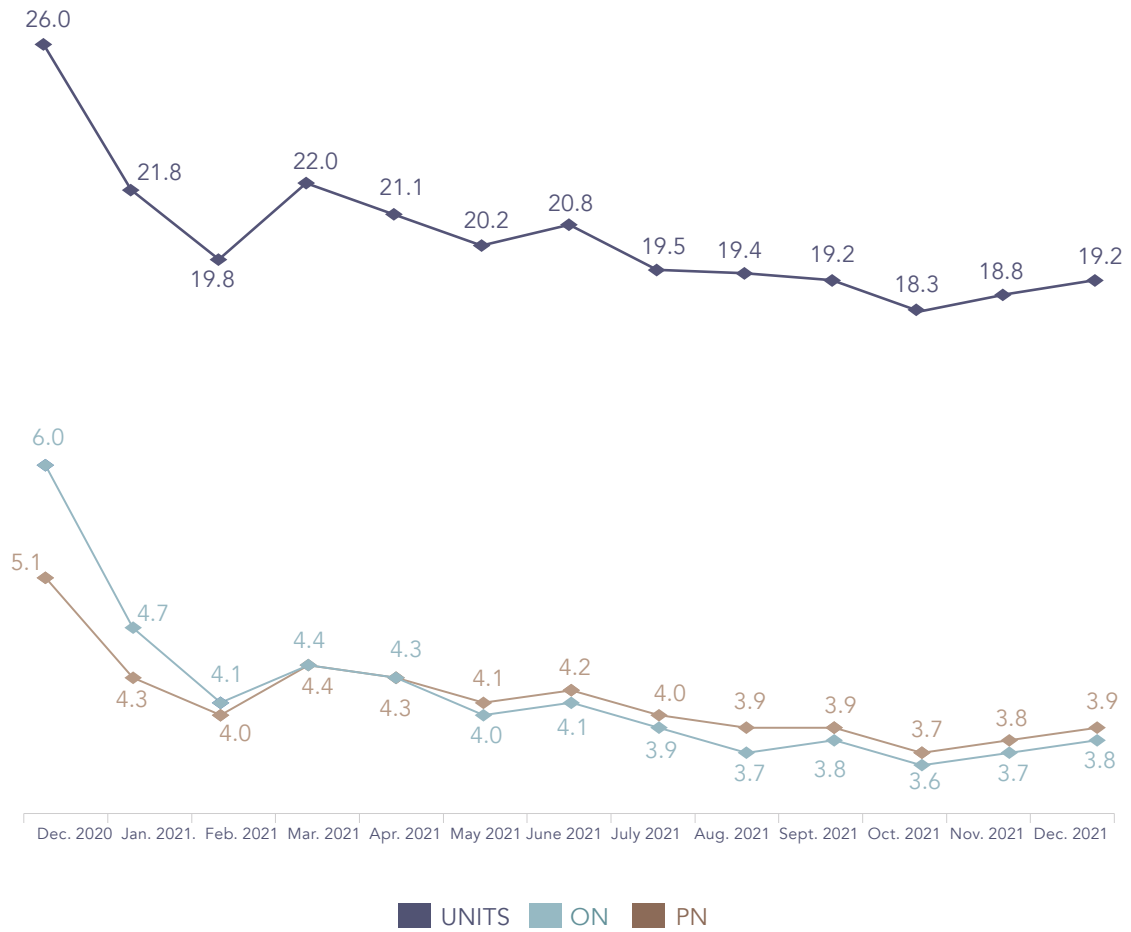


SAPR3, SAPR4 AND SAPR11 QUOTATION

Exogenous situations, such as those arising from COVID-19 and the economic situation itself in 2020, allied to reflections of the prolonged water crisis and expectations regarding the 2nd Periodic Tariff Review, impacted the performance of our shares. The Company's market value decreased from R\$8.2 billion in December 2020 to R\$5.8 billion at the end of 2021.

The ordinary shares (SAPR3) ended 2021 quoted at R\$3.80, showing a negative variation of 36.67% in relation to the closing of December 2020. The preferred shares (SAPR4) closed the year quoted at R\$3.87, a decrease of 24.12% in relation to the previous year. The Units (SAPR11), formed by one ordinary share and four preferred shares, reached the end of 2021 with a value of R\$19.17, a fall of 26.27%. The financial volume of business with Sanepar shares totaled R\$16.6 billion in 2021.

SHARES QUOTATION (R\$)



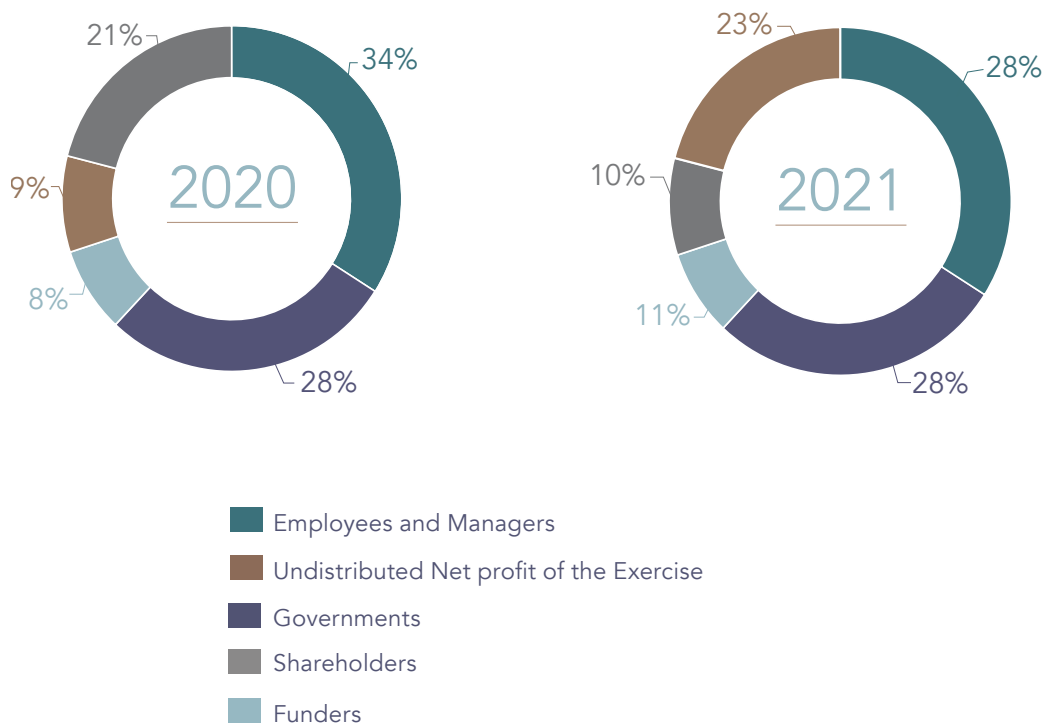
IN THE CHART IN MAR./20: STOCK SPLIT 1/3

SOCIETY

In 2021, Sanepar generated R\$3.5 billion in tangible values for society. This figure encompasses taxes, financial institutions, suppliers, compensation, benefits and shareholder remuneration.

Of the added and undistributed values, we can highlight the Undistributed Net Income, which in 2021 was R\$835.6 billion. This amount is used for investments in public sanitation policies, which benefit the entire society and boost health indicators and quality of life in the State of Paraná.

DISTRIBUTION OF GENERATED VALUE:







05

Customer Relations

The past year was challenging and full of opportunities. It was necessary for us to reassess strategies to understand our new social and environmental role. Thanks to all our technical knowledge in sanitation, we were able to overcome the challenges, taking the opportunity to solidify the relationship with our customer base. All this work was incredible, because it gave us confidence, showed us that we are capable, that despite all the difficulties we were able to remain competitive.

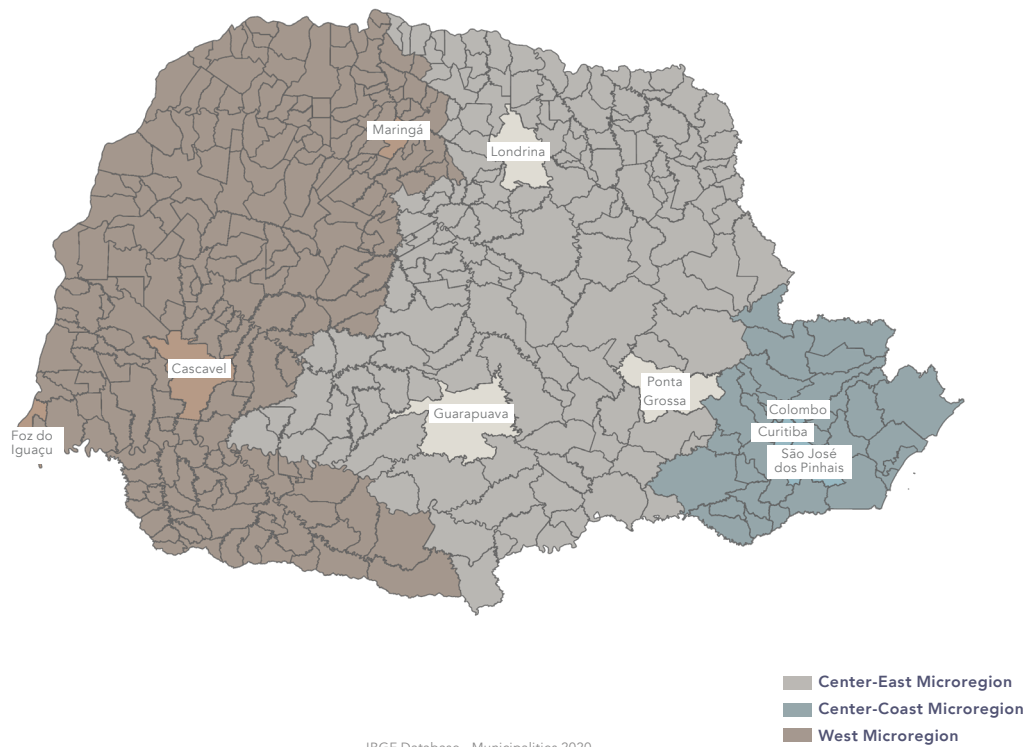
New Legal Framework

In 2021, to meet the demands of the New Legal Framework, the State of Parana's Governor sanctioned the State Complementary Law 237/2021, which divides the State of Paraná into three Microregions for the provision of public water supply and sanitary sewage services. This way, our relationship with the granting authority, which used to be with each municipality served by Sanepar, is now with the collegiate of municipalities and the state government representatives of the micro-regions. In this collegiate, the State holds 40% of votes and cities 60%.

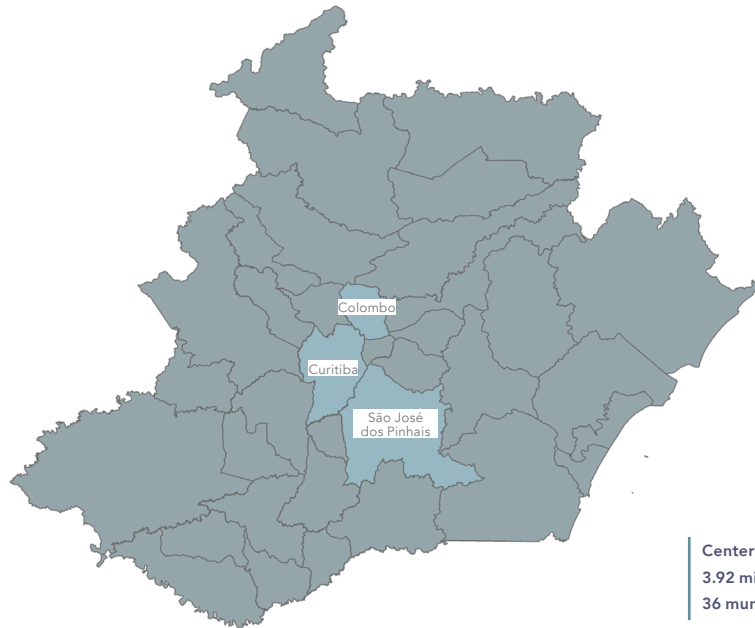
- Center-Coast Microregion, with 3.92 million inhabitants, comprising 36 municipalities, including Curitiba, São José dos Pinhais and Colombo.
- Center-East Microregion, with 3.64 million inhabitants, formed by 155 municipalities, including Londrina, Ponta Grossa and Guarapuava.
- West Microregion, with 3.87 million inhabitants, formed by 208 municipalities, including Maringá, Cascavel and Foz do Iguaçu.

* The nine cities mentioned are the most populated in each Microregion.

PARANÁ MICROREGIONS

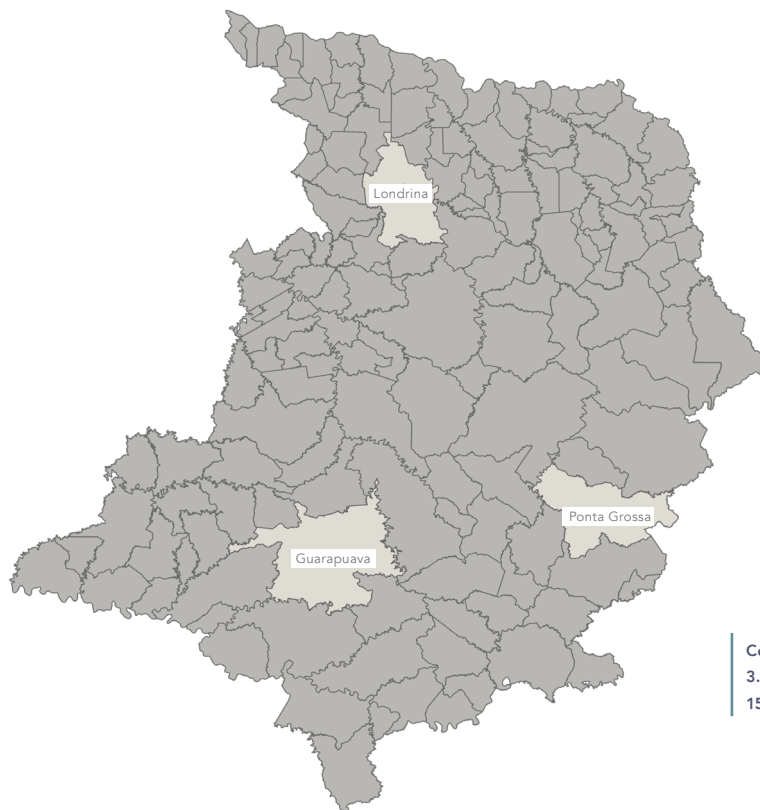


CENTER-COAST MICROREGION



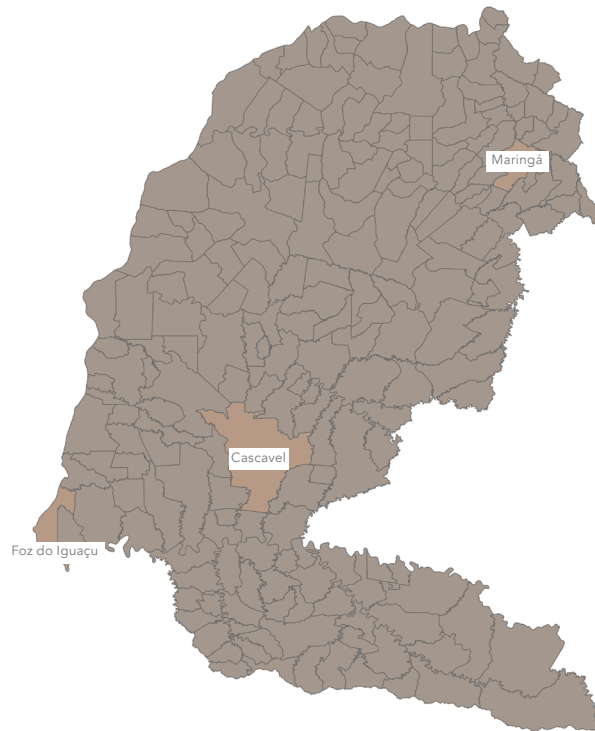
Center-Coast Microregion
3.92 million inhabitants
36 municipalities

CENTER-EAST MICROREGION



Center-East Microregion
3.64 million inhabitants
155 municipalities

WEST MICROREGION



West Microregion
3.87 million inhabitants
208 municipalities



To comply with Federal Decree 10,710/2021, documents stating Sanepar's economic and financial capacity were filed with the State Regulatory Agencies AGEPAR (PR), ARIS (SC) and the Federal ANA, as well as draft terms of contract updates, which were approved by the micro-regional collegiate bodies.

We expanded the resources that will be applied in rural areas, quilombola communities, and indigenous villages, in order to fulfill our social role. We understand that access to basic sanitation is a determining factor for health and human dignity.

We upgraded the budget for this purpose from 0.10% to 0.15% of Sanepar's net revenue in the 2022/2026 cycle. Our plan is to serve 16 indigenous villages in the municipalities of Vitorino, Guaira, Terra Roxa, Tamarana and Santa Helena, with construction work planned for the next five years.

The villages contemplated will be: Vitorino Village, in the municipality of Vitorino; Tekoha Guarani, Tekoha Karumbei, Tekoha Taturi and Tekoha Y'hovy, in the municipality of Guaira; Tekoha Nhamboete, Tekoha Pohã Renda, Tekoha Tajy Poty and Tekoha Yvraty Porã, in the municipality of Terra Roxa; Serrinha and Água Branca, in the municipality of Tamarana; Tape Jere, Tekoa Pyahu, Ara Porã, Mokoy and Tekoha Vy'a Renda Poty, in the municipality of Santa Helena.



Contract Profile:

331
municipalities with contracts in effect

1
municipality with contract under adjudication

14
municipalities with expired contracts

ACCESS TO WATER DURING THE PANDEMIC

Not cutting off the water, as determined by law 20.187/2020, was only possible because we were financially prepared. In addition, we also have a very latent social commitment and this gives us the backing to meet this need that presented itself during the pandemic.

It was our contribution to guarantee the population hygiene at a time when it made even more of a difference for maintaining life.

We designed and implemented a Credit Recovery Program for Active and Inactive Private Customers - RECLIP. This program was active until November 30, 2021 and relaxed the criteria for negotiating overdue accounts with Sanepar. Among the facilities we can mention: the waiver of the down payment, no penalties, installment payment of the amount due in up to 60 months and interest rate reduced to 0.1% per month.

RECLIP SCORE

Total
Customers Served

53016

Customers

Total
Negotiated Accounts

466765

Accounts

06

Vision, Purpose and Values

We live, not only as Sanepar, but as a society, an urgent need to develop innovative solutions to solve the worldwide problem of drinking water scarcity. Considering that traditional solutions and technologies alone have proven inadequate for this challenge. We understand that the sanitation industry is migrating from a highly data-driven to a knowledge-driven environment. In this sense, innovation, which is already intrinsic to our business, has been stimulated transversally, permeating all the Company's processes and becoming part of the corporate culture.



Vision

Universalize environmental sanitation, with excellence, in all attended municipalities, committed to customer satisfaction.

Purpose

Health and Sustainability for Society.



Values

Responsibility - Being responsible for your actions and decisions, in commitment with the company's objectives.

Innovation - Search for new solutions, aiming at efficiency and universalization of environmental sanitation.

Competence - Performing your professional duties with the support of knowledge, skills and assertive attitudes.

Commitment - Acting in a dedicated and committed manner with the company's principles, values, vision, and mission.

Professionalism - Performing your duties with dedication, ethics and respect.

Transparency - Acting and reporting clearly and truthfully.

Ethics - Acting according to values that guide a conduct with integrity, transparency, and honesty.

07

Strategic Plan 2022 - 2026 Cycle

2020 was a unique year for the Brazilian sanitation sector, with effects and developments for Strategic Planning as of 2021. Our challenge has been to constantly update the scenarios analysis in order to ensure the necessary adjustments to maintain Sanepar's strategic alignment, offering quick responses consistent with our organizational culture.

On July 15, 2020, the Federal Government sanctioned Law No. 14.026/2020 - New Legal Framework for Sanitation - whose proposal is to improve the structural conditions of basic sanitation in the country. To do so, it updates Federal Law 11.445/07; attributes to ANA - Agência Nacional de Águas e Saneamento Básico (National Agency for Water and Basic Sanitation), the competence to edit reference standards on sanitation services; prohibits the rendering of public services through Program Contracts; extends its scope of application to the micro regions and authorizes the Federal Government to participate in a fund with the exclusive purpose of financing specialized technical services. The New Framework establishes the national guidelines for basic sanitation and its universalization targets, determining that by 2033, 99% of the population in Brazilian urban areas must have access to potable water and at least 90% must have access to sewage collection and treatment services.

Following the national basic sanitation restructuring trend and foreseeing new opportunities for economic growth and social development, the Governor of the State of Paraná sanctioned in July 28, 2020 the Ordinary Law No. 20,266/2020, which updates the State Law 4. 684 of January 1963, expanding the limits of Sanepar's activities, authorizing us to operate even abroad: in the exploitation of public services and/or private systems for water supply, collection, treatment and destination of effluents, domestic and industrial solid waste, urban drainage, and environment and its water resources protection. It also allows Sanepar to sell the energy generated in its operating units and also the services and rights arising from its property assets, including enabling the use of its operated networks for the installation of optical fiber cables. The new by-laws, approved by the 120th Extraordinary General Meeting of April 22, 2021, incorporated all these updates, allowing Sanepar to participate, either as a majority or minority shareholder, in consortiums, investment funds or partnerships with public and private companies in order to achieve these new objectives.

In June 2021, Federal Decree No. 10.710/21 came into effect, regulating art. 10-B of Law No. 11.445/07 - establishing methodology for proving economic-financial capacity of the providers of public services in potable water supply or sanitary sewage, considering regular contracts in effect, in order to enable compliance with the established universalization goals.

In July of the same year, according to the New Sanitation Framework guidelines, the State Complementary Law 237/2021 was sanctioned, establishing the Micro-regions of public services of water supply and sanitary sewage in the State of Paraná. According to which, each Micro-region has the legal nature of an intergovernmental autarchy of special regime, with deliberative and normative character, and legal personality of Public Law.



Based on what has already been regulated, both by the federal and state governments, we are adjusting current contracts, adapting them to the new legal determinations, such as quantitative goals and service indicators, and we intend to have all contracts in effect, updated by March 2022, as the Law stipulates.

In addition to the challenges imposed by the New Framework, there are the effects of Climate Change and the COVID-19 Pandemic. All these difficulties have presented themselves concomitantly, demanding from us a high degree of resilience and adaptive capacity.

Our Investment Plan had to be reassessed. We anticipated construction works to mitigate the impacts of the water crisis and accelerated our digital transformation process. Operational adaptations were made to ensure the continuity of service. Due to the short-term ness of climate forecasts available, we invested in careful studies for the allocation of resources, always respecting the principle of Allocative Efficiency of Financial Resources; we try, as much as possible, to stick to the investment projections approved by the Administration.

Thanks to the high degree of commitment of all our employees, we have been able to overcome the difficulties imposed by the external scenario.

SOLID VALUES

Despite the avalanche of changes ahead, our strategic goals and guiding principles remain the same:

- * **Sustainability** - ensuring the economic-financial balance of the business; conserving the environment; promoting social responsibility.
- * **Customers and Granting Authority** - maintain and expand market; increase customer satisfaction and loyalty; strengthen the company's image.
- * **Processes** - ensuring the quality of products and services; improving and innovating projects and processes; ensuring regulatory and corporate governance practices.
- * **Learning and Growth** - strengthening the innovation culture; enhancing knowledge, skills and attitudes; developing the organizational environment.



ASG

Fulfilling our ASG agenda - Environmental, Social and Governance - we kept Governance as a priority. In January 2021 the 1st External Integrity Program Monitoring Survey took place, approved by the Board of Directors in November 2019. The survey had the participation of approximately 1,000 Company employees, in addition to leadership and governance agents.

Aiming to identify the level of knowledge about the Integrity Program among employees, the survey allowed the visualization of real internalization of concepts advocated in the Program and the identification of any gaps, serving as a basis for developing action plans for improvements in processes, intensifying and acculturating the Integrity Program in Sanepar.

In addition to the survey, the program is continuously monitored through management of the Whistleblower Channel and the follow-up of the Integrity Whistleblower Index - an indicator implemented to measure results of the work developed for treatment of founded and partially founded whistleblows, as well as the managerial measures taken, in alignment with Sanepar's Disciplinary code.

The process of Procedural Mapping was intensified and widely disseminated by the corporate governance team (DAGRC) Deputy board of Governance, Risk and Compliance. In 2021 a Crisis Committee was established, through Resolution No. 566/2021. The fundamental role of this committee is to mitigate, point out solutions and points for improvement arising from crisis events, especially with regard to corporate image, legal, social communication and operational issues, considering action in the main axes: Integrity, Corporate and Environmental Image.

Also noteworthy are the Bylaws revisions, Internal Rules of the Eligibility Committee, Internal Rules of the Board of Executive Officers, Securities

Trading Policy, Policy on Transactions with Related Parties and Investment Policy. In addition to the implementation of the Personnel Policy and Integrity Program for Suppliers and Business Partners of Sanepar. For us, good governance practices are not only strategic in the Company, but also a standard of organizational behavior.

SANEPAR'S INTEGRATED SYSTEM OF MANAGEMENT EXCELLENCE (SIEGS)

The SIEGS permeates all of Sanepar through three levels for dissemination and implementation of its requirements, distributed in technical chambers: Strategic, Managerial and Operational. In 2021, to mobilize and train all employees, the SIEGS Learning Trail was launched, consisting of two EAD courses, which enabled the training of more than 2,500 employees, while the management body was sensitized during planning meetings.

In the same period, the Quality Policy was updated according to the Corporate Governance standard.

Quality tools were deployed in all departments, through 36 mentorships, involving the Technical Chambers and representatives of company's processes, with a total of approximately 270 hours of work.

With the implementation of the first SIEGS cycle, technical chambers had the opportunity to promote a systemic vision, stimulating innovation, maintaining quality requirements already achieved and contributing to the development of the value chain and process architecture.

LOOKING TO THE FUTURE

We are optimistic, because we have all the necessary requirements to consolidate ourselves facing the new legal framework. We are composed of a very competent and committed team, our processes are well outlined, and the ethical commitment permeates our daily routine at Sanepar. We expect to provide the best possible service, with an adequate tariff, bringing more health to the population.







08

Sustainability

Sustainability is imposing itself as a relevant theme for humanity with unprecedented force. The expansion of economic activity and the growing urbanization process brings countless challenges for water security. Given the relevance of the issue and the crucial role of the sanitation sector for sustainable development, we have concentrated our efforts on mitigating the negative impacts of our operations on the environment and society. In addition to working tirelessly toward the universalization of water distribution and sewage collection and treatment services.

We are living, in 2021, a unique moment, where we had the opportunity to establish the strategic alignment around the ASG agenda - Environmental, Social, and Governance - so that the entire company can walk in the same direction and be able to share the solutions adopted.

It was an interweaving of actions and ideas in each process, each project, each step planned and executed. As milestones in this practice, we had the creation of the ASG Committee and the implementation of the company's Sustainability Policy. The objective of this policy, which is actually an evolution of the Environmental Policy, applied at corporate level at Sanepar, is to establish guidelines to holistically promote environmental sustainability and water resources, social and economic responsibility in all carried out activities, our focus is to create value for all stakeholders, in a sustainable and resilient manner.

In 2021 we conducted a study to prioritize the SDGs to be further developed in our integrated planning. Signatories of the Global Compact since 2019, the publication of Agenda 2030 and the Sustainable Development Goals - SDGs, we work towards meeting the established goals and for dissemination and promotion of the 2030 Agenda. For us, all 17 SDGs are equally important and intrinsically linked to each other; however, in order to facilitate the approach and enable the proper internalization in the Company, we strategically decided to prioritize 5 SDGs. This evolving work, which included the participation of representatives from all of the Company's departments, established as priorities the following SDGs:

- 06** Clean Water and Sanitation
- 03** Good Health and Well Being
- 05** Gender Equality
- 12** Responsible Consumption and Production
- 13** Climate Action



OUR ACTIONS MEET THE PRIORITIZED SUSTAINABLE DEVELOPMENT GOALS



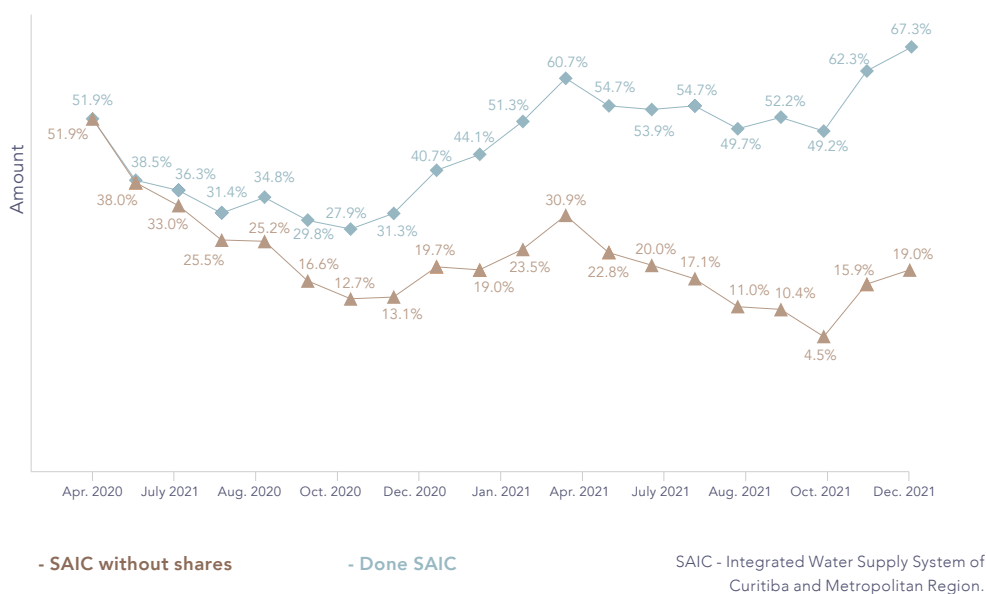
The prioritization will allow the orientation of investments, actions and programs, establishing an optimal path to achieve the 2030 agenda goals, with responsibility and consistency, generating value for shareholders, employees and society as a whole.

The prioritization work shows the care we take when dealing with our internal and surrounding environment, seeking to ensure good conditions so that the company, nature, its employees and business partners, society, and the community in which we operate, can develop and prosper together. Developing sustainable practices and with an ethical and transparent management, makes it possible to prosper without causing degradation, ensuring quality of life for employees and their families, complying with all the regulatory basis applied to the business and still, positively influencing the environment in our surroundings.

WATER CRISIS

In the context of sustainability, it is also worth mentioning the structural and non-structural actions carried out to face the water crisis: reservoir volume forecasting in different scenarios of climate behavior, negotiation with the farming community, Meta20 to raise awareness of the need to reduce water consumption by the supplied population, capturing water from pits and quarries, flow transposition, and calibration of public supply rotation frequencies. All these actions helped to mitigate the negative impacts of the crisis and supported the understanding of the relevance of the role of a sustainable environment for the water security of the population.

In the graph below it is possible to observe the comparison between two scenarios for the Curitiba and Metropolitan region Integrated Water Supply System: with the interventions cited above and without interventions. It is evident that the adopted actions were crucial for the improvement of the performance scenario.



We publish our socio-environmental information annually, following the Global Reporting Initiative recommended methodology, in the "core" modality, through our Sustainability Report.

09

Human Capital

The year 2021 showed our Human Resources area that the company's main asset is people. Were it not for the determination, resilience and competence of our "Saneparians", the company would not have been able to go through such a challenging period - as it was last year - so efficiently.

Due to the tireless work of a great team, we overcame adversities caused by external forces and exceeded our own expectations in terms of response speed and delivery quality.

We believe that the path we have walked over the last 58 years has strengthened us and prepared us, even if unconsciously, with the necessary maturity and wisdom to go through hostile periods.



REMOTE WORKING

In December 2021 the telecommuting modality was formalized in the company. Based on the experience of keeping many employees working from home during the pandemic, we proposed an updated labor contract, which was submitted to unions for approval. Once the proposal was approved, it was up to each area to define who would be able to adopt this model and the work schedules within each area. The adhesion was by means of an additive term to the individual work contract and the Personnel Management team followed up and offered all the support when called upon.

PERSONNEL MANAGEMENT POLICY

In 2021 we launched our Personnel Management Policy. The result of a collective effort, involving the entire team from the Personnel Management Department (GGPS), the document serves as a guideline for the processes aimed at employees. Our major concern during the elaboration process of the Policy was to guarantee that the document, much more than a step-by-step to be followed, would be a reference of the Saneparian values. The intention is to promote a safe, healthy, inspiring and innovative work environment that values equal opportunities, respect for plurality and diversity.

Establishing this policy was a latent internal demand that meets the requirements of Law 13,303/16 and Company's Bylaws, which also contributes to the implementation of ESG (Environmental, Social and Governance) practices at Sanepar. We intend this document to be dynamic, with constant updates, so that it is understood as current and adherent to the main trends of good corporate practices and permeated with meaning for our employees.

ORGANIZATIONAL ENVIRONMENT

We have been assessing the satisfaction of our employees periodically for the past 20 years. In 2021 the survey called Fale Francamente (Speak Frankly) underwent some changes. Before we used to assign grades (from 01 to 10) to the items evaluated, now we are assigning concepts (very satisfied, satisfied, indifferent, dissatisfied, very dissatisfied), the change is aligned with the GRMD model - Reference Guide for Performance Measurement of ABES (Associação Brasileira de Empresas de Saneamento).

Last year, the best evaluated subjects were the changes in Fale Francamente (Speak Frankly) itself, which received 94.69% approval, and the Management of the Pandemic COVID-19, with 79.57% of employee satisfaction. This shows us that the employee has felt safe with measures adopted by the company to face coronavirus in corporate environment. Especially the flow of information about preventive measures and feeling of stability and safety while working at Sanepar during the pandemic period reached, respectively, 82.91% and 82.05% of satisfaction.

Based on the tabulated results, managements receive evaluations from their areas and create Action Plans for improvements when scored lower than 75%. The plans, recorded in Sanepar Information System - SisWeb, have their results evaluated until the end of the year, ensuring the monitoring of deliveries, seeking continuous improvement of the organizational environment.

DIVERSITY, EQUITY AND INCLUSION



In 2021, we felt the need to transform the Equity Committee into something bigger and more comprehensive, in line with the challenges faced by the society we are part of and aligned with the ESG agenda. In November, the committee was redesigned to meet new demands in a more plural and inclusive way, giving rise to the Diversity, Equity and Inclusion Committee. The new proposal brings the challenge of corporately welcoming issues related to people with disabilities, LGBTQI+, providing gender equality, offering equal conditions for employees of different ethnicities and generations, seeking to eradicate discrimination and promote equal opportunities.

PANDEMIC RESPONSE



As an essential service provider, we could not stop working for a single day during the global COVID-19 pandemic. To minimize risks to our workers, most of the actions initiated in 2020 were maintained, as a strategy to support the Board of Directors in making quick decisions: publication of guidance circulars; dissemination of a map monitoring cases in the company; full subsidization of RT-PCR tests for employees; strict sanitation procedures, and an active whistle-blowing channel to report misconduct regarding preventive measures.

The COVID-19 Special Commission, formed by resolution, composed of professionals from occupational health and safety, psychology, social assistance and communication, is permanently monitoring the pandemic situation in the company. Periodic meetings to define immediate implementation, response to demands from external agencies and act in the propositions of recommendations for

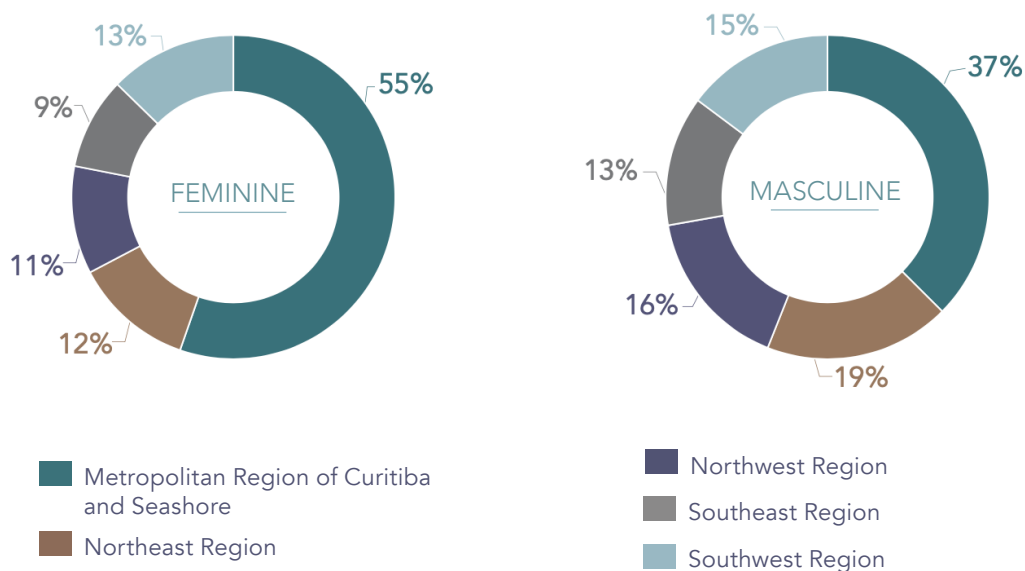
the contingency plan and the resumption of activities are part of its routine. Besides this, the follow-up of the legal measures defined by the governments in all instances (Federal, State and Municipal) and the corresponding adaptation of corporate guidelines, which after defined by the Board, are disseminated throughout the company, are among its attributions.

We have been pointed as an example in the corporate area and consulted as a reference in the fight against the pandemic by other institutions. We believe that all the care taken regarding the theme contributed to mitigate the contagion among our employees. Our main weapon in this fight was quick, clear, and accessible communication to all levels of the company. We credit the engagement and commitment to the necessary care by our employees to this fluid communication, always present in the company's routines, since the first days of the pandemic.



EMPLOYEES PROFILE

 Women	1.328
 Men	4.953
Total 6.281	

GEOGRAPHIC DISTRIBUTION

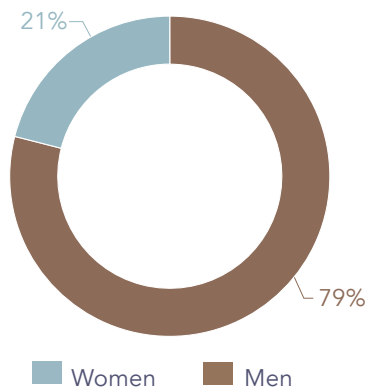


EDUCATION

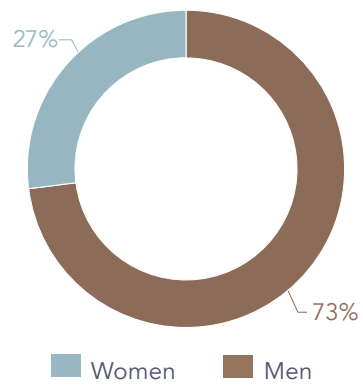
	INCOMPLETE ELEMENTARY SCHOOL	ELEMENTARY SCHOOL	MIDDLE SCHOOL	TECH MIDDLE SCHOOL	HIGH SCHOOL	POST GRADUATION
 Women	0	0	243	192	417	476
 Men	28	24	1.682	1.047	1.351	821

LEADERSHIP POSITION

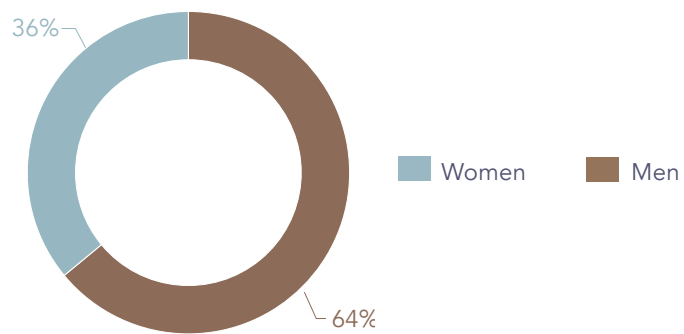
NUMBER OF ACTIVE EMPLOYEES



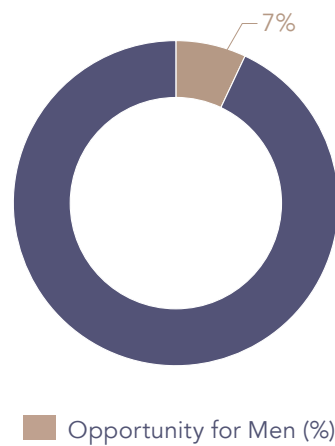
EMPLOYEES IN LEADERSHIP POSITIONS



IN STRATEGIC POSITIONS



OPPORTUNITY INDEX - WOMEN X MEN
STRATEGIC AND LEADERSHIP POSITIONS





10

Additional information

GOVERNANCE, RISKS AND COMPLIANCE

After the Restructuring of the Compliance and Risk Management areas, with the creation in 2020 of the Governance, Risks and Compliance Deputy Board, we had a year of consolidation of practices and achievement of good results in 2021. In unison with other areas of the company, in a commitment assumed horizontality, with all the departments working hand in hand, we have evolved toward a work of increasing integrity and transparency. It is important to highlight the revision of the Corporate Risk Portfolio, the mapping of Internal Processes for control purposes, and the greater adhesion, incorporation and understanding of the Integrity Program by all employees.

Our Integrity Program is anchored on six pillars:





In Consequence Management we have carried out a thorough work that includes the wide dissemination of the Code of Conduct, we have implemented Sanepar's Disciplinary code, which provides more instrumentality and efficiency for both Conduct Committee and leadership; both play a key role in the process of employee engagement for appropriation of values defended by the Company and presupposes accountability of those who deviate from the Code, with the application of corresponding and proportional disciplinary measure. A relevant aspect of the acculturation work of the Integrity Program takes place by means of Compliance alerts and the encouragement of employees to adopt an integrated conduct.

In partnership with areas of Communication and People Development, we have defined a mandatory path for all employees in EAD (Distance Education) modality, which are the Governance, Integrity and Compliance paths. In this way the workforce is aligned to company's values and processes. Bringing us ever closer to the proposed objectives.

An important milestone in the Governance area last year was the creation of the Integrity Program for Suppliers and Third Parties.

Now every company that wins a bidding process at Sanepar, with contracts worth at least R\$3.5 million for construction and R\$1 million for services, must complete an integrity questionnaire. This questionnaire is public and available on-line, corroborating management of integrity and monitoring risks that suppliers may represent to the company.

With this initiative, we aim to foster social and corporate responsibility among our surroundings. Our ambition is to generate a change of culture in Sanepar's supply chain. We ensure an honest performance, with balance between efficiency and control, with responsibility and transparency, leaving no room for misconduct.

It is also worth highlighting the work developed with the Policy on Related Parties - applicable to companies or people with some connection to Sanepar, which provides them with regulations regarding their commercial relations with the company. In order to resolve conflicts of interest and to avoid fraud.

The rules of external and independent whistleblower Channel were defined, which guarantees anonymity and non-retaliation to whistleblowers. The specific normative guarantees that all complaints receive the appropriate treatment, within a reasonable time - providing agile responses to the whistleblower.

Sanepar has a Transparency Agent, who is responsible for the interface between the company and its external environment, balancing the provision of effective responses with the availability of strategic information of restricted nature. In 2021 two internal transparency instruments were born: the Information Protection Regulation and the Roll of Protected Information. Sanepar, an openly transparent company, seeks to inform, provide quality service and be responsive in dealing with stakeholders. For this reason, we are very meticulous about informing situations in the appropriate time and manner, always respecting the legal and regulatory provisions on the subject, in order to preserve the Company, employees, suppliers and business partners from possible losses and, at the same time, meet the premise of transparency and integrity.

We maintain a website with transparency information, with an established flow of how people can request and obtain information. The ISMS - Information Security Management System, aims to exercise transparency focused on the business environment.

With the Data Protection Act (LGPD - Law 13.709) coming into effect on August 1, 2021, we have appointed a data protection officer. We are providing the company with tools to increasingly protect the personal data of employees, suppliers, and consumers, in order to ensure the robustness of the data privacy policy, as required by the national data protection regulator. We conducted internally a technical work that involved Governance and IT (Information Technology) areas to ensure this security. We are paving the way for increasing data integrity.

The constant evaluation of governance bodies by an independent external company is, besides a legal requirement, a practice that prevents us from becoming complacent about the issue. Measuring the quality of the governance bodies' work, the quality of its members and their deliverables, contributes to our reinvention and continuous improvement.

SPECIAL OPERATIONS

The Company has a contract with an external investigation and Shadow Investigation Commission to conduct an independent forensic investigation, with the objective of verifying allegations of the accusations that originated the Special Operations "Águas Claras" and "Ductos". The detailed information about the operations and their developments in the Company are disclosed in Explanatory Note No. 30 "on the Financial Statements".

INDEPENDENT AUDITORS' SERVICES

Sanepar respects the independence of the external auditor and understands the importance of the audit entity's ability to judge and act with integrity and objectivity to be able to issue impartial reports or opinions. BDO RCS Auditores Independentes S.S. has a contract with the Company for the execution of the independent auditing services of the financial statements of the fiscal years 2019, 2020 and 2021 for the issuance of the special review reports on the quarterly information (ITR) of the 1st, 2nd and 3rd quarters of 2020 and 2021. The contract with the auditors is dated November 26, 2019. An Assurance Report was issued on November 10, 2021 based on the provisions of NBCT TSC 4400 - Work of Previously Agreed-upon Procedures on Accounting Information in relation to the full compliance with the economic and financial indicators described in art. 5 of Decree 10.710/2021. Additionally, BDO RCS Auditores Independentes 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 contracted by the Company. The independent auditors did not provide any services other than those reported here.





Annual Social Balance

We present our Social Balance with the aim of strengthening transparency with our employees, investors, market analysts, shareholders, customers and the community in general. The model used here is the one proposed by the Brazilian Institute of Social and Economic Analysis – IBASE.

In order to reveal ethical values, such as participation, equality, gender and racial diversity, the inclusion of people with disabilities, among others, we render account of the real situation in Sanepar. The following data corroborate to clear in which points we have already advanced and in which issues we need to improve. As well as, what are the challenges to be faced in the coming years.

ANNUAL SOCIAL BALANCE SHEET - 2021

1) Calculation basis	2021			2020		
	Value (Thousand Reais)			Value (Thousand Reais)		
Net Operating Revenue (NOR)	5,204,412			4,799,655		
Operating Profit (LO)	1,603,566			1,365,755		
Gross Payroll (FPB)	930,852			1,069,274		
2) Internal Social Indicators	Value (Thnd BRL)	% over FPB	% over ROL	Value (Thnd BRL)	% over FPB	% over ROL
Food	96,505	10.37	1.85	97,220	9.09	2.03
Compulsory social charges	208,144	22.36	4.00	210,013	19.64	4.38
Private pension	33,626	3.61	0.65	3,335	3.21	0.72
Health	79,100	8.50	1.52	74,024	6.93	1.54
Transportation vouchers	641	0.07	0.01	1,069	0.10	0.02
Safety and health at work	12,544	1.35	0.24	11,220	1.05	0.23
Education	-	-	-	-	-	-
Training and professional development	1,911	0.20	0.04	1,362	0.13	0.03
Day care or day care support	1,848	0.20	0.04	1,849	0.17	0.04
Profit sharing or results	80,197	8.61	1.54	74,422	6.96	1.55
Others	78,190	8.40	1.50	204,224	19.10	4.25
Total - Internal Social Indicators	592,706	63.67	11.39	709,738	66.38	14.79

3) External Social Indicators	Value (Thnd BRL)	% over LO	% over ROL	Value (Thnd BRL)	% over LO	% over ROL
Cultural, Artistic, Audiovisual and Sports	5,571	0.35	0.11	5,614	0.41	0.12
Children and Elderly Funds	4,000	0.25	0.08	3,000	0.22	0.06
Health and Oncology Assistance Programs	1,500	0.09	0.03	-	-	-
Leisure and fun	-	-	-	-	-	-
Others	132	0.01	-	61	-	-
Total Contributions to Society	11,203	0.70	0.22	8,675	0.63	0.18
Taxes (excluding social charges)	853,310	53.21	16.39	765,122	56.02	15.94
Total - External Social Indicators	864,513	53.91	16.61	773,797	56.65	16.12
4) Environmental Indicators	Value (Thnd BRL)	% over LO	% over ROL	Value (Thnd BRL)	% over LO	% over ROL
Related to the company's operation	1,313,571	81.92	25.24	1,110,231	81.29	23.13
In External Programs and/or Projects	91,266	5.69	1.75	82,160	6.02	1.71
Total Investments in the Environment	1,404,837	87.61	26.99	1,192,391	87.31	24.84

5) Functional Body Indicators	2021			2020		
Number of employees at the end of the period	6,281			6.382		
Number of admissions during the period	2			2		
Number of interns	43			73		
Number of employees over 45 years old	2,935			2,825		
Number of women working in the company	1,328			1,346		
% of leadership positions held by women	26.90%			26.60%		
Number of black people working in the company ¹	316			316		
Number of people with disabilities or special needs ²	99			86		
6) Relevant Information regarding the Exercise of Corporate Citizenship						
Relationship between the highest and lowest remuneration in the company	17.2			17.3		
Total number of work accidents	141			158		
The social and environmental projects developed by the company were defined by:	<input type="checkbox"/> directors	<input checked="" type="checkbox"/> directors and managers	<input type="checkbox"/> all employees	<input type="checkbox"/> directors	<input checked="" type="checkbox"/> directors and managers	<input type="checkbox"/> all employees
The safety and health standards in the work environment were defined by:	<input type="checkbox"/> directors and managers	<input type="checkbox"/> all employees	<input checked="" type="checkbox"/> all + Cipa	<input type="checkbox"/> directors and managers	<input type="checkbox"/> all employees	<input checked="" type="checkbox"/> all + Cipa
Private pension includes:	<input type="checkbox"/> directors	<input type="checkbox"/> directors and managers	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> directors	<input type="checkbox"/> directors and managers	<input checked="" type="checkbox"/> all employees
Profit sharing includes:	<input type="checkbox"/> directors	<input type="checkbox"/> directors and managers	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> directors	<input type="checkbox"/> directors and managers	<input checked="" type="checkbox"/> all employees
In the selection of suppliers, the same ethical standards, social and environmental responsibility adopted by the company:	<input type="checkbox"/> not considered	<input type="checkbox"/> suggested	<input checked="" type="checkbox"/> mandatory	<input type="checkbox"/> not considered	<input type="checkbox"/> suggested	<input checked="" type="checkbox"/> mandatory
Regarding the participation of employees in volunteer work programs, the company:	<input type="checkbox"/> not involved	<input type="checkbox"/> supports	<input checked="" type="checkbox"/> organizes and promotes	<input type="checkbox"/> not involved	<input type="checkbox"/> supports	<input checked="" type="checkbox"/> organizes and promotes
Total added value to be distributed (in thousand R\$)	In 2021: 3.544.969			In 2020: 3.289.451		
Added Value Distribution (DVA):	27.9% government 28.0% employees 9.7% shareholders 10.9% third parties 23.5% retain			27.4% government 34.2% employees 9% shareholders 8.2% third parties 21.2% retained		

¹Quota of Afro-descendants in Public Tenders from the 2005 calendar year on;

²Quota of Physically Disabled in Public Tender as of calendar year 2000.

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Financial Statements Financial Year 2021

Every year we publish our financial statements in order to make public the real situation of the financial health of our business. By doing so, we offer Sanepar's management, shareholders, employees, potential investors and society, precise and transparent data about the company.

The following is a portrait in numbers of what we lived in 2021.

Companhia de Saneamento do Paraná - SANEPAR

ACCOUNTING STATEMENTS

As of December 31, 2021, and 2020

Accounting Statements

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Companhia de Saneamento do Paraná - SANEPAR

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2021 and 2020
(In thousands of Brazilian Reais)

ASSETS

	Note	2021	2020
Current			
Cash and cash equivalents	5	983,127	874,323
Trade accounts receivables	6.a	971,478	779,404
Inventories		57,680	53,857
Recoverable taxes and contributions	7	11,420	6,810
Restricted deposits	8	14,375	4,661
Derivative financial instruments	4.3	12,716	9,476
Other accounts receivable	9	20,851	27,746
Total Current		2,071,647	1,756,277
Noncurrent			
Trade accounts receivables	6.a	51,551	20,199
Restricted deposits	8	58,982	56,953
Court deposits	18.c	408,593	320,475
Contractual financial assets	10	603,014	490,082
Contract of assets	11	1,869,743	1,634,802
Deferred income tax and social contribution	16.c	679,462	656,495
Other accounts receivable	9	44,027	45,903
Investments	12	2,030	2,352
Fixed assets	13.a	312,679	286,007
Intangible assets	13.b	8,538,861	7,921,313
Total Noncurrent		12,568,942	11,434,581
TOTAL OF ASSETS		14,640,589	13,190,858

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

Companhia de Saneamento do Paraná - SANEPAR

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2021 and 2020
(In thousands of Brazilian Reais)

LIABILITIES

	Note	2021	2020
Current			
Loans, financing, debentures and leases	14	407,680	521,505
Contractors and suppliers		269,397	209,428
Taxes and contributions	15	84,602	72,691
Salaries and social charges		214,440	268,919
Dividends and interest on equity capital	20/22	243,551	206,236
Unearned revenue	17	700	4,200
Derivative financial instruments	4.3	11,606	8,184
Collaterals and contractual retentions		2,210	2,307
Pension plan and health insurance	19	77,341	78,090
Other accounts payable	21	85,644	77,299
Total Current		1,397,171	1,448,859
Noncurrent			
Loans, financing, debentures and leases	14	3,712,885	3,126,083
Contractors and suppliers		2,829	4,392
Taxes and contributions	15	-	105
Unearned revenue	17	-	700
Provisions	18.a	615,625	544,677
Pension plan and health insurance	19	1,082,775	1,093,262
Other accounts payable	21	2,962	29,617
Total noncurrent		5,417,076	4,798,836
Total of Liabilities		6,814,247	6,247,695
Equity			
	22		
Capital Stock		3,996,137	3,996,137
Revaluation surplus		59,002	64,292
Asset and liability valuation adjustments		4,458	4,668
Income reserves		3,696,944	2,853,580
Other comprehensive income		69,801	24,486
Total of Equity		7,826,342	6,943,163
TOTAL OF EQUITY AND EQUITY		14,640,589	13,190,858

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

Companhia de Saneamento do Paraná - SANEPAR

STATEMENTS OF INCOME

For the years ended December 31, 2021 and 2020
(In thousands of Brazilian Reais, except earnings per share)

	Note	2021	2020
Net Operating Revenue	23	5,204,412	4,799,655
Costs of Services Rendered	24	(2,050,737)	(1,921,161)
Gross Profit		3,153,675	2,878,494
Operating Expenses			
Selling	25	(425,811)	(437,859)
Administrative	25	(612,189)	(685,521)
Other Operating Revenues (Expenses)	25	(25,399)	(49,514)
Equity in Earnings (Losses) of Controlled Companies	12	(2,958)	(1,859)
Civil, Labor, Tax and Environmental Provisions	18.a	(70,948)	1,995
Provision for Pension Plan and Health Insurance	19	(57,425)	(60,784)
Profit Sharing Program	26	(80,197)	(74,422)
		(1,274,927)	(1,307,964)
Financial Income (Expenses)			
Financial Revenues	27	105,281	59,280
Financial Expenses	27	(380,463)	(264,055)
		(275,182)	(204,775)
Income before Income and Social Contribution Taxes		1,603,566	1,365,755
Income and Social Contribution Taxes	16.a	(425,935)	(369,412)
Current		(472,247)	(439,695)
Deferred		46,312	70,283
NET INCOME FOR THE YEAR		1,177,631	996,343
Net income attributable to common shares		368,010	311,357
Net income attributable to preferred shares		809,621	684,986
Basic and diluted earnings per share	22.i		
Common		0.73056	0.61810
Preferential		0.80362	0.67991

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

Companhia de Saneamento do Paraná - SANEPAR

STATEMENTS OF COMPREHENSIVE INCOME For the years ended December 31, 2021 and 2020 (In thousands of Brazilian Reais)

	<u>2021</u>	<u>2020</u>
Net Income for the Year	1,177,631	996,343
Items that will not be reclassified to income	45,315	83,183
Actuarial gains and losses	68,660	126,034
Effect of Income and Social Contribution Taxes on actuarial gains (losses)	(23,345)	(42,851)
Items that will be reclassified to income	(5,500)	(5,795)
Realization of the revaluation surplus	(8,015)	(7,980)
Effect of Income and Social Contribution Taxes on realization of the revaluation surplus	2,725	2,713
Deemed cost realization	(318)	(800)
Effect of Income and Social Contribution Taxes on deemed cost realization	108	272
Total Comprehensive Income for the Year	<u>1,217,446</u>	<u>1,073,731</u>

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

Companhia de Saneamento do Paraná - SANEPAR

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2021 and 2020 (In thousands of Brazilian Reais)

	Income Reserve						Total	
	Capital Stock	Investment Plan	Legal	Tax incentives	Additional proposed dividend	Retained earnings		Outros Resultados Abrangentes
Balance as of January 1st, 2020	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 2019	-	-	-	-	(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 of December 31, 2020	3,996,137	2,732,201	49,757	11,539	60,083	-	93,446	6,943,163
Net income for the year	-	-	-	-	-	1,177,631	-	1,177,631
Realization of revaluation surplus	-	-	-	-	-	8,015	(8,015)	-
Realization of taxes on revaluation surplus	-	-	-	-	-	(2,725)	2,725	-
Realization of adjustment to deemed cost	-	-	-	-	-	318	(318)	-
Realization of taxes on adjustment to deemed cost	-	-	-	-	-	(108)	108	-
Actuarial gains and losses	-	-	-	-	-	-	68,660	68,660
Provision for taxes on actuarial gains and losses	-	-	-	-	-	-	(23,345)	(23,345)
Total Comprehensive income for the year	-	-	-	-	-	1,183,131	39,815	1,222,946
Additional dividends from 2020	-	-	-	-	(60,083)	-	-	(60,083)
Proposed destination for A.G.O.:								
Recognition of legal reserve	-	-	58,881	-	-	(58,881)	-	-
Tax incentives	-	-	-	12	-	(12)	-	-
Interest on equity capital	-	-	-	-	-	(325,863)	-	(325,863)
Additional dividends proposed	-	-	-	-	63,880	(17,701)	-	46,179
Retained earnings	-	780,674	-	-	-	(780,674)	-	-
Balance as of December 31, 2021	3,996,137	3,512,875	108,638	11,551	63,880	-	133,261	7,826,342

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

Companhia de Saneamento do Paraná - SANEPAR

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020
(In thousands of Brazilian Reais)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	1.177.631	996.343
Adjustments to reconcile income to cash from operating activities		
Depreciation and amortization	394.466	361.867
Cost of fixed and intangible assets w rite-offs	18.055	11.340
Impairment of assets	656	(3.048)
Present value of financial assets adjustment	(17.495)	(1.114)
Allowance for losses on doubtful accounts	103.830	90.972
Deferred Income and Social Contribution taxes, net	(46.312)	(70.283)
Provisions	70.948	(1.995)
Pension plan and health insurance	57.425	60.784
Interest on financing	240.071	197.045
Monetary variations on financing	95.551	23.685
Interest and leasing monetary updates	56.026	41.687
Net exchange rate variation	(165)	1.317
Derivatives financial instruments variation	595	(1.268)
Equity in earnings (losses) of controlled companies	2.958	1.859
Appropriation of costs of funds raised from third parties	4.272	2.241
Adjustment to Fair Value – Investments	225	212
	981.106	715.301
Changes in assets and liabilities		
Trade accounts receivable	(327.256)	(61.013)
Recoverable taxes and contributions	(4.610)	(6.505)
Inventories	(3.823)	(7.711)
Court deposits	(88.118)	(22.720)
Other Accounts Receivables	8.914	12.552
Contractors and Suppliers	58.406	(625)
Concession agreements	-	(31.414)
Taxes and contributions	434.385	395.598
Salaries and social charges	(54.479)	56.044
Collaterals and contractual retentions	(97)	118
Unearned Revenue	(4.200)	(4.200)
Income tax and social contribution paid	(457.455)	(453.902)
Other Accounts Payable	(18.868)	7.678
	(457.201)	(116.100)
Cash Generated by Activities Operational	1.701.536	1.595.544
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in fixed and intangible assets	(1.320.162)	(968.931)
Investments	(950)	(1.093)
Cash Used in Investing Activities	(1.321.112)	(970.024)
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing Obtained	799.220	860.789
Amortization of Financing	(469.674)	(295.415)
Payments of Interest on Financing	(230.741)	(191.712)
Leasing payments	(78.591)	(78.746)
Costs of Funds Raised from Third Parties	(12.516)	(13.512)
Restricted Deposits	(11.743)	(3.011)
Payments of Dividends and Interest on Equity Capital	(267.575)	(303.649)
Cash Generated by Financing Activities	(271.620)	(25.256)
VARIATION IN CASH AND CASH EQUIVALENTS	108.804	600.264
Beginning balance of cash and cash equivalents	874.323	274.059
Ending balance of cash and cash equivalents	983.127	874.323

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

Companhia de Saneamento do Paraná - SANEPAR

STATEMENTS OF VALUE ADDED

For the years ended December 31, 2021 and 2020

(In thousands of Brazilian Reais)

	2021	2020
Revenues		
Sales of services rendered	5,593,903	5,160,730
Other income (loss)	(25,399)	(49,514)
Losses in the realization and recovery of assets	(103,830)	(90,972)
	5,464,674	5,020,244
Inputs acquired from third parties		
Consumed chemical products	(142,078)	(145,241)
Consumables	(84,345)	(71,630)
Electricity	(568,995)	(449,261)
Other costs from products and services	(468,678)	(461,837)
Third-party services	(265,883)	(247,498)
Other operating expenses	(97,583)	(50,880)
	(1,627,562)	(1,426,347)
Gross added value	3,837,112	3,593,897
Depreciation and amortization	(394,466)	(361,867)
added value, net	3,442,646	3,232,030
added value received in transfer		
Equity in earnings (losses) of controlled companies	(2,958)	(1,859)
Financial revenues	105,281	59,280
Total added value to be distributed	3,544,969	3,289,451
added value distribution		
Employees and managers		
Payroll and charges	790,789	931,451
Remuneration of Directors and Managers	9,850	9,548
Profit sharing program	80,197	74,422
Pension plan and health insurance	112,726	108,359
	993,562	1,123,780
Government		
Federal taxes	984,073	898,134
State taxes	329	425
Municipal taxes	3,072	2,452
	987,474	901,011
Financing agents		
Rents	5,839	4,262
Interest and monetary adjustments	380,463	264,055
	386,302	268,317
Shareholders		
Interest on equity capital	325,863	296,428
Dividends	17,701	-
Net income of the year not distributed	834,067	699,915
Total	3,544,969	3,289,451

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

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base Date December 31, 2021

(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 mixed capital 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, related services to protection of the environment and its water resources, in addition to being authorized to sell the energy generated in its units, 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.

The Company, through municipal concessions, provides water treatment and distribution services and sewage collection and treatment. Contract renewals are valid for an average of 30 years. The current status of the 346 operated municipal concessions is presented below:

Concession / program contracts ¹	Number of Contracts ¹	Intangible assets + Contract assets + Financial assets ^{1 2}	% of Total Revenues ¹
Overdue	14	387,453	4.2
Maturity in 2022	6	238,876	0.7
Maturity between 2023 and 2033	70	2,223,676	20.3
Maturity after 2033	256	7,897,375	74.8
Totals	346	10,747,380	100.0

¹ Information not audited or reviewed by independent auditors; and

² Book value.

Upon expiration of the concessions, the municipality must reimburse the Company for the residual values of assets related to the concession. Additionally, the Company is challenging the validity of the amendment that extended the concession with the municipality of Maringá in court. The case is currently pending judgment by the Federal Supreme Court – STF. As determined by the Court of Justice of the State of Paraná, the contractual breach with the municipality can only occur after indemnification to the Company for the investments made.

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base Date December 31, 2021

(In thousands of Brazilian Reais)

The Company is registered under 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. They were prepared following the Accounting Practices Adopted in Brazil, which covers Brazilian corporate law, the Pronouncements, Guidelines, and Interpretations issued by the Accounting Pronouncements Committee - CPC and also based on the accounting standards and procedures established by the Securities and Exchange Commission – CVM.

The Financial Information was authorized for disclosure by the Company's Management on February 24, 2022.

2.2. Operational continuity

The Company's Management has carried out all its planning and actions aiming the continuity of its business, therefore evaluating that it can make available all resources for the continuity of its operations, including evaluating the impacts of COVID-19, according to Explanatory Note 31, and the water crisis in the State of Paraná, whose climate impact is being faced by the Company with structural and non-structural actions aimed at mitigating its effects. In this sense, actions were taken to forecast volumes of dams in different scenarios of rainfall, awareness of the population to reduce water consumption (Goal 20), transposition of rivers, and frequency of rotation, among other actions, all to obtain water security and environmental sustainability. Management is not aware of any material uncertainty that may raise doubts about the Company's going concern, so the Financial Statements were prepared to take this assumption into account.

New Legal Framework for Sanitation

On July 15, 2020, Federal Law No. 14.026/2020 was published, which increased competition in the sector and imposed targets for serving 99% of the population served with drinking water and 90% with sewage collection and treatment by December 31, 2033, encouraging operators to act more efficiently, and in case of non-compliance with the above term, the contracts may be considered irregular.

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base Date December 31, 2021

(In thousands of Brazilian Reais)

ANA is now empowered to create reference standards for the regulation of public basic sanitation services, and State and Municipal regulatory bodies will be able to adopt the national reference standards. The reference standards should address the following issues: i) quality and efficiency in the provision, maintenance, and operation of basic sanitation systems; ii) tariff regulation; iii) standardization of negotiation instruments for the provision of public services; iv) goals to standardize basic sanitation services; v) regulatory accounting criteria; vi) control of water loss; vii) methodology for calculating indemnities due on account of investments made; viii) governance of regulatory bodies; ix) reuse of treated effluents; x) determination of expiry in the provision of basic sanitation services; xi) norms and goals for replacing the unitary system with the absolute separator system for effluent treatment; xii) system for evaluating compliance with expansion and universalization goals; and xiii) the minimum content for the universal provision and the economic-financial sustainability of basic sanitation services.

The Law prohibits the formalization of new program contracts for the provision of public basic sanitation services.

It provides for the States to establish regional provision structures meeting the criteria of the Metropolis Statute.

On May 31, 2021, Decree No. 10.710 regulated art. 10-B of Federal Law No. 11,445/2007, establishing the methodology for proving the economic-financial capacity of public service providers for drinking water supply or sanitary sewage.

On July 9, 2021, Complementary State Law No. 237 was enacted, establishing the micro-regions of public water supply and sanitary sewage services in the West, Center-East, and Center-Litoral and their respective governance structures, covering all 399 municipalities in Paraná, of which the Company operates in 345 municipalities.

On October 1, 2021, State Decrees nº 8.924/2021, nº 8.925/2021, and nº 8.926/2021 were published, which implemented the provisory internal regulations of each of the micro-regions.

The Company complied with the legal deadline for meeting the obligations outlined in Federal Decree No. 10,710/2021 and filed proof of economic and financial capacity to meet the goals outlined in art. 11-B of Law No. 11,445/2007 on December 29, 2021, at the Paraná Regulatory Agency - Agepar and the Intermunicipal Sanitation Regulatory Agency - ARIS, and between December 29 and 30, 2021 at the National Water and Water Agency Basic Sanitation - ANA, and the deadline for including these targets in the current contracts is March 31, 2022.

In this context, the Company has been working to implement the necessary actions to comply with State and Federal legislation, within the established deadlines.

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base Date December 31, 2021

(In thousands of Brazilian Reais)

2.3. Measurement and Presentation Basis

The Financial Information was prepared considering historical cost as base value, except for recognized revaluations, financial assets measured at fair value, and certain classes of current and noncurrent assets and liabilities, as presented in the explanatory note on accounting practices.

2.4. Functional and Reporting Currency

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

3. MAIN ACCOUNT PRACTICES

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

The main accounting practices, for which the details are available in the respective Explanatory 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 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

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base Date December 31, 2021

(In thousands of Brazilian Reais)

- 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 of 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: the assets arising from "Program Contracts", in compliance with the rules of Law No. 11,445/07 - Regulatory Framework, entered into until the enactment of Law No. 14,026, of July 15, 2020, which establishes the national guidelines for basic sanitation, are recorded under 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 Agreement, the Company records part of the intangible asset, to the extent that receives a right (license) to charge the user for the use of the public service, and part of the value in the financial asset to the extent that the economic useful life of the assets recorded in the intangible asset exceeds the term of the Program Agreement. The financial asset represents the remaining amount of the intangible asset to be reimbursed to the Company by the granting authority at the end of the contract term. Equity assets are amortized according to the terms of the contracts or their useful life, whichever is less.

Law No. 14,026, of 2020, prohibited the formalization of a Program Agreement with a Mixed Economy Society or Public Company, without a prior bidding procedure. The Company did not enter into new contracts after the enactment of Law No. 14,026.

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- v) **Statements of cash flows and added value:** These were prepared and are presented following Technical Pronouncement CPC 03 (R2) – Statements of Cash Flows. The Statements of Added Value were prepared and are being presented according to technical pronouncement CPC 09 – Statement of Added Value.
- 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 fewer sale costs are 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 the 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 asset's basis of a 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 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.

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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 represent 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 concerning 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 number 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 interpretations.

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 increases in salaries, mortality rates, and future increases 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.

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New IFRS e IFRIC interpretations (IASB Financial Information Interpretation Committee)

In the year ended December 31, 2021, no new standards, amendments, and interpretations of standards were issued. Additionally, the IASB issued/revised some IFRS standards, which are to be adopted for the year 2021 or after, and the Company is evaluating the impacts on its Financial Statements of 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.

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Amendment to IAS 1 and Disclosure of accounting practices 2 – Disclosure of accounting policies: Clarifies aspects to be considered in the disclosure of accounting policies. This rule change is effective for years beginning on or after 01/1/2023. The Company does not expect significant impacts on its Financial Statements.

Amendment to IAS 8 – Definition of accounting estimates: Clarifies aspects to be considered when defining accounting estimates. This rule change is effective for years beginning on or after 01/1/2023. The Company does not expect significant impacts on its Financial Statements.

Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction: Clarifies aspects to be considered in the recognition of deferred tax assets and liabilities related to taxable temporary differences and deductible temporary differences. This rule change is effective for years beginning on or after 01/1/2023. The Company does not expect significant 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 capturing, treating, and distributing water, collecting, and treating 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 final 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 the 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 of December 31, 2021, and is 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 2020 State Law No. 20,187 due to the pandemic. The level of losses on accounts receivable is considered normal for the sanitation sector.

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The practice of cutting the supply does not apply to public bodies, however, Management is intensifying efforts to reduce default 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 Company's Management calculates the 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 may generate significant impacts. If the rates of return on financial investments and interest on loans held in reais varied between more or less 25% and 50%, with all other variables held constant, the effect on pre-tax earnings would be R R\$36,470 and R\$72,940 more or less, mainly as a result of income from financial investments and lower or higher interest expenses on financial investments and variable rate loans as described below:

Description	Index	+25%	-25%	+50%	-50%
Caixa FI Sanepar I Renda Fixa	DI	12,678	(12,678)	25,356	(25,356)
Assets		12,678	(12,678)	25,356	(25,356)
Caixa Econômica Federal	TR	(117)	117	(234)	234
Bank Credit Notes - CCB	DI	(1,805)	1,805	(3,610)	3,610
BNDES	TJLP	(141)	141	(282)	282
BNDES-PAC2	TJLP	(2,488)	2,488	(4,976)	4,976
BNDES-AVANÇAR	IPCA	(453)	453	(906)	906
Debentures - 2nd issuance - 1st and 3rd Series	TJLP	(1,083)	1,083	(2,166)	2,166
Debentures - 2nd issuance - 2nd Series	IPCA	(1,912)	1,912	(3,824)	3,824
Debentures - 4th issuance - 1st Series	TJLP	(1,715)	1,715	(3,430)	3,430
Debentures - 4th issuance - 2nd Series	IPCA	(2,231)	2,231	(4,462)	4,462
Debentures - 7th issuance - 1st to 4th Series	IPCA	(4,470)	4,470	(8,940)	8,940
Debentures - 8th issuance - 2nd Series	DI	(2,140)	2,140	(4,280)	4,280
Debentures - 9th issuance - 1st e 2nd Series	DI	(4,069)	4,069	(8,138)	8,138
Debentures - 10th issuance - Single Series	IPCA	(9,718)	9,718	(19,436)	19,436
Debentures - 11ª Emissão - 1ª Série	DI	(1,404)	1,404	(2,808)	2,808
Debentures - 11ª Emissão - 2ª e 3ª Séries	IPCA	(7,698)	7,698	(15,396)	15,396
Litoral lease	IPC-FIPE	(6,618)	6,618	(13,236)	13,236
Right of Use Lease	DI	(1,086)	1,086	(2,172)	2,172
Liabilities		(49,148)	49,148	(98,296)	98,296
Effects on income before tax		(36,470)	36,470	(72,940)	72,940

The index considered for the 12-month period were TR de 0.0488% and the TJLP de 4.80% 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 4.42% obtained from B3 – Brasil, Bolsa e Balcão and the IPC at the rate of 9.73% obtained from Fipe.

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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 Expectations System, the probable scenario for the next quarter is a reduction of 0.28% in the dollar rate. This scenario uses the average exchange rate projected for March 2022, in relation to the PTAX rate informed for 12/31/2021.

Considering the notional amount of €2,011 thousand (R\$12,712 thousand), the value of the Euro quotation as R\$6.3210 for December 31, 2021 (Ptax – Central Bank) and considering the assumption of the value of Euro as U\$1.1327 for each Euro, according to a dollar PTAX of R\$5.5805, we present below the exchange rate variation for 25% e 50% for appreciation and depreciation concerning the exposure:

Effects on results	Probable	+25%	-25%	+50%	-50%
Euro's variation risk (reduction of 0.28%)	36	(3,178)	3,178	(6,356)	6,356

Liquidity risk: Liquidity risk consists of the eventuality that the Company does not have sufficient funds to meet its commitments due to the different currencies and terms of realization/settlement of its rights and obligations. The Company structures the maturities of non-derivative financial contracts, as shown in Note 14, so as not to affect their liquidity. The management of liquidity and cash flow is carried out daily by the Company's management areas, to ensure that operating cash generation and prior fundraising, when necessary, are sufficient to maintain its schedule of commitments, reducing liquidity risks. Additionally, the Company has a dividend policy and treasury and market risk management.

Derivative Financial Instruments: Under the Company's Risk, Treasury, and Market Management Policy, to mitigate the risks related to foreign exchange exposure, 3 financial institutions were hired to carry out non-speculative hedge operations upon receipt of funds arising from the loan from Banco KfW, through the exchange (Swap) of the variation of the debt in Euros + 1.35% interest per year for a percentage of the CDI. The Company does not apply the hedge accounting policy for this contract, measuring it at fair value through profit or loss, presented in the financial result. The debt of this loan is shown in Note 14.

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On December 31, 2021 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	37	26	11
2	Itaú BBA	09/04/2019	12/26/2022	64	407	295	112
3	Itaú BBA	10/04/2019	12/26/2022	12	75	53	22
4	Itaú BBA	11/13/2019	12/26/2022	368	2,326	1,693	633
5	Itaú BBA	06/05/2020	12/26/2022	632	3,995	3,650	345
6	Itaú BBA	12/15/2020	12/26/2022	404	2,551	2,479	72
7	Banco Bradesco	05/26/2021	12/26/2022	327	2,070	2,131	(61)
8	Itaú BBA	11/05/2021	12/26/2022	198	1,255	1,279	(24)
TOTAL				2,011	12,716	11,606	1,110

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	2021	2020
Loans, financing, debentures and lease	4,120,565	3,647,588
Cash and cash equivalents	(983,127)	(874,323)
Net debt *	3,137,438	2,773,265
Equity	7,826,342	6,943,163
Ratio Net Debt/Equity *	0.40	0.40

* Information not audited or reviewed by independent auditors

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4.3. Financial Instruments

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

Description	2021	2020
Assets		
Fair value measured through income		
Financial investments	942,304	869,196
Financial instrument - Swap	12,716	9,476
Restricted deposits	73,357	61,614
Amortized cost		
Cash and banks	40,823	5,127
Trade accounts receivables, líquido	1,023,029	799,603
Contractual financial assets	603,014	490,082
Total	2,695,243	2,235,098
Liabilities		
Fair value measured through income		
Financial instrument - Swap	11,606	8,184
Amortized cost		
Loans, financing, debentures and lease	4,120,565	3,647,588
Contractors and Suppliers	272,226	213,820
Total	4,404,397	3,869,592

The hierarchy level of fair value through profit or loss of the Company's assets is framed in level 2, which corresponds to the derivative instrument (SWAP), 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	2021	2020
Unrestricted bank deposits	3,842	2,972
Restricted bank deposits	36,981	2,155
	40,823	5,127
Financial investments	942,304	869,196
Total of cash and cash equivalents	983,127	874,323

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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 97.24% of the CDI (100.70% in 2020).

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, brought to present value at the same rates.

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.

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

Description	2021	2020
Falling due accounts receivable	319,892	271,640
Accounts receivable from installment payments	129,639	64,447
Adjustment to Present Value	(17,211)	(8,860)
Accounts to be billed (Unbilled consumption)	241,906	210,282
	<u>674,226</u>	<u>537,509</u>
Overdue accounts receivable		
From 1 to 30 days	164,796	136,883
From 31 to 60 days	71,331	53,029
From 61 to 90 days	46,293	31,306
From 91 to 180 days	90,306	55,961
Over 180 days	366,825	271,869
Allowance for losses on doubtful accounts	(390,748)	(286,954)
	<u>348,803</u>	<u>262,094</u>
Total accounts receivable, net	<u>1,023,029</u>	<u>799,603</u>
Current	971,478	779,404
Non-current	51,551	20,199

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\$20,626 (R\$12,328 in 2020 and R\$8,298 in 2021), considering the best estimate for the moment.

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

Description	Trade accounts receivable	Allowance for doubtful accounts	Adjustment to present value	2021	2020
Municipal administration	106,252	(57,337)	(14,158)	34,757	36,811
Private	1,312,772	(333,411)	(3,053)	976,308	743,682
Federal Entity	1,274	-	-	1,274	990
Government State	10,690	-	-	10,690	18,120
Balance at the end of the year	<u>1,430,988</u>	<u>(390,748)</u>	<u>(17,211)</u>	<u>1,023,029</u>	<u>799,603</u>

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

Description	2021	2020
Balances at beginning of period	(286,954)	(196,487)
Amounts recorded as expenses*	(103,830)	(90,972)
Write-offs, net of recoveries	36	505
Balances at end of the year	<u>(390,748)</u>	<u>(286,954)</u>

* 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.

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

Description	2021	2020
Private customers	333,411	232,015
Municipal Administrations	57,337	54,939
Balances at end of year	390,748	286,954

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	2021	2020
Balances at beginning of year	(8,860)	(4,088)
Adjustment to Present Value	(8,351)	(4,772)
Balances at end of year	(17,211)	(8,860)

7. RECOVERABLE TAXES AND CONTRIBUTIONS

These have the following composition:

Description	2021	2020
Recoverable income tax	11,411	4,747
Recoverable social contribution	9	2,063
Total	11,420	6,810
Current	11,420	6,810

8. RESTRICTED DEPOSITS

Restricted deposits breakdown as follows:

Description	2021	2020
Health National Foundation - FUNASA	4,438	4,661
Reserves kept in CAIXA (1)	58,982	56,953
Other agreements (2)	9,937	-
Total	73,357	61,614
Current	14,375	4,661
Noncurrent	58,982	56,953

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

(2) Technical and financial cooperation agreement signed with Itaipu Binacional for the development of the project "Management of Water Resources and Water Security in the Western Region of Paraná".

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9. OTHER ACCOUNTS RECEIVABLE

The composition is as follows:

Description	2021	2020
Advances to employees	13,439	11,280
Reimbursable payments	3,436	12,510
Guarantee deposits	1,760	1,858
Municipal Fund for the Environment (1)	45,130	47,005
Prepaid expenses	254	243
Securities and other credits	859	753
Total	64,878	73,649
Current	20,851	27,746
Não Circulante	44,027	45,903

(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	2020	Additions	NPV Revenue	NPV Expense	2021
Unamortized Investments	1,353,837	255,455	-	-	1,609,292
Adjustment to Present Value	(863,755)	(160,018)	20,311	(2,816)	(1,006,278)
Total	490,082	(a) 95.437	20,311	(2,816)	603,014

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.

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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	2020	Additions	Capitalisation of interest	Write-off and Loss	Transfer to Intangible asset	2021
Projects and Works in Progress	1,526,448	1,132,568	24,202	(1,193)	(945,217)	1,736,808
Inventories for Construction Work*	108,354	24,581	-	-	-	132,935
Total	1,634,802	1,157,149	24,202	(1,193)	(945,217)	1,869,743

* Additions to Inventory for Works are shown net of requisitions and write-offs.

During 2021, the amount of R\$1,157,149 (R\$831,692 in 2020) was recorded as projects and works in progress, arising from: (i) expansion of the Water Supply System, mainly in the municipalities of Curitiba, Umuarama, Ponta Grossa, Foz do Iguaçu and Fazenda Rio Grande; (ii) Sewage Collection and Treatment mainly in the municipalities of Londrina, Curitiba, São José dos Pinhais, Almirante Tamandaré and Foz do Iguaçu. Amounts referring to completed works for the expansion of the Water Supply and Sewage Collection and Treatment System were transferred to intangible assets, mainly in the municipalities of Cascavel, Curitiba, Ivaiporã, Londrina, Ibaiti, and São José dos Pinhais.

During 2021, interest and other financial charges were capitalized on the funds and loans that financed the Company's projects and works, for R\$24,202 (R\$21,389 in 2020). The average rate used to determine the amount of capitalized borrowing costs concerning total costs was 7.1%.

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.

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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	2021	2020
Investment in joint venture - CS Bioenergia S.A.	14,774	16,686
Impairment Test	(14,774)	(16,686)
Other investment	2,030	2,352
Total	2,030	2,352

Investment in joint venture – CS Bioenergia S.A.

The Company owns 40% of CS Bioenergia SA, a company located next to the ETE – Belém Sewage Treatment Station, whose purpose is the exploration and proper disposal of solid and organic waste and the sludge produced in the aforementioned ETE, in addition to the production of biogas and energy generation through the digestion process. CS Bioenergia S.A. partially started its operations in June 2017 and in 2019 it reached its operational stability and started the process of transferring electricity credits to Sanepar's consumer units. The financial contribution made by the Company comprises the amount of R\$36,104 recorded in its Capital Stock.

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

Statement of financial position – CS Bioenergia S.A.	2021	2020
Current assets	2,573	2,095
Noncurrent assets	53,278	59,907
• Fixed assets	51,158	57,843
• Other	2,120	2,064
Total Assets	55,851	62,002
Current Liabilities	5,953	10,221
• Loans, financing and finance lease	3,353	7,328
• Other	2,600	2,893
Noncurrent liabilities	12,962	10,066
• Loans, financing and finance lease	9,313	10,066
• Other	3,649	-
Equity	36,936	41,715
Total Liabilities and Equity	55,851	62,002

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Statement of income (loss) – CS Bioenergia S.A.	2021	2020
Revenue	14,014	12,189
(-) Cost of Services	(16,090)	(12,965)
Gross profit (loss)	(2,076)	(776)
(-) Operational expenses	(3,041)	(2,375)
Loss before Net Financial Result and Taxes	(5,117)	(3,151)
(-) Net Financial Result	(2,278)	(1,358)
Result before of the Taxes	(7,395)	(4,509)
Income Taxes (IRPJ and CSLL)	-	(138)
Loss for the year	(7,395)	(4,647)

Changes in the investment in the year are as follows:

Description	2021	2020
Balance at beginning of year	-	-
Financial contribution	1,046	1,199
Equity in earnings (losses) of controlled company (percentage of interest 40%)	(2,958)	(1,859)
Impairment Test - (Constitution)/Reversion	1,912	660
Balance at end of year	-	-

Impairment of investments on CS Bioenergia S.A.

As a result of the delay in the conclusion and start of the operation of the CS Bioenergia SA plant, as recommended by CPC 18 (R2) - Investments in Associates and Joint Ventures and CPC 01 (R1) - Impairment of Assets, at the end of 2021, the Management of Sanepar carried out the impairment test of this investment, considering the history of losses and that future cash flows present negative results, for the analyzed period of 5 years, concluded 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, and this amount was adjusted with the recognition of the equity in the period.

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 12/31/2021, equivalent to R\$2,030.

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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 10. 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 (u). 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			2021	2020
Description	Cost	Accumulated depreciation	Net amount	
Goods for Administrative Use	372,680	(148,304)	224,376	222,921
Other Fixed Assets	4,255	(2,904)	1,351	1,430
Lease of Right of Use	148,485	(61,533)	86,952	61,656
Total	525,420	(212,741)	312,679	286,007

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By Nature				2021	2020
Description	Annual depreciation rate	Cost	Accumulated depreciation	Net amount	
Plots of land	-	2,922	-	2,922	2,932
Civil construction	*1.84%	115,980	(21,343)	94,637	92,112
Leasehold	*2%	2,616	(832)	1,784	1,662
Facilities	*5.83%	9,842	(3,646)	6,196	7,804
Equipment	*6.23%	94,856	(35,867)	58,989	56,552
Furniture and fixtures	*7.14%	52,207	(23,245)	28,962	30,688
IT equipment	*19.82%	43,844	(28,188)	15,656	13,478
Vehicles	*13.05%	28,490	(17,417)	11,073	11,859
Machinery, tractors and similar	*19.35%	24,104	(20,054)	4,050	5,064
Tools	*6.67%	1,582	(616)	966	949
Patrimonial assets to incorporate	-	492	-	492	1,251
Lease of Right of Use	*27.88%	148,485	(61,533)	86,952	61,656
Total		525,420	(212,741)	312,679	286,007

* Weighted Average Rate

b) Intangible assets

These have the following composition:

By account			2021	2020
Description	Cost	Accumulated Amortization	Net amount	
Water mains	5,680,858	(1,858,289)	3,822,569	3,451,339
Sewage mains	5,844,069	(1,488,640)	4,355,429	4,132,346
Solid waste	4,532	(4,532)	-	1,891
System Use and Operation Rights	125,114	(75,583)	49,531	51,412
Other intangible assets	221,711	(92,559)	129,152	97,675
Right of Use - Lease	200,882	(18,702)	182,180	186,650
Total	12,077,166	(3,538,305)	8,538,861	7,921,313

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By nature				2021	2020
Description	Annual amortization rate	Cost	Accumulated amortization	Net amount	
Plots of land	-	222,277	-	222,277	198,544
Wells	*3.10%	167,708	(42,038)	125,670	115,650
Dams	*2.67%	147,576	(63,502)	84,074	81,467
Civil construction	*2.59%	2,699,104	(662,105)	2,036,999	1,876,928
Leasehold	*2.67%	37,828	(5,417)	32,411	28,388
Piping	*2.64%	6,016,106	(1,633,776)	4,382,330	4,077,316
Building connections	*3.33%	897,206	(288,912)	608,294	570,538
Facilities	*5.83%	216,324	(89,155)	127,169	137,947
Hydrometers	*10%	268,335	(106,710)	161,625	140,853
Macro-meters	*10%	7,244	(4,937)	2,307	1,972
Equipments	*6.23%	789,191	(342,019)	447,172	394,731
Furniture and fixtures	*7.14%	6,797	(4,041)	2,756	2,796
IT equipment	*19.82%	91,134	(84,744)	6,390	6,222
Computer programs	*20%	95,684	(55,509)	40,175	25,725
Vehicles	*13.05%	20,187	(13,912)	6,275	7,172
Machinery, tractors and similar	*19.35%	25,947	(22,452)	3,495	5,581
Tools	*6.67%	295	(220)	75	87
Rights of Use of Transmission Lines	*6.25%	4,521	(184)	4,337	36
Environmental protection and preservation	*20%	33,612	(24,387)	9,225	8,289
Concession of the Mun. of Curitiba (1)	*1.5%	125,000	(75,469)	49,531	51,406
Concession of the Mun. of Cianorte (2)	*5%	114	(114)	-	5
Patrimonial assets to incorporate	-	4,094	-	4,094	3,010
Rights of Use - Lease	*22.39%	200,882	(18,702)	182,180	186,650
Total		12,077,166	(3,538,305)	8,538,861	7,921,313

* 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.

Leases:

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.

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We highlight that the Lease contracts had no changes in terms and conditions due to the Coronavirus (COVID-19).

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

By accounts				2021	2020
Description	Annual Amortization Rate	Cost	Accumulated amortization	Net amount	
Buildings	1.67%	37,434	(2,825)	34,609	35,235
Piping	2.00%	147,315	(12,080)	135,235	138,182
Building connections	3.33%	8,226	(1,156)	7,070	7,345
Facilities	6.67%	309	(93)	216	237
Equipment	6.25%	6,014	(1,650)	4,364	4,732
Lease - Litoral		199,298	(17,804)	181,494	185,731
Car Rental	51.06%	46,012	(21,233)	24,779	11,713
Civil construction	20.89%	46,731	(12,408)	34,323	34,917
Equipment	25.22%	453	(326)	127	113
IT Equipment	19.5%	56,873	(28,464)	28,409	15,832
Lease - Right of use		150,069	(62,431)	87,638	62,575
Total		349,367	(80,235)	269,132	248,306
Fixed assets		148,485	(61,533)	86,952	61,656
Intangible assets		200,882	(18,702)	182,180	186,650

The Company recorded in its Income Statement the amount of R\$5,839 relating to a low value and short-term lease contracts (less than 12 months).

Assets resulting from leasing contracts present the following changes:

Asset	2020	Additions	Amortization	2021
Lease - Litoral	185,731	-	(4,237)	181,494
Vehicles	11,713	36,560	(23,494)	24,779
Civil construction	34,917	9,169	(9,763)	34,323
Equipment	113	128	(114)	127
IT Equipment	15,832	23,667	(11,090)	28,409
Total	248,306	69,524	(48,698)	269,132

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c) Changes in fixed and intangible assets for the year 2021:

Description	2020	Additions	Depreciation and Amortization	Write - offs and losses	Transfers to Work in progress	Transfers	2021
Fixed Assets							
Plots and land	2,932	-	-	(10)	-	-	2,922
Civil construction	92,112	356	(2,272)	(662)	5,139	(36)	94,637
Leasehold	1,662	50	(50)	-	122	-	1,784
Facilities	7,804	148	(548)	-	(1,208)	-	6,196
Equipment	56,552	7,526	(5,052)	(37)	-	-	58,989
Furniture and fixtures	30,688	1,559	(3,192)	(93)	-	-	28,962
IT Equipment	13,478	5,567	(3,241)	(148)	-	-	15,656
Vehicles	11,859	1,411	(2,197)	-	-	-	11,073
Machinery, tractors and similar	5,064	996	(2,010)	-	-	-	4,050
Tools	949	100	(83)	-	-	-	966
Patrimonial assets to be incorporated	1,251	(759)	-	-	-	-	492
Right of Use - Lease	61,656	69,410	(44,114)	-	-	-	86,952
Total Fixed Assets	286,007	86,364	(62,759)	(950)	4,053	(36)	312,679
Intangible Asset							
Plots of land	198,544	17,715	-	(22)	6,040	-	222,277
Wells	115,650	-	(2,025)	(2,714)	14,815	(56)	125,670
Dams	81,467	251	(3,062)	(124)	6,548	(1,006)	84,074
Civil construction	1,876,928	4,297	(63,099)	(3,437)	257,789	(35,479)	2,036,999
Leasehold	28,388	710	(920)	-	4,820	(587)	32,411
Piping	4,077,316	29,783	(144,521)	(2,186)	477,766	(55,828)	4,382,330
Building connections	570,538	249	(27,238)	(437)	67,565	(2,383)	608,294
Facilities	137,947	4,360	(12,174)	(668)	(2,296)	-	127,169
Hydrometers	140,853	-	(23,438)	(3,139)	47,349	-	161,625
Macro- meters	1,972	-	(345)	-	680	-	2,307
Equipment	394,731	37,263	(30,811)	(5,641)	51,630	-	447,172
Furniture and fixtures	2,796	171	(307)	(63)	159	-	2,756
IT Equipment	6,222	-	(1,412)	(6)	1,586	-	6,390
Computer programs	25,725	24,929	(10,450)	(29)	-	-	40,175
Vehicles	7,172	335	(1,221)	(11)	-	-	6,275
Machinery, tractors and similar	5,581	-	(2,086)	-	-	-	3,495
Tools	87	-	(12)	-	-	-	75
Rights of Use of Transmission Lines	36	-	(50)	-	4,351	-	4,337
Environmental protection and preservation	8,289	710	(2,074)	-	2,362	(62)	9,225
Concession of the Mun. of Curitiba	51,406	-	(1,875)	-	-	-	49,531
Concession of the Mun. of Cianorte	5	-	(3)	(2)	-	-	-
Patrimonial assets to be incorporated	3,010	1,084	-	-	-	-	4,094
Right of Use - Lease	186,650	114	(4,584)	-	-	-	182,180
Total intangible assets	7,921,313	121,971	(331,707)	(18,479)	941,164	(95,401)	8,538,861
Grand Total	8,207,320	208,335	(394,466)	(19,429)	(a) 945,217	(b) (95,437)	8,851,540

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, 2021, 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.

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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 (11.47%) 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 solid waste CGUs presented negative results, and also, that there is no prospect of improvement for the segment, the technical study concluded that the fixed and intangible assets that are in operation of R\$8,657 are not recoverable, therefore, an additional provision for R\$2,567 was recorded. As of December 31, 2021, revenue and net loss from the solid waste segment were R\$11,740 and R\$4,431, respectively.

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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.

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

Description	Annual Interest Rate	Index	2021			2020		
			Current	Noncurrent	Total	Current	Noncurrent	Total
In Reais:								
Debentures 8th Issuance - 1st series	106.50% of the DI	-	-	-	-	95,020	-	95,020
Bank Credit Notes - CCB	DI + 2.75%	-	66,632	-	66,632	132,665	66,205	198,870
Debentures 8th Issuance – 2nd series	108.00% of the DI	-	401	154,967	155,368	22	154,902	154,924
BNDES	TJLP + 1.82%	-	7,687	638	8,325	7,705	8,300	16,005
Banco do Brasil - PSI	3.00% to 6.00%	-	3,379	2,283	5,662	3,385	5,652	9,037
Debentures 2nd Issuance – 1st series	TJLP + 1.92%	-	12,323	21,384	33,707	12,347	33,602	45,949
Debentures 2nd Issuance – 2nd series	9.19%	IPCA	23,479	43,539	67,018	21,710	58,959	80,669
Debentures 2nd Issuance – 3rd series	TJLP + 1.92%	-	16,431	28,511	44,942	16,462	44,803	61,265
Debentures 9th Issuance - 1st series	106.05% of the DI	-	999	199,106	200,105	174	199,076	199,250
Banco Itaú - PSI	3.00% to 6.00%	-	3,559	4,502	8,061	3,566	8,044	11,610
Debentures 9th Issuance – 2nd series	107.25% of the DI	-	772	150,793	151,565	140	150,776	150,916
Debentures 11th Issuance - 1st series	DI + 1.65%	-	2,698	127,939	130,637	-	-	-
Debentures 4th Issuance - 1st series	TJLP + 1.67%	-	24,267	109,371	133,638	24,287	133,237	157,524
Debentures 4th Issuance – 2nd series	7.44%	IPCA	15,486	69,643	85,129	14,001	76,583	90,584
Debentures 10th Issuance – Single issued	4.66%	IPCA	4,053	394,250	398,303	3,529	354,050	357,579
Debentures 11th Issuance - 2nd series	4.25%	IPCA	2,121	221,616	223,737	-	-	-
BNDES - PAC2	TJLP + 1.67% to 2.05%	-	51,263	239,099	290,362	49,561	262,979	312,540
Lease - Litoral	11.14%	IPC-FIPE	11,652	284,360	296,012	10,282	267,633	277,915
Lease – Right of use	4.77%	-	59,274	49,725	108,999	44,099	36,037	80,136
Debentures 11ª Emissão - 3ª Série	4.49%	IPCA	1,870	171,852	173,722	-	-	-
Debentures 7th Issuance - 1st series*	5.2%	IPCA	2,988	42,267	45,255	1,108	44,922	46,030
Debentures 7th Issuance – 2nd series*	4.79%	IPCA	4,869	69,052	73,921	1,675	69,285	70,960
Debentures 7th Issuance – 3rd series	6.97%	IPCA	1,402	21,164	22,566	270	20,295	20,565
Debentures 7th Issuance – 4th series	6.57%	IPCA	2,259	34,192	36,451	401	31,129	31,530
BNDES - AVANÇAR	3.56% to 3.96%	IPCA	175	27,864	28,039	4	24,972	24,976
Caixa Econômica Federal	6.62% to 12.00%	TR	75,698	1,244,768	1,320,466	79,092	1,066,008	1,145,100
Total in Brazilian Reais			395,737	3,712,885	4,108,622	521,505	3,117,449	3,638,954
Foreign currency:								
KfW Bank	1.35%	EURO	11,943	-	11,943	-	8,634	8,634
Total Foreign currency			11,943	-	11,943	-	8,634	8,634
Balances at end of the year			407,680	3,712,885	4,120,565	521,505	3,126,083	3,647,588
Loans and financing			220,336	1,519,154	1,739,490	275,978	1,450,794	1,726,772
Debentures			116,418	1,859,646	1,976,064	191,146	1,371,619	1,562,765
Lease			70,926	334,085	405,011	54,381	303,670	358,051

* 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.

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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 financial instruments for hedging 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 exchange risk, assuming a variation of the CDI as a counterpart, as described in Note 4.1. Until December 31, 2021, there was a release of €2,011 thousand by Banco KfW, with swap operations being carried out to protect the interest rate and exchange variation, without a speculative nature, converting the financial charges to 128.45% of the CDI (weighted average), which represents the percentage of 5.68% for a rate of 4.42% of the CDI.

Leases:

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:

(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 leasing contracts (Lease – Right of Use) do not have a contractual term exceeding 5 years. The incremental borrowing 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 carried out. As of January 1, 2019, the weighted average discount rate applied to contracts was 6.88%. As of December 31, 2019, the weighted average discount rate applied in the recognition of these contracts was 6.76%, as of December 31, 2020, it was 6.12% and as of December 31, 2021, it was 4.77%. The Company does not have variable rent payments in its leasing contracts, nor does it have a sale or leaseback transaction of assets.

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

Liabilities	2020	Additions	Restatement	Financial charges	Payments	2021
Lease - Litoral	277,915	-	26,472	29,553	(37,928)	296,012
Lease - Right of use	80,136	69,524	-	2	(40,663)	108,999
Total	358,051	69,524	26,472	29,555	(78,591)	405,011
Current	54,381					70,926
Noncurrent	303,670					334,085

As of December 31, 2021, the present value of the minimum future financial obligations related to the Lease is shown below:

Description	Minimum Future Payments	Financial charges	2021	2020
			Present Value of Future Payments	Present Value of Future Payments
Lease - Litoral				
Less than a year	39,822	(28,170)	11,652	10,282
More than a year and less than five years	161,304	(112,154)	49,150	40,227
Above five years	376,148	(140,938)	235,210	227,406
Subtotal	577,274	(281,262)	296,012	277,915
Lease - Right of Use				
Less than a year	62,430	(3,156)	59,274	44,099
More than a year and less than five years	53,088	(3,363)	49,725	36,037
Subtotal	115,518	(6,519)	108,999	80,136
Total	692,792	(287,781)	405,011	358,051

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	2021
Vehicles	27,703
Mobile goods	39,631
Real estate	44,992
Total	112,326

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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	2022	2023	2024	2025	2026	Total
Vehicles	23,539	4,896	-	-	-	28,435
Mobile goods	16,036	10,118	5,819	6,244	4,742	42,959
Real estate	9,095	9,861	10,149	10,655	11,548	51,308
Total	48,670	24,875	15,968	16,899	16,290	122,702

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	2021	2020
TR	1,320,466	1,145,100
TJLP	510,974	593,283
IPCA	1,154,141	722,893
DI	704,307	798,980
IPC-FIPE	296,012	277,915
EURO	11,943	8,634
No Monetary Adjustment	122,722	100,783
Total	4,120,565	3,647,588

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

Description	Period of Issuance	Final Maturity	Amount Hired	Number of Debentures	Payments	
					Amortization	Interest
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	261,304	7,000	Monthly	Quarterly during grace period and monthly at amortization
Debentures 2nd Issuance – 2nd series	2011	2024	118,547	3,000	Annual	Yearly
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 11th Issuance - 1st Series	2021	2026	130,000	130,000	2025/2026	Six-Monthly
Lease - Right of Use	2016 to 2021	2021 to 2026	127,821	-	Monthly	Monthly
Debentures 4th Issuance – 1st series	2014	2027	223,716	7,000	Monthly	Quarterly during grace period and monthly at amortization
Debentures 4th Issuance – 2nd series	2014	2027	95,590	3,000	Monthly	Quarterly during grace period and monthly at amortization
Debentures 10th Issuance – Single issuance	2020	2027	350,000	35,000	2027	Six-Monthly
BNDES - PAC2 - 4 Contracts	2011 to 2014	2029	629,594	-	Monthly	Quarterly during grace period and monthly at amortization
Debentures 11th Issuance - 2nd series	2021	2029	208,300	208,300	2029	Six-Monthly
Debentures 11th Issuance - 3rd series	2021	2031	161,700	161,700	2031	Six-Monthly
KfW Bank (Euro)	2017	2032	50,000	-	Six-Monthly	Six-Monthly
Lease - Litoral	2013	2036	460,592	-	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	3,147,256	-	Monthly	Monthly

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The amortization timeline is as follows:

Description	2022	2023	2024	2025	2026	2027	2028	2029
Debentures 2nd Issuance	52,233	50,281	43,153	-	-	-	-	-
Debentures 4nd Issuance	39,753	39,060	39,060	39,060	39,060	22,774	-	-
Debentures 7th Issuance	11,518	10,452	10,452	10,452	10,452	10,457	10,480	10,480
Debentures 8th Issuance	401	154,967	-	-	-	-	-	-
Debentures 9th Issuance	1,771	-	199,106	-	150,793	-	-	-
Debentures 10th Issuance	4,053	-	-	-	-	394,250	-	-
Debentures 11th Issuance	6,689	-	-	63,970	63,969	-	-	221,616
Debentures Subtotal	116,418	254,760	291,771	113,482	264,274	427,481	10,480	232,096
BNDES	7,687	638	-	-	-	-	-	-
BNDES - PAC2	51,263	49,168	49,168	49,168	42,221	26,066	21,516	1,792
BNDES - AVANÇAR	175	1,694	1,587	1,640	1,640	1,640	1,640	1,640
Banco do Brasil - PSI	3,379	2,093	190	-	-	-	-	-
Banco Itaú - PSI	3,559	3,056	1,420	26	-	-	-	-
Bank Credit Notes - CCB	66,632	-	-	-	-	-	-	-
Caixa Econômica Federal	75,698	74,962	79,621	84,570	89,052	93,938	98,615	97,615
KfW Bank	11,943	-	-	-	-	-	-	-
Loans and financing subtotals	220,336	131,611	131,986	135,404	132,913	121,644	121,771	101,047
Lease - Litoral	11,652	10,530	11,615	12,826	14,179	15,690	17,381	19,275
Lease - Right of Use	59,274	19,749	12,699	10,987	6,290	-	-	-
Lease Subtotal	70,926	30,279	24,314	23,813	20,469	15,690	17,381	19,275
Total	407,680	416,650	448,071	272,699	417,656	564,815	149,632	352,418

Description	2030	2031	2032	2033	2034	2035	2036 a 2042	Total
Debentures 2nd Issuance	-	-	-	-	-	-	-	145,667
Debentures 4nd Issuance	-	-	-	-	-	-	-	218,767
Debentures 7th Issuance	10,480	10,480	10,480	10,480	10,480	10,480	30,570	178,193
Debentures 8th Issuance	-	-	-	-	-	-	-	155,368
Debentures 9th Issuance	-	-	-	-	-	-	-	351,670
Debentures 10th Issuance	-	-	-	-	-	-	-	398,303
Debentures 11th Issuance	-	171,852	-	-	-	-	-	528,096
Debentures Subtotal	10,480	182,332	10,480	10,480	10,480	10,480	30,570	1,976,064
BNDES	-	-	-	-	-	-	-	8,325
BNDES - PAC2	-	-	-	-	-	-	-	290,362
BNDES - AVANÇAR	1,640	1,640	1,640	1,640	1,640	1,640	6,543	28,039
Banco do Brasil - PSI	-	-	-	-	-	-	-	5,662
Banco Itaú - PSI	-	-	-	-	-	-	-	8,061
Bank Credit Notes - CCB	-	-	-	-	-	-	-	66,632
Caixa Econômica Federal	92,475	84,791	63,106	60,872	53,605	55,396	216,150	1,320,466
KfW Bank	-	-	-	-	-	-	-	11,943
Loans and financing subtotals	94,115	86,431	64,746	62,512	55,245	57,036	222,693	1,739,490
Lease - Litoral	21,396	23,774	26,442	29,437	32,801	33,806	15,208	296,012
Lease - Right of Use	-	-	-	-	-	-	-	108,999
Lease Subtotal	21,396	23,774	26,442	29,437	32,801	33,806	15,208	405,011
Total	125,991	292,537	101,668	102,429	98,526	101,322	268,471	4,120,565

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

Description	2021		2020	
	Current	Noncurrent	Current	Noncurrent
Balances at beginning of the year	521,505	3,126,083	357,213	2,723,218
Releases	-	799,220	-	860,789
Interest and fines on financings	240,071	-	197,045	-
Monetary Variations on financings	-	95,551	-	23,685
Transfers	327,114	(327,114)	480,325	(480,325)
Amortization	(779,006)	-	(565,873)	-
Costs of funds raised with third parties	(1,082)	(7,162)	(1,290)	(9,981)
Exchange rate variation	-	(165)	-	1,317
Interest and Monetary Updates Lease	29,554	26,472	34,307	7,380
Lease	69,524	-	19,778	-
Balances at the end of year	407,680	3,712,885	521,505	3,126,083

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

During 2021, the Company obtained and amortized funds from third parties, as stated below:

Index	Releases	Amortization
Debentures 2nd Issuance	-	(63,289)
Debentures 4th Issuance	-	(53,856)
Debentures 7th Issuance	5,673	(24,036)
Debentures 8th Issuance	-	(103,133)
Debentures 9th Issuance	-	(14,770)
Debentures 10th Issuance	-	(17,269)
Debentures 11th Issuance	500,000	(11,481)
BNDES	-	(8,462)
BNDES - PAC2	27,500	(68,670)
BNDES - AVANÇAR	-	(813)
Banco do Brasil - PSI	-	(3,658)
Banco Itaú - PSI	-	(4,028)
Bank Credit Notes - CCB	-	(141,801)
Caixa Econômica Federal	262,643	(185,006)
KfW Bank	3,404	(143)
Subtotal	799,220	(700,415)
Leases (1)	69,524	(78,591)
Total	868,744	(779,006)

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

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e) Restrictive Contractual Clauses – Covenants *(Information unaudited and not reviewed by independent auditors)*

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

(i) 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
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

(ii) Covenants of contracts of the 8th, 9th, 10th and 11th 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

(iii) Covenants of contracts with 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

(iv) Covenants of contracts with 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.

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In case one or more of the Company covenants should exhibit for a minimum of 02 (two) 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 escrow in the terms of the clause "Fiduciary Assignment of Rights" for each of the contracts will be automatically increased by 20% (twenty percent).

For contracts in item (ii), of the 8th, 9th, 10th and 11th 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 stated above.

Regarding 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, 2021, 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	2021	2020
COFINS (tax on sales) payable	29,889	25,202
PASEP (tax on sales) payable	6,449	5,464
IPTU (Property tax) - installment payment (1)	125	670
Taxes and Contributions Withheld at Source	48,139	41,460
Total taxes and contributions	84,602	72,796
Current	84,602	72,691
Noncurrent	-	105

(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 into 90 monthly installments restated by the IPCA, plus moratorium interest of 1% per month, and until 12/31/2021, 88 installments amounting to R\$3,079 had been paid.

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16. INCOME TAX AND SOCIAL CONTRIBUTION

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	2021		2020	
	Income Tax	Social Contribution	Income Tax	Social Contribution
Income before Income and Social Contribution Taxes	1,603,566	1,603,566	1,365,755	1,365,755
Income and social contribution taxes - current rate	(400,891)	(144,321)	(341,439)	(122,918)
Interest Deductibility Benefit on Interest on Equity Capital	81,466	29,328	74,107	26,678
Workers' Meal Program – PAT (1)	12,073	-	-	-
Corporate Citizen Incentive (2)	609	-	573	-
Equity in earnings (losses) of controlled companies	(740)	(266)	(464)	(166)
IBAMA installment payment - Law nº 13.494 / 2017	-	-	(4,738)	(1,706)
Other	(2,287)	(906)	543	118
Total expenses	(309,770)	(116,165)	(271,418)	(97,994)
Total of Income Tax and Social Contribution taxes	(425.935)		(369.412)	
Effective rate	26.6%		27.0%	

(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.

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b) Current and deferred income and social contribution taxes

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

Description	2021	2020
Income tax	(344,180)	(323,443)
Social Contribution	(128,067)	(116,252)
Realization of Deferred Income Tax	34,410	52,025
Realization of Deferred Social Contribution	11,902	18,258
Total	(425,935)	(369,412)

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	2021			2020	
		Calculation basis	Income Tax	Social Contribution	Total	
ASSET						
NPV on Contractual Financial Assets	30 years	1,006,279	251,570	90,565	342,135	293,677
Lease - Litoral (Asset)	20 years	296,011	74,003	26,641	100,644	94,491
Pension and Health Plans	15 years	1,160,116	290,029	104,411	394,440	398,260
Impairment on assets	10 years	14,188	3,547	1,277	4,824	3,955
Civil, Labor, Tax and Environmental Provisions	5 years	615,625	153,906	55,406	209,312	185,190
Leases - Right of Use (asset)	5 years	108,999	27,250	9,810	37,060	27,246
Impairment on the investment - CS Bionergia	5 years	14,774	3,694	1,329	5,023	5,673
NPV of trade accounts receivable	5 years	17,211	4,303	1,549	5,852	3,012
Net Realizable Value of Inventory	5 years	262	65	24	89	929
AVJ - Investments Appraised at Fair Value	5 years	491	123	44	167	90
Allow ance for doubtful account	3 years	55,399	13,849	4,986	18,835	17,619
Provision for expected on accounts receivable - CPC 48	3 years	20,626	5,156	1,856	7,012	4,192
PAI – Encouraged Retirement Program	1 year	136	34	12	46	26,274
Provision for PPR	1 year	80,197	20,049	7,218	27,267	23,882
TOTAL			847,578	305,128	1,152,706	1,084,490
LIABILITIES						
NPV on Contractual Financial Assets	30 years	933,918	233,479	84,053	317,532	275,185
IRPJ Deferred on Construction and Improvements	24 years	110,377	27,594	-	27,594	28,943
Lease - Litoral (Liabilities)	20 years	181,494	45,374	16,334	61,708	63,149
Donations from Public Agencies	20 years	11,550	2,887	1,040	3,927	3,923
Revaluation surplus	13 years	89,397	22,349	8,046	30,395	33,120
Lease - Right of use (Liabilities)	5 years	87,622	21,906	7,886	29,792	21,270
Attribution of New Cost to Fixed Assets	3 years	6,754	1,689	607	2,296	2,405
TOTAL			355,278	117,966	473,244	427,995
TOTAL NET			492,300	187,162	679,462	656,495

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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, 2021 is as follows:

Periods of Realization	Deferred Tax Assets			Deferred Tax Liabilities		
	Income Tax	Social Contribution	Total	Income Tax	Social Contribution	Total
2022	60,836	21,901	82,737	19,922	6,720	26,642
2023	40,753	14,671	55,424	19,922	6,720	26,642
2024	59,759	21,513	81,272	19,078	6,416	25,494
2025	40,753	14,671	55,424	19,078	6,416	25,494
2026	185,800	66,888	252,688	13,601	4,445	18,046
2027 to 2029	95,683	34,446	130,129	40,803	13,335	54,138
2030 to 2032	96,166	34,620	130,786	40,803	13,335	54,138
2033 to 2035	94,847	34,145	128,992	34,708	11,141	45,849
2036 to 2038	56,177	20,224	76,401	34,708	11,140	45,848
2039 to 2041	32,947	11,861	44,808	32,320	10,281	42,601
2042 to 2044	25,157	9,056	34,213	25,857	8,405	34,262
2045 to 2047	25,157	9,056	34,213	23,348	8,405	31,753
2048 to 2050	25,157	9,057	34,214	23,348	8,405	31,753
2051	8,386	3,019	11,405	7,782	2,802	10,584
Total	847,578	305,128	1,152,706	355,278	117,966	473,244

17. UNEARNED REVENUE

The Company has an assignment agreement for the exploration of financial services with Caixa Econômica Federal for 60 (sixty) months, effective as of March/2017, in the amount of R\$21,000. The revenue corresponding to this agreement is recognized monthly, for the term of the agreement per the accrual basis. The amount recognized in income during 2021 was R\$4,200 (R\$4,200 in 2020). The balance on December 31, 2021, is R\$700 (R\$4,900 on 12/31/2020), which is recorded in 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.

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a) Provisions

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

Nature	2020	Additions	Reversals	Payments	2021
Labor claims (i)	318,722	60,431	(12,558)	(24,151)	342,444
Civil claims (ii)	201,171	25,670	(631)	(5,022)	221,188
Environmental claims (iii)	16,866	33,836	(5,031)	(3,347)	42,324
Tax claims (iv)	7,918	569	(833)	-	7,654
Ductos Operation (v)	-	7,964	(5,949)	-	2,015
Total	544,677	128,470	(25,002)	(32,520)	615,625

Main events during the year:

Civil provision of R\$16,696, referring to a lawsuit for compensation for a traffic accident, as a result of water leakage, causing the slope to collapse, causing the release of mud on the highway.

Environmental provision of R\$27,131, arising from an Environmental Infraction Notice issued by IBAMA, referring to the release of sewage waste in disagreement with the requirements established in Laws and Normative Acts.

Complement of labor provision of R\$5,427, referring to a lawsuit filed by the Union of Engineers of the State of Paraná – SENGE, related to salary differences in the Position, Career and Remuneration Plan, as well as the updating of the amounts provisioned for 294 labor lawsuits due to court decisions. On the other hand, there was a reduction in provisions of R\$25,710, due to the shelving and definitive write-off of processes.

Considering the results of phase I of the "Task Force Commission", concerning the Ductos Operation, the Company identified some amounts for which it made a provision of R\$5,949 in the 2nd quarter of 2021, which were reversed in the 3rd quarter of 2021, by the consolidation with the findings of the independent investigation team and made the accounting record as shown in Explanatory Notes 25 and 30. At the end of Fiscal Year 2021, considering the results of phase II of the "Task Force Commission", about the Ductos Operation the Company made a new provision of R\$ 2,015, as decided by the Board of Directors at the 18th Extraordinary Meeting, on December 30, 2021.

b) Contingent liabilities

The Company, based on the nature of the lawsuits in which it is involved, and supported by the opinion of its legal advisors, discloses its contingent liabilities for which it has an expectation of possible loss, except for environmental lawsuits, for which the Company discloses the expectations of possible loss and remote. For these actions, no provisions were made for possible losses, as established by CPC 25 – Provisions, Contingent Liabilities, and Contingent Assets issued by the Accounting Pronouncements Committee.

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

Nature	Contingent liabilities	
	2021	2020
Labor claims (i)	75,798	44,051
Civil claims (ii)	651,934	494,577
Environmental claims (iii)	343,023	388,910
Tax claims (iv)	25,051	23,414
Total	1,095,806	950,952

Environmental Actions includes an expectation of remote loss of R\$155,595.

(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 258 ETEs in operation that make up Sanepar's Sanitary Sewage System (SES), 184 were covered by these Judicial Agreement Terms (TAJ).

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In 2019, the Court of the 11th Federal Court of Curitiba decided not to comply with two agreements (ACP 5001669-33.2015.4.04.7015 and ACP 5001739-56.2015.4.04.7013) regarding a Clause provided for therein that oblige the Company to pay fine in the estimated amount of R\$ 14.6 million. Said amount was disclosed at the time as a contingent liability, with a "Possible" probability of loss. The Company appealed to the Federal Regional Court of the 4th Region, obtaining an injunction to suspend the effects of the decision.

In April 2021, the TRF4 upheld both SANEPAR's appeals. The decisions became final and the loss amount was removed from the liability.

After noting the need to adjust the schedules of some sewage treatment plants and drafting new clauses in the agreements signed in 2018, the Company presented the renegotiation of the agreements to the Court of the 11th Federal Court of Curitiba. In the third quarter of 2021, the renegotiation was not approved in court, which is why the Company filed a motion for clarification, which is awaiting judgment.

(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	Court Deposits	
	2021	2020
Labor claims	286,653	227,969
Civil claims	97,877	73,575
Environmental claims	5,448	5,096
Tax claims	18,615	13,835
Total	408,593	320,475

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.

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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: The fiscal Year 2021 was a negative year for the financial market, especially for the Brazilian Stock Exchange, which fell by 11.93%, inflation measured by the IPCA was 10.06% and SELIC closed the year on 9.25%, with the expectation of further increases in 2022, reflecting the market's concerns with the appearance of the Ômicrom variant, the increase in inflation rates around the world and the increase in the spending ceiling by the Brazilian Government with the approval of the PEC of precatories. In this scenario, the Fusanprev plan presented a return of 6.80% per year, higher than the benchmark index of the CDI - Interbank Deposit Certificate market, which stood at 4.42%, but below its actuarial target of 15.94%. In addition, as a result of a regulatory rule, the actuarial interest rate was reduced from 5.25% to 4.98%, resulting in an additional cost of R\$25 million which, combined with the profitability obtained in the period, the Fusanprev Plan presented an accumulated adjusted technical deficit corresponding to 7.7% of the total Mathematical Reserves, which, according to current legislation, must be addressed through a balancing plan to be prepared in 2022 and applied in 2023. However, it is expected that most EFPC - Closed Private Pension Entities show deficits in 2021, due to the economic situation caused by the pandemic, and in this bias there is already a study by the regulatory body, aiming to postpone or freeze any deficits determined on December 31, 2021. Considering: (i) FUSAN's governance structure for decision-making, following advice from regulatory bodies linked to Complementary Pensions; (ii) the practice of closely monitoring the investments made, including verifying the investment opportunities that arise in these adverse scenarios; (iii) have an Investment Policy that determines a diversified investment portfolio with a moderate profile, applied in various asset classes, with a medium and long-term profile, obtaining sufficient liquidity to honor the payment of benefits; (iv) that the economic scenario is challenging due to the expectation of a year of electoral campaign and persistent inflation, high interest rates and low growth, however, with the projection of a still favorable global scenario, of strong growth, but with an increase in fees; (v) the Brazilian economy faces an environment of high current inflation with the IPCA expected for 2022 to be 5.09%; (vi) the indication by the Central Bank of Brazil that the interest rate – SELIC estimated for the end of 2022 at 11.75%; and (viii) that the Market expects a GDP growth of around 0.29%, the Company understands that the provisioned amounts that were supported by the actuarial calculation carried out by an independent company shown in this Explanatory Note, is sufficient and adequate to the end of the 2021 Fiscal Year.

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Sanesaúde: The plan presented a surplus result at the end of the fiscal year 2021 of R\$8.4 million, mainly due to the recognition of a non-recurring income of approximately R\$16.7 million related to the success of a lawsuit filed against the Federal Government in 2015 referring to INSS contribution values on the value of services provided by accredited (doctors, dentists, and other self-employed professionals) to health plan beneficiaries. Excluding this non-recurring revenue, the result of Sanesaúde was a deficit of R\$ 7.9 million, mainly due to the growth in the use of medical procedures by the beneficiaries of around 8.7% and the increase in the costs of more complex treatments such as cancer and heart, in addition to the increase in cases of hospitalization of cases of coronavirus registered between March and June 2021, which caused a significant increase in costs. Another measure that negatively affected the result of the Health Plan was the recording of R\$ 3.4 million referring to the Provision for Insufficiency of Premiums/Considerations required by ANS as of January 2021. It is noteworthy that so far the impact of cases of COVID-19 on the Plan's expenses was limited and, due to the advancement of the vaccination program, there was a reduction in hospitalization cases from July 2021, reflecting the decrease in costs and a balance between income and expenses from of October 2021. The plan's reserves ended the 2021 fiscal year with a value of R\$ 57.4 million, well above the regulatory capital required by ANS of R\$ 25.1 million, and with R\$ 78.5 million in financial investments, evidencing that the plan is in balance and has sufficient liquidity to honor its commitments. It is expected that during 2022, with the cooling of the pandemic in the State of Paraná, there will be an increase in demand for elective procedures, and with this, it will consume part of the positive results generated in the 2020 and 2021 fiscal years, but without compromising the economic balance of the plan. Considering also that the Sanepar Foundation daily monitors the scenario based on the census of hospitalizations, intending to take the necessary measures for the management of the Plan, as well as evaluate the impacts of the pandemic and closely monitoring the measures and recommendations of Organs regulatory bodies related to Health Supplementary and that the estimated readjustment for the plan to be carried out in June 2022 is in line with inflation, we do not estimate any change in the amounts provisioned beyond those supported by the actuarial calculation carried out by an independent company shown 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\$33,626 (R\$34,335 in 2020) 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.

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SaneSaúde is a collective of medical and dental care insurance plan, self-managed, financed by pre-payment, and the contributions made on average 63,1% for the sponsor and 36,9% for active and retired beneficiaries 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\$79,100 (R\$74,024 in 2020).

Additionally, for the purposes of complying with the determinations contained in CPC 33 (R1) – Employee Benefits, approved by CVM Deliberation 695, the company Mirador Assessoria Atuarial Ltda. was hired for the year ended December 31, 2021, 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	2021	2020
Present value of obligations at the beginning of the year	1,549,288	654,638	2,203,926	2,156,840
Cost of interest on obligation	109,018	47,389	156,407	144,501
Current service cost, net	2,919	4,706	7,625	10,308
Participants' contribution	9,913	-	9,913	9,319
Benefits paid in the year	(98,803)	(25,258)	(124,061)	(117,924)
Actuarial gains (losses) in the year	(53,421)	(4,248)	(57,669)	882
Total obligation in the year	1,518,914	677,227	2,196,141	2,203,926
Fair value of assets of the plan at the beginning of the year	(1,032,574)	-	(1,032,574)	(920,238)
Interest on assets of the plan	(71,915)	-	(71,915)	(60,459)
Participants' contribution	(9,913)	-	(9,913)	(9,319)
Contribution of the sponsor	(9,435)	-	(9,435)	(7,764)
Benefits paid in the year	98,803	-	98,803	92,123
Gain (loss) on the assets of the plan in the year	(10,991)	-	(10,991)	(126,917)
Fair value of assets in the year	(1,036,025)	-	(1,036,025)	(1,032,574)
Liabilities recognized at the end of the year	482,889	677,227	1,160,116	1,171,352
Current	32,193	45,148	77,341	78,090
Noncurrent	450,696	632,079	1,082,775	1,093,262

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

Economic hypotheses	2021	2020
Nominal Health Discount Rate	10.49% per year	7.38% per year
Real Discount Rate for Health	5.21% per year	3.91% per year
Nominal Discount Rate for Social Security	10.48% per year	7.28% per year
Real Discount Rate for Social Security	5.20% per year	3.81% per year
Expected Nominal Rate of Return on Health Assets	10.49% per year	7.38% per year
Expected Nominal Rate of Return on Pension Assets	10.48% per year	7.28% per year
Future increase in salaries	3.40% per year	3.42% per year
Inflation	5.02% per year	3.34% per year
Real increase in medical costs	3.70% per year	3.00% per year
Demographic hypotheses	2021	2020
Mortality table	AT-2000 Basic	AT-2000 Basic
Mortality table for disabled participants	Winkloss D10	Winkloss D10
Disability table	Grupo Americana	Grupo Americana D50
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%	9.21%	10.79%
With a reduction of 1%	11.07%	12.63%
Increase of costs		
With an increase of 1%	-	13.56%
With a reduction of 1%	-	11.71%
Life expectation		
With an increase of 1 year	1.49%	3.14%
With a reduction of 1 year	1.51%	3.12%
Increase in salaries		
With an increase of 1%	0.47%	-
With a reduction of 1%	0.41%	-

Provision Plan assets

The fair value of plan assets that are structured in the Variable Contribution modality (Defined Contribution - CD and Defined Benefit - BD), approximates the book value and presents the following composition:

Description	2021	%	2020	%
Fixed income (a)	1,135,841	63.0	1,169,383	66.8
Floating income (b)	256,355	14.2	275,945	15.8
Properties (c)	43,391	2.4	37,038	2.1
Transactions with participants (d)	97,517	5.4	92,792	5.3
Structured (e)	163,290	9.0	143,648	8.2
Foreign investments (f)	107,390	6.0	32,031	1.8
Fair value of the plan's assets	1,803,784	100	1,750,837	100

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- (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) Foreign Investments: 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 2022:

Description	Pension Plan	Medical Insurance	2022
Current service cost	7,077	3,484	10,561
Current service cost	152,998	69,473	222,471
Expected return on the plan's assets	(103,269)	-	(103,269)
Contributions of the sponsor/participants	(17,752)	(31,334)	(49,086)
Total	39,054	41,623	80,677

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:

a) Balances and Related Parties Transactions

Transactions arising from operations in a regulated environment are billed under the criteria and definitions established by regulatory agents and other transactions are recorded following market prices.

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We present below the balances and transactions with Related Parties:

Description	Assets		Liabilities		Income		Cost/Expenses	
	2021	2020	2021	2020	2021	2020	2021	2020
State of Paraná								
Interest on Equity	-	-	61,183	55,657	-	-	-	-
Municipalities								
Solid Waste Services	-	-	-	-	11,740	11,863	-	-
Trade Accounts Receivable	34,757	36,811	-	-	-	-	-	-
CS Bioenergia S.A.								
Sewage Effluent Treatment	1,187	1,187	-	-	194	153	-	-
Property rental	302	53	-	-	330	287	-	-
Reimbursable Electricity Expenses	177	78	-	-	-	-	457	460
Sludge Removal - ETE Belém	-	-	-	-	-	-	11,789	12,189
Electric Power Plant Rental	-	-	-	-	-	-	1,420	1,081
Sanepar Foundations								
Property rental	-	-	-	-	569	563	-	-
Employer Contributions	-	-	-	-	-	-	112,726	108,359
Copel (Controlled by State of PR)								
Water withdrawn from Plant Reservoirs	-	-	-	-	-	-	477	620
Tecpar								
ISO and water safety plan	-	-	7	18	-	-	1,795	229
Celepar								
e-Protocol system, among others	-	-	13	-	-	-	42	35
Simepar								
Water security plan and others	-	-	-	-	-	-	2,750	1,200
Investment in water security	3,026	-	-	-	-	-	-	-
Araucária Foundation								
Support for Scientific and Technological Developm	-	-	-	-	-	-	1,000	-
Total	39,449	38,129	61,203	55,675	12,833	12,866	132,456	124,173

b) Management compensation

The overall annual management compensation for the year ending December 31, 2021 was approved by 57^a/2021 Annual General Meeting (AGO) of April 22, 2021, for the amount of R\$15,046. For the year 2020, the approval was issued by the 56^a/2020 Annual General Meeting (AGO) of April 23, 2020, for the amount of R\$15,036.

The following are the payments made to managers:

Description	2021	2020
Remuneration	9,850	9,548
Charges and Benefits	3,619	2,933
Social charges	3,344	2,749
Health plan (Sanesaúde)	77	66
Pension plan (Fusanprev)	128	110
Supplementary programmes	70	8
Total	13,469	12,481

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21. OTHER ACCOUNTS PAYABLE

The composition is as follows:

Description	2021	2020
Contracts and Agreements with third parties	18,907	13,073
Agreements with municipal administrations	19,412	18,177
Collaterals and amounts reimbursable	12,380	9,146
Installment payment IBAMA – PRD (1)	30,558	61,124
Municipal Sanitation and Environmental Management Fund	5,905	5,396
Other account payable	1,444	-
Total	88,606	106,916
Current	85,644	77,299
Noncurrent	2,962	29,617

(1) Amount of R\$18,754 that refers to installment payment of debts concerning 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. Installments of several notices of Environmental Infractions with IBAMA in the amount of R\$11,803.

22. EQUITY

a) Capital stock

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 1 (one) common share and 4 (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, 2021, already considering the provision for additional dividends proposed by Management, is R\$5.18 (R\$4.59 in December 31, 2020).

Subscribed and paid-in capital stock as at December 31, 2021 is R\$4,000,000, which net of share issue cost amounts to R\$3,996,137, with shareholding structure as follows:

Shareholders	Number of shares					
	Common	%	Preferred	%	Total	%
State of Paraná	302,653,775	60.1	3	-	302,653,778	20.0
Municipal Administrations	-	-	5,570,647	0.6	5,570,647	0.4
Foreign Investors	38,438,765	7.6	224,816,160	22.3	263,254,925	17.4
Other Investors	162,642,719	32.3	777,083,450	77.1	939,726,169	62.2
Total	503,735,259	100.0	1,007,470,260	100.0	1,511,205,519	100.0

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b) Revaluation surplus

The reevaluation surplus was realized in the year, transferring to Retained earnings the amount of R\$5,290 (R\$5,267 in 2020), 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	2021	2020
Balances at beginning of year	64,292	69,559
Realization of revaluation surplus	(8,015)	(7,980)
Realization of Taxes on the Revaluation surplus	2,725	2,713
Balances at the end of the year	59,002	64,292

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\$210 (R\$528 in 2020), 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	2021	2020
Balance at beginning of the year	4,668	5,196
Realization of Adjustments to Deemed Cost	(318)	(800)
Realization of Taxes on Adjustments to Deemed Cost	108	272
Balance at the end of the year	4,458	4,668

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.

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Management proposes, subject to the subsequent approval of the Shareholders' Meeting, the allocation of the amount of R\$780,674 from Retained Earnings to the constitution of a Reserve for the Investment Plan. 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\$58,881 in 2021 (R\$49,757 in 2020), 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\$12 in 2021 (R\$1,207 in 2020), 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) – Employee Benefits, 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	2021	2020
Balance at the beginning of the year	24,486	(58,697)
Actuarial gains and losses	68,660	126,034
Taxes on actuarial gains and losses	(23,345)	(42,851)
Balance at the end of the year	69,801	24,486

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.

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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\$110,794, 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:

	2021	2020
Net income for the year	1,177,631	996,343
Government grants and donations	(12)	(1,207)
Recognition of legal reserve	(58,881)	(49,757)
Basis for calculation of mandatory dividends	1,118,738	945,379
Mandatory dividends (25%)	279,684	236,345
Supplementary dividends *	63,880	60,083
Proposed dividends and interest on equity capital	343,564	296,428

* Depends on approval at the Annual General Meeting.

The amount of interest on equity capital calculated in 2021 was R\$325,863 (R\$296,428 in 2020), being withheld the amount of R\$39,679 (R\$29,733 in 2020) as withholding income tax, which resulted in an effective rate of 12.18% (10% in 2020).

The balance of the remuneration to shareholders recorded in Current Liabilities is as follows:

	2021	2020
Previous balance	206,236	229,341
Authorized Additional Dividends	60,083	73,932
Payments made during the year	(267,575)	(303,649)
Interest on Equity Capital and Dividends	325,863	296,428
(-) Retention of IRRF on Interest on Equity Capital	(34,877)	(29,733)
(-) Additional Dividends Proposed	(46,179)	(60,083)
Dividends and Interest on Equity Capital to payable (Current liabilities)	243,551	206,236

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The portion of interest on equity capital/dividends in excess of the mandatory minimum dividends in the amount of R\$46,179, 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 on 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 that occurred on 06/30/2021 and 12/31/2021, interest on equity capital and additional proposed dividends per share were the following:

Interest on equity capital - 06/30/2021	Quantity	Total Remuneration	Remuneration per share
Common shares	503,735,259	47,214	0.09373
Preferred Shares	1,007,470,260	103,870	0.10310
Total	1,511,205,519	151,084	

Remuneration for 1 UNIT 0.50613

Interest on equity capital - 12/31/2021	Quantity	Total Remuneration	Remuneration per share
Common Shares	503,735,259	54,618	0.10843
Preferred Shares	1,007,470,260	120,161	0.11927
Total	1,511,205,519	174,779	

Remuneration for 1 UNIT 0.58551

Additional dividends - 12/31/2021	Quantity	Total Remuneration	Remuneration per share
Common Shares	503,735,259	5,532	0.01098
Preferred Shares	1,007,470,260	12,169	0.01208
Total	1,511,205,519	17,701	

Remuneration for 1 UNIT 0.05930

The amount of remuneration to shareholders, per share, was as follows:

	2021	2020
Common Shares	0.21314	0.18389
Preferred Shares	0.23445	0.20228
Value for 1 "Unit"	1.15094	0.99303

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The table below establishes the calculation of the profit per share (in thousands, except amounts per share):

Basic and diluted earnings (loss) per share	2021	2020
Numerator		
Net income for the year attributed to Company shareholders		
Common Shares	368,010	311,357
Preferred Shares	809,621	684,986
Denominator		
Weighted average of number of common shares	503,735,259	503,735,259
Weighted average of number of preferred shares	1,007,470,260	1,007,470,260
Basic and diluted earnings		
Per ordinary share	0.73056	0.61810
Per preferred share	0.80362	0.67991

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.

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Operating Revenues composition, by nature, is the following:

Description	2021	2020
Revenue		
Revenues from Water	3,415,183	3,124,101
Revenues from Sewage	1,993,856	1,856,001
Revenues from services	112,279	119,347
Revenues from Solid Waste	11,740	11,863
Services Provided to Municipalities	20,914	20,413
Donations made by clients	34,171	21,708
Other Revenue	5,760	7,297
Total of operating revenues	5,593,903	5,160,730
Deductions from Operating Revenues		
COFINS	(320,176)	(296,749)
PASEP	(69,315)	(64,326)
Total of Deductions	(389,491)	(361,075)
Total operating revenues, net	5,204,412	4,799,655

The Company incurred revenues and costs with construction contracts linked to the concessions in the amount of R\$79,213 (R\$75,127 in 2020), during the year of 2021, that is, with zero margins. Revenue is shown net of construction costs.

24. COST OF SERVICES RENDERED

The composition of costs, by nature, is the following:

Description	2021			2020		
	Water	Sewage	Total	Water	Sewage	Total
Personnel	(280,347)	(136,994)	(417,341)	(304,774)	(132,446)	(437,220)
Materials	(103,180)	(75,544)	(178,724)	(96,761)	(77,049)	(173,810)
Electricity	(484,217)	(64,030)	(548,247)	(394,079)	(48,872)	(442,951)
Third-party services	(240,504)	(176,684)	(417,188)	(234,698)	(190,361)	(425,059)
Depreciation and amortization	(166,986)	(159,983)	(326,969)	(149,560)	(145,913)	(295,473)
Indemnities of third-party damages	(2,803)	(1,457)	(4,260)	(5,681)	(3,939)	(9,620)
Other costs	(109,995)	(48,013)	(158,008)	(94,906)	(42,122)	(137,028)
Total	(1,388,032)	(662,705)	(2,050,737)	(1,280,459)	(640,702)	(1,921,161)

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25. SELLING, ADMINISTRATIVE AND OTHER EXPENSES

The composition of these expenses, by nature, is the following:

Description	2021	2020
Selling		
Personnel	(117,470)	(147,310)
Materials	(2,756)	(3,167)
Third-party services	(117,876)	(112,217)
Depreciation and amortization	(9,038)	(11,452)
Losses in Realization of Credits	(103,830)	(90,818)
Municipal Sanitation and Environmental Management Fund	(69,271)	(65,927)
Indemnities of third-party damages	(675)	(1,737)
Sanepar Rural program	(3,506)	(3,939)
Other expenses	(1,389)	(1,292)
Total of selling expenses	(425,811)	(437,859)
Administratives		
Personnel	(540,176)	(627,666)
Materials	(44,943)	(39,893)
Third-party services	(152,084)	(118,652)
Depreciation and amortization	(58,459)	(54,942)
Impairment of inventories	2,470	(1,444)
Regulatory fee	(25,797)	(25,373)
Travel expenses	(4,139)	(3,610)
Environmental and social programs	(7,193)	(5,969)
Indemnities of third-party damages	(3,186)	(1,772)
Other expenses	(16,232)	(14,247)
Transfers to Selling expenses and cost (1)	138,963	125,151
Capitalized Expenses (2)	98,587	82,896
Total of administrative expenses	(612,189)	(685,521)
Other operating revenues (expenses)		
Expenses		
Eventual or extraordinary loss (3)	(10,343)	(37,168)
Environmental fines (4)	(3,363)	(19,389)
Write-off of assets	(11,468)	7,255
Fair Value Adjustment – Investments	(225)	(212)
Total of other operating revenues (expenses), net	(25,399)	(49,514)

(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) In 2020, the amount of R\$37,137 was recorded referring to the settlement of a lawsuit by the DM/LFM/SEF consortium, related to the economic and financial rebalancing of CA 05.1/2000. In 2021, due to the consolidation of the preliminary findings referring to the investigation of the Ductos Operation, the Company wrote off R\$8,381 of Intangible Assets referring to works to expand water and sewage networks (R\$3,102 referring to "Phase I" and R\$5,279 referring to "Phase II") and R\$2,305 referring to expenses with the maintenance of water and sewage networks (material and services) (R\$1,066 referring to "Phase I" and R\$1,239 referring to "Phase II") and recorded the amount of R\$ \$10,686 as Possible Losses (R\$4,168 referring to "Phase I" and R\$6,518 referring to "Phase II"); and

(4) Amount of R\$18,951 (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.

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26. PROFIT SHARING PROGRAM

The Company provisioned the amount of R\$80,197 (R\$74,422 in 2020), related to the provision for Profit Sharing, based on goals and performance established for the year 2021, which is recorded in the Salaries and Social Charges account, in current liabilities.

27. FINANCIAL INCOME (LOSS)

Description	2021	2020
Financial revenues		
Financial investments	50,118	22,483
Monetary variation gains	34,401	18,679
Active Exchange Rate Variations	1,750	374
Gain on Derivative Financial Instruments	1,458	1,651
Other financial revenues	17,554	16,093
Total of financial revenues	105,281	59,280
Financial expenses		
Financing, Lease and Debenture Interest and Charges	(277,243)	(220,155)
Monetary variation losses (1)	(94,877)	(22,938)
Passive Exchange Rate Variations	(1,585)	(1,692)
Loss on Derivative Financial Instruments	(2,053)	(383)
Other financial expenses (2)	(4,705)	(18,887)
Total of financial expenses	(380,463)	(264,055)
Financial income (loss), net	(275,182)	(204,775)

(1) Increase in the calculation basis of monetary variations, due to the issuance of debentures (10th and 11th issues), Bank Credit Note, readjustment of the coastal lease agreement, and the variation of the IPCA;

(2) 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 identifiable business segments, which are water treatment and distribution and sanitary sewage collection and treatment. The solid waste collection and treatment process was considered in the sewage segment. Operating profit by segment is represented by revenue, less direct costs, and operating expenses, directly and indirectly, allocable to these segments. Identifiable assets and liabilities by segment are presented separately. Corporate assets and liabilities were not directly attributed to each business segment.

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The Company evaluates the business segment *performance* based on information generated by the accounting records, and miscellaneous expenses are allocated by means of apportionment, as shown in following table:

Description	2021			2020		
	Water	Sew age	Total	Water	Sew age	Total
Direct operating revenue	3,495,696	2,037,362	5,533,058	3,211,863	1,899,449	5,111,312
Other operating revenues	34,566	26,279	60,845	28,181	21,237	49,418
Total gross operating Revenue	3,530,262	2,063,641	5,593,903	3,240,044	1,920,686	5,160,730
Revenue Deductions (PASEP and COFINS)	(221,260)	(168,231)	(389,491)	(205,916)	(155,159)	(361,075)
Net operating revenue	3,309,002	1,895,410	5,204,412	3,034,128	1,765,527	4,799,655
Cost	(1,388,032)	(662,705)	(2,050,737)	(1,280,459)	(640,702)	(1,921,161)
Gross profit	1,920,970	1,232,705	3,153,675	1,753,669	1,124,825	2,878,494
Selling expenses	(241,905)	(183,906)	(425,811)	(249,692)	(188,167)	(437,859)
Administrative expenses	(347,787)	(264,402)	(612,189)	(390,924)	(294,597)	(685,521)
Impairment	-	(4,119)	(4,119)	-	1,095	1,095
Other operating revenues (expenses)	(14,429)	(6,851)	(21,280)	(28,236)	(22,373)	(50,609)
Equity in earnings (losses) of controlled companies	-	(2,958)	(2,958)	-	(1,859)	(1,859)
Financial income (loss), net	(132,364)	(142,818)	(275,182)	(92,367)	(112,408)	(204,775)
Profit sharing program	(45,560)	(34,637)	(80,197)	(42,440)	(31,982)	(74,422)
Provisions	(40,347)	(30,601)	(70,948)	1,160	835	1,995
Pension plan and medical insurance	(32,622)	(24,803)	(57,425)	(34,658)	(26,126)	(60,784)
Income before taxes and contributions	1,065,956	537,610	1,603,566	916,512	449,243	1,365,755
Income tax and social contribution	(283,136)	(142,799)	(425,935)	(247,900)	(121,512)	(369,412)
Net income for the year	782,820	394,811	1,177,631	668,612	327,731	996,343
Operating margin - Unaudited/Not Revised	32.2%	28.4%	30.8%	30.2%	25.4%	28.5%
Net margin - Unaudited/Not Revised	23.7%	20.8%	22.6%	22.0%	18.6%	20.8%
Investments in fixed /Intangible assets in the year (1)	669,296	650,866	1,320,162	499,402	469,529	968,931
Indebtedness – Loans, Financing, Debentures and Leases	1,838,309	2,282,256	4,120,565	1,483,480	2,164,108	3,647,588
Contract Asstes, Fixed assets and intangible assets, net	4,871,487	5,849,796	10,721,283	4,435,159	5,406,963	9,842,122
Depreciation and amortization for the year	(205,332)	(189,134)	(394,466)	(187,426)	(174,441)	(361,867)
Accounts receivable (current and non-current) (2)	957,043	473,945	1,430,988	711,095	384,322	1,095,417
Total assets	6,652,323	7,988,266	14,640,589	5,944,201	7,246,657	13,190,858
Total liabilities (current and noncurrent liabilities)	3,355,807	3,458,440	6,814,247	2,841,229	3,406,466	6,247,695
Number of Users – Unaudited/Not Reviewed (3)	3,348,441	2,379,696	-	3,273,811	2,308,138	-
Volume Thousand m ³ Invoiced - Unaudited/Not Reviewed (4)	521,515	396,455	-	525,791	396,232	-

(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 an insurance contract with MAPFRE Seguros Gerais S/A covering its main assets located in several localities throughout the State of Paraná, for the amount of R\$1,716,442, with coverage term from 03/13/2021 to 03/13/2022, contemplating basic coverage for fire, wind, and electrical damages to the equipment.

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Asset	Amount insured
Buildings	845,173
Machinery, equipment and vehicles	786,266
Inventory	85,003
Total	1,716,442

Additionally, the Company has Judicial Guarantee Insurance policies to guarantee amounts that would be deposited and/or replace amounts already deposited and/or assets pledged in labor, civil, tax, and environmental lawsuits. Up to December 31, 2021, the Company offered guarantees through the Surety Bond in 285 lawsuits in the amount of R\$255,503 with Pottencial Seguradora S/A, maturing on 06/07/2022.

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 09/09/2022.

30. OPERATIONS 'ÁGUAS CLARAS' AND 'DUCTOS' AND ITS EFFECTS ON THE COMPANY

Operation 'Águas Claras':

The 'Operação Águas Claras', which is an offshoot of the 'Operação Pecúlio' that took place in 2016, investigates alleged fraud in public tenders for sewage works favoring a company whose representatives allegedly paid undue advantages to a retired employee of the Company, as well as alleged bribe payments by the same company disguised as an investment in advertising and sponsorship. The alleged unlawful conduct would have been practiced between 2011 and 2016 and would involve some of the Company's employees.

Since December 2020, the External Investigation Commission ('CEI'), as well as the law firm Tauil & Checker Advogados, associated with Mayer Brown and the consultancy Ernst & Young – EY (along with the 'Investigation Team') have conducted an investigation independent forensic team to investigate, under the coordination of the CEI, the allegations related to 'Operation Águas Claras'.

Operation 'Ductos':

On July 20, 2020, the Company published a Notice to the Market on the 'Ductos Operation', related to the 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 fraud in bids and billing for services not fully performed or for services that are overpriced, using false measurements, or not supervised by employees of Sanepar. On the same date, the Board of Directors initiated internal measures for the allegations of 'Operation Ductos' to be included in the scope of the independent forensic investigation conducted by the Investigation Team. The Company's Management temporarily removed all employees involved in the said operation, and at the 9th/2020

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Ordinary Meeting of the Board of Directors, on September 24, 2020, the Board was informed by the Executive Board that the removed employees returned to the original functions for which they had taken part in a public tender; there is currently no power of influence or decision on the part of such employees. It is important to state that all the employees mentioned in the aforementioned 'Operation Ductos' have responded or are responding to individual disciplinary proceedings before the Sanepar Conduct Committee, with the appropriate legal measures being adopted for each case.

Also at its 9th/2020 Ordinary Meeting referred to above, the Council decided to create a task force responsible for conducting a preliminary investigation of the allegations and monitoring the developments of 'Operation Pipelines' and, in December 2020, the Investigation Team was contracted to conduct the independent forensic investigation into the allegations related to 'Operation Ductos', under the coordination of the CEI (the same as the above operation). The activities of the task force and the Investigation Team were conducted in parallel, with different scopes and deadlines, but with interactions between the two teams.

On July 22, 2021, at the 7th/2021 Ordinary Meeting, the Board of Directors became aware by the CEI and the Investigation Team of preliminary findings considered relevant, which required additional procedures to confirm the facts and measure their effects, as applicable. , and at the same ordinary meeting resolved to (I) appoint the Internal Audit, together with the Deputy Board of Governance, Risks, and Compliance to carry out internal work aimed at: (a) consolidating the aforementioned preliminary findings of the Investigation Team with the results of the work carried out so far, and future referral to the competent authorities; (b) analyze whether the improvement of the internal controls carried out by the Company are effective and sufficient given the findings; and (c) with the support of the Financial and Investor Relations Department ('DFRI'), measure the possible adjustments in the financial statements, as applicable, considering that additional procedures needed to be carried out to support any type of measurement.

On July 23, 2021, the Court of the 1st Criminal Court of the District of Ponta Grossa/PR received a complaint from the Public Ministry of Paraná, dated June 22, 2021, against certain employees of Sanepar and companies involved in the 'Operation Ductos'. Some employees mentioned in the complaint continue as employees of the Company, even because it is necessary to observe the rite provided for in the labor legislation, given that the Management of Sanepar is working to implement the appropriate measures concerning the matter, as mentioned above.

Due to the complaint by the Public Ministry, which mentions illegal acts related to the Maintenance Management System for the period from 2015 to 2018 and Materials for the period from 2010 to 2019, in the amount of R\$ 5,949, the Company recorded a provision for that amount under the headings 'Provision for Contingencies - Result' and 'Provisions - Non-Current Liabilities', which will be updated according to the additional procedures resolved at the 7th/2021 Ordinary Meeting as mentioned in the previous paragraph.

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Considering the resolution of this meeting, in the 3rd quarter of 2021, the analysis of those findings of the Investigation Team was concluded, resulting in R\$4,168 (R\$3,595 net of taxes), recorded as a debit in the result, under the heading 'Losses', with a contra entry in the caption 'Intangible Assets – Expansion of Water and Sewage Networks' R\$3,102 and, in the income statement, in the caption 'Expenses with Network Maintenance' R\$1,066. Therefore, the Provision of R\$5,949, recorded in the interim financial information for the 2nd quarter of 2021, was sufficient to write off these amounts, and the records were reversed and recorded in the respective accounting items.

On September 23, 2021, at the 9th/2021 Ordinary Meeting, the Board of Directors became aware, by the CEI, of new findings considered relevant and approved the suggestions presented by the Audit Committee and, after due diligence, on October 21, 2021, At the 10th/2021 Ordinary Meeting, the Board of Directors resolved to (i) create a special working group to, within 50 days, measure possible additional adjustments to the Company's financial statements and (ii) advance the Company's work plan Internal Audit so that in the last two months of 2021, tests of the improved internal controls were carried out, as mentioned above.

On December 30, 2021, at the 18th/2021 Extraordinary Meeting, the Board of Directors became aware of the work carried out by the Special Committees designated by Resolutions No. 358/2021 and No. 645/2021 (Duct Operation Task Force - Phase II) and No. 719/2021 (Special Working Group - Measurements of the maintenance management system in general managements) and ordered the Board of Directors to carry out the adjustment of the accounting records and provisions, in addition to forwarding solutions to the recommendations, pending issues and responsibilities, following the conclusions contained in Executive Reports.

As of December 31, 2021, the Company recorded: (i) R\$6,518 (R\$5,884 net of taxes) as a debt to income, under the heading 'Loss', with a contra entry under the heading 'Intangible Assets – Expansion of Water and Sewerage Networks' R\$5,279 and, in the income statement, under 'Network Maintenance Expenses' R\$1,239; and (ii) R\$2,015 as a Provision under the headings 'Provision for contingencies – Income' and 'Provisions – Non-Current Liabilities'.

Progress of the Activities:

On January 20, 2022, at the 1st/2022 Ordinary Meeting of the Board of Directors, the final reports produced by the External Investigation Commission - CEI and the independent forensic investigation conducted by Tauil & Checker Advogados, associated with Mayer Brown and the consultancy Ernst & Young – EY, relating to the "Águas Claras" and "Ductos" Operations, and the Board of Directors decided to receive the reports and recommendations contained therein. In this way, the work of the Investigation Team was closed, according to the Material Fact published on January 21, 2022.

Also, at the 1st/2022 Ordinary Meeting of the Board of Directors, the Board of Directors became aware of the final report of the Operation Ductos Phase II Task Force and reports of Resolutions No. 718/2021 and 719/2021 and determined: (i) the establishment of the third phase of the Task Force to finalize the assessments resulting from the amounts already provisioned and any liability, with the governance of these works being assigned to the Deputy

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Board of Governance Risk and Compliance-DAGRC and Internal Audit; (ii) the establishment of a Specific Multidisciplinary Commission that will continue the analysis and improvement of materials management procedures, with the work reported by the following Boards: Administrative Board-DA, Operations Board-DO, Investment Board-DI and DAGRC ; (iii) the forwarding, by Internal Audit, of the Phase II Task Force Recommendations, Resolutions 718/2021 and 719/2021 to the Executive Board and Reports with the Responsibility Matrix to the Conduct Committee for analysis and action; (iv) the external forwarding of the Task Force Works – Phase II, which should take place after the conclusion of item III and after legal analysis; and (v) at the March 2022 ordinary meeting, DAGRC and Internal Audit shall submit to the Board of Directors the update on the implementation of the measures resolved herein.

Sanepar's Management is taking the necessary measures before the Court and local authorities and will continue to apply its best efforts concerning the operations mentioned above, as well as communicate to the market any other relevant information on the matter.

31. IMPACTS OF THE CORONAVIRUS (COVID-19)

Since the beginning of the Covid-19 pandemic, on March 11, 2020, a series of measures have been implemented to reduce the uncontrolled spread of the disease and prevent the collapse of the health system across the country. World experience has shown that the most efficient tools are social isolation, the use of masks, hand hygiene, and, above all, mass vaccination. In Paraná, at the end of December 2021, 77.85% of the total population of the state received the first dose and 67.99% received two doses or a single dose of the immunizer against Covid-19, according to data from the State Department of Health. The advance of immunization led to a reduction in the indicators of deaths, cases, and hospitalizations due to the virus, allowing for the relaxation of social isolation and the gradual release of economic activities.

Within this context, Sanepar, which provides Basic Sanitation services, considered an essential service, has implemented actions to enable the continuity and quality of its operations and, at the same time, preserve the integrity and health of its employees. In addition, the Company has acted intending to mitigate the economic impacts of the pandemic on its customers, reaffirming its commitment to contributing to improving the quality of life of the population served in the municipalities where it operates.

Sanepar understands that there are no risks in the continuity of its operation, however, it presents below the analysis of measurement of the economic and financial impacts resulting from the 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, compared to other segments. However, operating cash flow was affected by the increase in delinquency and the temporary extension of the maturity of water and sewage bills for low-income consumers. To mitigate the economic effects caused by the pandemic and, continuing the actions implemented by the Material Facts published in 2020 and the first three quarters of 2021, the Company published a new Material Fact, on December 13, 2021, informing about the extension of the postponement of the collection of water and sewage bills, for customers

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registered in the “Solidarity Water” category, formerly “Social Tariff”. The measure is valid for 90 days, starting on December 15, 2021. In the 4th quarter of 2021, the average monthly billing of the Social Tariff was R\$4 million, and an average of 217 thousand water savings and 151 thousand of sewage. In addition, state law nº 20.187/2020 remains in force, which restricts the interruption of service provision, for certain categories of consumers, during emergencies, such as the Covid-19 pandemic.

- After the beginning of the quarantine period, as of March 19, 2020, the Company has been analyzing collection and delinquency and, considering the best estimate, constituted a provision for expected losses on accounts receivable in the amount of R\$20, 6 million.
- In terms of costs, mainly those related to the acquisition of imported chemical products, given current exchange rates, the Company does not expect a material increase in costs, since certain products tend to have their cost reduced by the decrease in demand or product changes, thus offsetting any unfavorable exchange rate variations.
- Loans and Financing: The Company has financing agreements with CAIXA, BNDES System, and KfW, in addition to public and private debenture issues. There were no renegotiations of interest rates referring to these contracts and no changes are expected in the conditions already contracted. During 2021, the Company raised R\$799.2 million, of which R\$5.7 million related to the 7th issuance of debentures, R\$500 million related to the 11th issuance of debentures, R\$3.4 million of the KfW contract, R\$27.5 million from BNDES resources, and R\$262.6 million from resources released by CAIXA.
- Leases: The Company has (i) an asset lease agreement with the substantial transfer of the risks and benefits of the assets, which will be owned by the Company at the end of the agreement; and (ii) vehicle, movable and immovable leasing contracts, in which the benefits of the assets will remain with the lessor. There were no changes to the terms and conditions of the contracts.
- Management evaluated the impacts on employee benefits and the Company's obligations. In this fiscal year, despite the uncertainties in the health scenario, notably concerning the new variants of Covid-19, considering the best information available, no adjustment was identified to be made in the record of provisions arising from the Retirement and Medical Assistance Plans, in addition to those supported by actuarial calculation shown in Note 19.
- Additionally, Management evaluated and concluded that there is no evidence of impairment of its Assets, linked to Concessions and Right-of-Use Assets, at the end of the 4th quarter of 2021, in addition to those shown in Note 13.

Regarding its professionals, the Company has implemented actions to prevent contagion in the work environment. A Contingency Plan was established at Sanepar, through the Covid-19 Special Commission, which gathers information for risk management and describes previously planned measures to combat the coronavirus pandemic. Among the main actions taken are:

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- Home isolation according to medical prescription for employees with suspect of infection or who have had contact with a symptomatic or infected person;
- Remote work regime for pregnant employees;
- Internal meetings and participation in external events (such as congresses, seminars, among others) should be done prioritizing available virtual tools, such as video calling; and
- In-person training is allowed as long as there is no “red flag”, “lockdown” or any other restriction designations determined by local authorities, giving preference to distance training, whenever possible, in compliance with all preventive guidelines established by the company.

Likewise, Sanepar has implemented actions to preserve the health of its customers and to mitigate the economic effects caused by the pandemic:

- Service in the relationship centers follows the criteria and restriction definitions determined by the local authorities of the municipalities where Sanepar operates; and
- The Company maintained the Private Customer Credit Recovery Program (RECLIP) until 11/30/2021. The program provided for the installment of debts of private customers and allowed debts to be included in the negotiation until June 2021. The program brought a series of benefits, such as the waiver of the down payment, the withdrawal of the 2% fine, and an interest rate of 0.1% per month. There was no minimum installment requirement. Regardless of the debt amount, the customer category (residential, commercial, or industrial), their consumption range, and the final amount of the installment after negotiation, the debt could be paid within 60 months.

The Company will continue to assess the impacts that COVID-19 may bring to its business.

32. SUBSEQUENT EVENTS

On January 17, 2022, at the 1st Extraordinary Meeting, the Board of Directors approved the 12th (twelfth) issue of simple, non-convertible, unsecured Debentures, in up to 3 series, for public distribution with restricted efforts under the terms of CVM Instruction 476, in the amount of R\$600 million. The settlement took place on February 11, 2022, and the Public Offering Closing Notice to the Securities and Exchange Commission - CVM was on February 14, 2022.

On January 20, 2022, at the 1st Ordinary Meeting of the Board of Directors, the final reports produced by the External Investigation Commission - CEI and the independent Forensic Investigation were presented, jointly called the "Investigation Team", related to the "Águas Claras" Operations. and "Ducts", as reported in Note 30.

On February 23, 2022, at the 5th Extraordinary Meeting, the Board of Directors approved the forwarding of the tariff readjustment proposal (IRT) of the year 2022 to the regulatory agent, which will define the adjustment index to be applied to the water and sewage tariff.

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EXECUTIVE BOARD

Claudio Stabile (CEO)

Abel Demetrio (CFO and Investor Relations Officer)

Sergio Wippel (Director of Operations)

Leura Lucia Conte de Oliveira (Investment Director)

Elerian do Rocio Zanetti (Commercial Director)

Andrei de Oliveira Rech (Legal Director)

Priscila Marchini Brunetta (Administrative Director)

Julio Cesar Gonchorosky (Environmental and Social Action Director)

ADMINISTRATIVE COUNCIL

Vilson Ribeiro de Andrade (President)

Jacques Geovani Schinemann

Rodrigo Sanchez Rios

Adriano Cives Seabra

Eduardo Francisco Sciarra

Claudio Stabile

Joisa Campanher Dutra Saraiva

Milton José Paizini

Elton Evandro Marafigo

FISCAL COUNCIL

Ricardo Cansian Netto (President)

Laerzio Chiesorin Junior

Marco Antonio Mayer Foletto

Paulo Roberto Franceschi

Daniel Ricardo Andreatta Filho

ACCOUNTANT

Ozires Kloster

Accounting Manager

CRC-PR 030.386/O-8



**INDENPENDENT
AUDITORS'
REPORT**

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, 2021 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, 2021, 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

Independent internal investigation ("Rádio Patrulha", "Integração" and "Águas Claras" operations)

As mentioned in Note 30 to the financial statements, the internal investigations, which were being monitored by the CEI, were concluded. Regarding the "Rádio Patrulha" and "Integration" operations, no financial or accounting impacts were determined, and in relation to the "Águas Claras" and "Ductos" operations, the appropriate measures were taken by the Board of Directors as mentioned in the aforementioned explanatory note. Our conclusion is not qualified in relation to these matters.

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, 2021, 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 was concluded in relation to the “Radio Patrol and Integration” operations, as well as for the “Águas Claras” and “Ductos” operations, and the appropriate measures were taken by the Company's Board of Directors.

Due to the risks and uncertainties involved, this matter has taken up a large part of our attention and of our efforts and, therefore, it was treated as significant matter in our audit due to the fact that we have to monitor all developments related to investigations.

Audit response to the matter

Our audit procedures included, among others:

- We read the public documents available for the aforementioned operations;
- We read the reports prepared by the internal audit 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 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, 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, 2021.

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\$615,625 thousand as of December 31, 2021, 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\$ 603,014 thousand recorded as Contractual Financial Assets, R\$ 1,869,743 thousand recorded as Contract Asset and R\$ 8,538,861 thousand recorded in Intangible Assets as of December 31, 2021, 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, 2020, presented for comparison purposes, were audited by us, and we issued a report dated February 11, 2021, 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 Executive Board for the year ended December 31, 2021, 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 Executive Board 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 Executive Board and those charged with Governance for the financial statements

The Executive Board 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 it 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, Board 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 the Executive Board 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 Executive Board;
- Conclude on the appropriateness of the Executive Board'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 24, 2022.



BDO RCS Auditores Independentes SS
CRC 2 PR-006853/F-9

Paulo Sérgio Tufani
Accountant CRC 1 SP 124504/O-9 - S - PR



**EXECUTIVE DIRECTORS'
DECLARATION
ON FINANCIAL
STATEMENTS**

STATEMENT

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, 2021.

Curitiba, February 7th, 2022.

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**

STATEMENT

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, 2021.

Curitiba, February 24th, 2022.

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



**SUMMARY ANNUAL
REPORT OF THE
STATUTORY
AUDIT COMMITTEE**

STATUTORY AUDIT COMMITTEE SUMMARY ANNUAL REPORT – 2021

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 Company’s Management 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.

Main activities of the CAE in the year

The main non-recurring issues that occurred during the year, consisted of the following:

Pandemic - COVID 19

During 2021, the CAE monitored the second year of the COVID 19 pandemic and its variations, in which the Company's Management continued to make various efforts to mitigate the potential effects and developments related to:

- 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;
- Adoption of 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, which continued, in the course of 2021, to suffer serious water deficiency, having 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

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, whose work was considered substantially concluded at the end of 2021. As a result, some adjustments were reflected in the Company's financial statements, which were the subject of disclosure

of a Material Fact. For 2022, Management's attention is focused on implementing the internal control improvements evidenced throughout the investigation process, which will continue to be monitored by the CAE.

Other recurring issues

CAE held several formal meetings with the Company's Management, Foundations Management, the management of the affiliate CS Bioenergia, members of the Fiscal Council, the Independent Auditors, members of the CEI and with representatives of the external forensic investigation team.

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 2021, 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 2021 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 24th, 2022.

Artemio Bertholini
Chairman

Cassio Prudente Vieira Leite
Member

João Paulo de Castro
Member

Milton José Paizani
Member



**FISCAL
COUNCIL
OPINION**

FISCAL COUNCIL OPINION

Considering that the Fiscal Council does not carry out accounting and auditing activities in the Company and based on: (i) information made available and explanations presented by the Financial and Investor Relations Officer, (ii) Report of the Independent Auditors presented to the Board of Directors on this date and (iii) the approval by the Board of Directors at its meeting on 02/24/2022 of the Financial Statements, the proposal for the allocation of income for the year and the Annual Management Report, all referring to the fiscal year ended on December 31, 2021, the members of the Fiscal Council of Companhia de Saneamento do Paraná - SANEPAR, within their legal attributions and responsibilities, understand that the material facts brought to their attention are properly disclosed in these reports and are in a position to be appraised by the Annual General Meeting.

Curitiba, February 24th, 2022.

RICARDO CANSIAN NETTO
Chairman

LAERZIO CHIESORIN JUNIOR
Member

MARCO ANTONIO MAYER FOLETTO
Member

PAULO ROBERTO FRANCESCHI
Member

DANIEL RICARDO ANDREATTA FILHO
Member



INVESTMENT PROGRAM

INVESTMENT PROGRAM

In compliance with the CVM Instructions, we hereby inform the Investment Program for the years of 2022 to 2026 of **Companhia de Saneamento do Paraná – Sanepar**, approved at the 12th Extraordinary Meeting, held on December 9th, 2021.

	2022	2023	2024	2025	2026	2022 - 2026
Regulatory Capex **	1,574.4	1,663.8	1,740.8	1,624.5	1,550.8	8,154.3
Solid Waste / Industrial Water	4.0	0.5	0.6	2.4	0.3	7.8
Capitalization	145.8	155.8	166.2	163.6	164.4	795.8
Network Donations	22.1	22.8	23.5	24.1	26.5	119.0
Total	1,746.3	1,842.9	1,931.1	1,814.6	1,742.0	9,076.9

	2022	2023	2024	2025	2026	2022 - 2026
Water	644.9	650.0	722.4	780.5	834.1	3,631.9
Sewage	980.9	1,083.0	1,132.6	986.9	882.1	5,065.5
Others	120.5	109.9	76.1	47.2	25.8	379.5
Total	1,746.3	1,842.9	1,931.1	1,814.6	1,742.0	9,076.9

The Investment Plan includes expenses for the assurance of water supply and its quality; commitments made in the concession and program contracts aimed at the universalization of sewage services; demands arising from operational diagnostics of water supply and sewage systems; environmental compliance; administrative infrastructure, among others.

