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COPASA

MESSAGE FROM THE CEO

(G4-1)

The year of 2016 marked the beginning of the regaining of COPASA's economic/financial balance, after overcoming the difficulties imposed by an unprecedented water supply crisis in 2015, and recovering the profitability margins which had been eroded over the previous years.

The levels of the water reservoirs in the Metropolitan Area of Belo Horizonte (RMBH) which assure the supply to about 42% of the population, showed a significant recovery in 2016, going from 23% in December 2015 to 63% in December 2016, thus reaching the highest level observed over the previous 30-month period. This recovery is the result of an improvement in the levels of rainfall in the period and mainly the start-up of operation in December 2015 of the system withdrawing 5 m³/s of raw water from the Paraopeba River for treatment in the Rio Manso ETA (water treatment plant). This initiative corroborated the effectiveness of the technical design and construction of the project developed on an emergency basis in 2015 to fight the water crisis and provide water security to the Metropolitan Area, with the financial support of the controlling shareholder.

Net operating revenue reached R\$ 3.64 billion, a growth of 15.9% over the previous year. Costs and expenses, in turn, reached R\$ 2.79 billion, a reduction of 2.1% compared to the previous year, reflecting the measures adopted to reduce costs, such as voluntary dismissal programs, improvements in operational efficiency and the management of the contracting processes of consumables and services. As a result, the Company posted a net income of R\$ 434.16 million in the year, against a loss of R\$ 11.6 million in 2015.

Operating cash generation (adjusted EBITDA) reached R\$ 1.40 billion in 2016, an increase of 35.2% compared to 2015.

The net debt was reduced by R\$ 236 million, going from R\$ 3.14 billion at the end of 2015 to R\$ 2.90 billion in 2016, reaching the lowest value since the end of the fiscal year of 2013, thanks to the stringent measures of cash management and the pursuit of the Company's economic-financial balance. As a consequence, the Company's leverage rate, measured by the ratio of "net debt" to "Adjusted EBITDA" at the end of the year, decreased from 3.6x in 2015 to 2.1x in 2016. Gross debt also decreased, from R\$ 3.69 billion to R\$ 3.52 billion in the same period.

In the operational area, the Company, at the end of 2016, was serving 11.56 million inhabitants with water supply and 7.83 million with sewage services. Of the population served by the Company, about 1.93 million inhabitants (16.7% of the total) benefit from the Social Tariff, which guarantees them payment at a differentiated lower rate. This benefit is available to residential properties of families that are enrolled in the Federal Government's Unified

Registry for Social Programs and have a monthly income per person of up to half a minimum wage. At COPASA, this applies to 1.85 million users, 16.3% of the total, while at COPANOR it applies to 79.06 thousand customers, equivalent to 35.4% of the total.

Investments in 2016 totaled R\$ 428.4 million, of which R\$ 395 million referred to COPASA and R\$ 33.4 million to COPANOR. For 2017, the forecast amount is R\$ 690 million, of which R\$ 650 million for COPASA and R\$ 40 million for COPANOR, according to the Multi-Year Business Plan.

During the year, Program Contracts were formalized with 11 municipalities in the State of Minas Gerais, covering approximately 180 thousand inhabitants of the Company's customer base. At the close of the year, COPASA's portfolio had 635 water concessions and 299 sewage concessions. In order to further enhance partnerships with municipalities, the Company has pursued the ongoing improvement of dialogue with municipal authorities and the population served, in order to get a better perception of local needs and to enhance the quality of services provided.

In the regulatory area, the first stage of the Tariff Review was concluded in April 2016, which resulted in the average tariff impact perceived by users of 13.9%, including variables related to correction for inflation, market adjustments, efficiency analysis of operating costs and change of the tariff structure. The second phase, which began in September, provided for a broader review, involving criteria for return on investment as well as reassessment of the criteria adopted in the first stage.

At the strategic level, work continued on the actions developed in the previous year, when the Mission, Business, Values and Strategic Guidelines were redefined to guide the Company's path. In 2016, attention was given to implementing the guidelines through concrete initiatives and defining the methodology for monitoring the execution of the corporate strategy, as well as to the identification of macro processes and their respective processes, as a starting point for the realignment and rationalization of activities and operational routines of the Company. In addition, the Executive Committee was formed, composed of all superintendents, to support Company Management in the implementation of corporate strategy, through guidelines for the development and validation of the action plans and follow-up of the respective implementation stages.

The improvement of the management mechanisms has also been a permanent focus of action, with the establishment of measures aimed at improving the quality of internal controls and mitigating risks inherent to the Company's activities. The implementation of Integrated Management, in 2016, at all levels of the organization, with the establishment of authority levels for any and all expenditures, rendered the decision-making process more robust, im

posing greater rigor on cost management. The tools used in budget management were also improved upon and the Ethics and Anti-Corruption Policy communication channel was implemented, aiming to guarantee best market practices and transparency in management.

In line with its Social Responsibility Policy, in 2016, COPASA joined the Gender and Race Pro-Equality Program, aiming to disseminate new conceptions in people management and organizational culture to achieve equality among races and between women and men at work. The promotion of gender and race equality in the corporate environment - combining the logic of the exercise of rights with business logic - fosters dialogue with the Company's stakeholders, attuned to the social, economic and environmental conditions under which goods and services are produced. In 2016, the Company concentrated its efforts on the development of structuring actions of the Program, such as: the preparation of a diagnosis of the Program's organization and action plan; the institution of the Program Management Committee; the mobilization and training of employees on issues related to gender, race, ethnicity, diversity and dealing with discrimination; and the articulation of strategic inter-institutional partnerships for the Program. The Program Action Plan involves ten actions, all to be concluded by March 2018.

COPASA has been implementing environmental protection and preservation actions for several decades in order to reclaim the natural resources of the river basins subject to exploitation for the purpose of public supply. At the end of 2016, the Company reviewed these actions, expanded its operations, integrating the Company's commitment to socio-environmental responsibility with that of sustainable development, the concept of prevention, of being proactive in the care, protection and reclamation of waters starting at their sources, as a tool that contributes to the recovery and maintenance of these sources and the improvement of the relationship with the communities where COPASA provides services, going beyond merely fulfilling legal obligations.

In relation to its subsidiaries, in 2016 measures were taken to terminate the activities of COPASA Serviços de Irrigação and COPASA Águas Minerais de Minas, since their goals were not in line with COPASA's Corporate Strategy. At COPANOR, the Structured Recovery Plan was continued in order to ensure its economic-financial sustainability and improvement of the quality of the services rendered.

In 2017, the Company will continue its ongoing efforts to consolidate the progress made in order to guarantee better working conditions for employees and service providers, as well as to generate value for shareholders and for society as a way of accelerating the implementation of the necessary measures for the universalization of the services provided in its area of operation.

MANAGEMENT

COPASA

ORGANIZATIONAL PROFILE

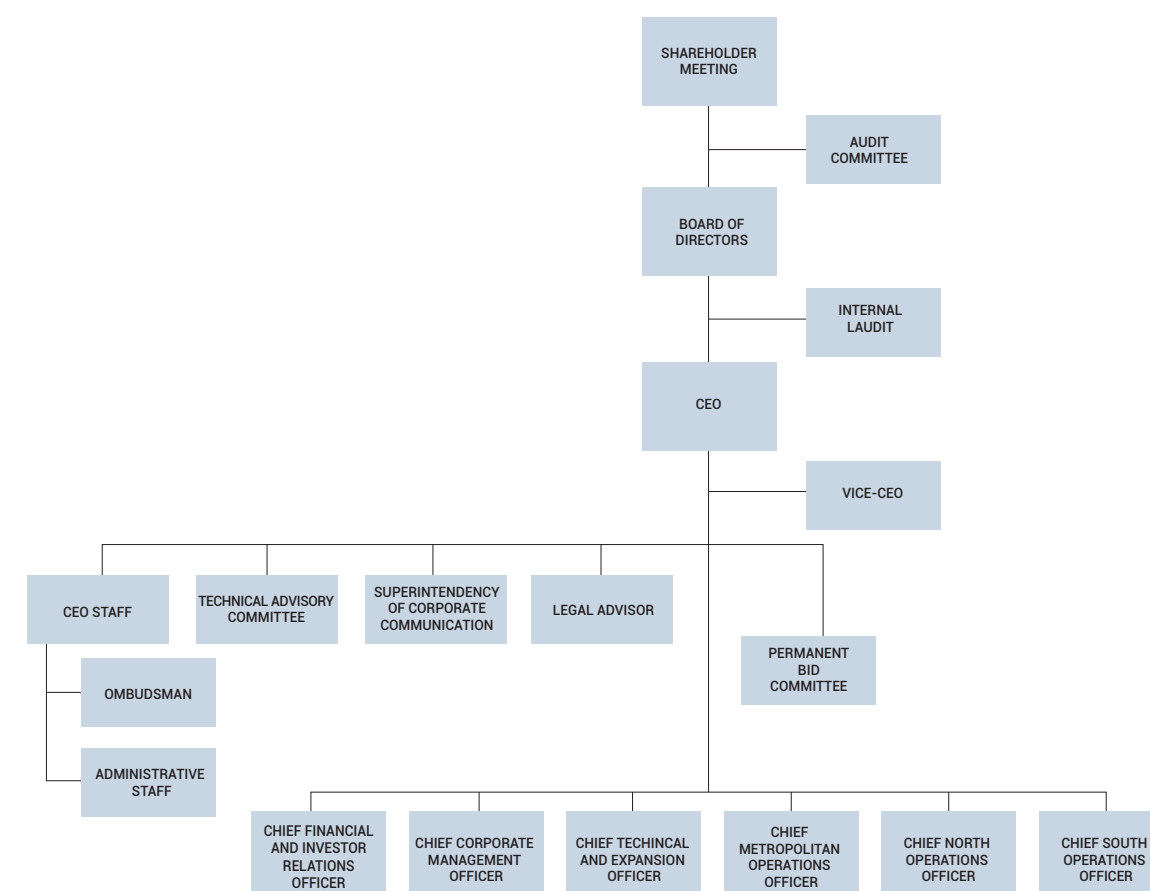
(G4-3 / G4-4 / G4-5 / G4-6 / G4-7)

Companhia de Saneamento de Minas Gerais (COPASA MG) is a publicly traded joint stock company regulated by the Brazilian Corporation Law. The Government of the State of Minas Gerais is the controlling shareholder. The Initial Public Offering (IPO) took place in 2006 at the highest governance level of B3 - Brasil, Bolsa, Balcão (Novo Mercado) [NT: Novo Mercado - a special listing segment of B3 - Brasil, Bolsa, Balcão, Brazil's securities, commodities and futures exchange, which requires high standards of corporate governance, involving compliance with corporate governance practices and transparency requirements in addition to those demanded by Brazilian Law and the Brazilian Securities and Exchange Commission - CVM.]

The Company has its headquarters and jurisdiction in the city of Belo Horizonte (Rua Mar de Espanha, 525, Santo Antônio).

As a water and sanitation public utility company, COPASA's core activity is the performance of public services of water supply, as well as sewage and solid waste collection and disposal. This includes the planning and development of projects, and the execution, expansion, remodeling and operation of services in the State of Minas Gerais.

ORGANIZATIONAL STRUCTURE



CORPORATE STRATEGY

The Company's corporate strategy was optimized throughout 2015 and 2016, seeking to incorporate best market practices, and to take into account the new strategic drivers, with the implementation of the following actions:

- a- Definition of the Corporate Identity, containing the Mission, Business, Values and Strategic Guidelines for the period of 2016-2025;
- b- Breakdown of the guidelines into initiatives and definition of the methodology for the monitoring of the implementation of the corporate strategy;
- c- Institution of the Executive Committee: composed of all superintendents, with the attributions of validating the Action Plans of the Initiatives derived from the Strategic Guidelines, monitoring the development and implementation of the planned measures, and reorienting them to implement the Initiatives endorsed by the Executive Board in addition to supporting Top Management in the implementation, review and monitoring of the strategic actions of the Company and its Subsidiaries;
- d- Consolidation of macro processes and their respective processes, to serve as the starting point for the revision and realignment of processes, flow of activities and tasks developed by the Units.

MULTIANNUAL BUSINESS PLAN

The Multiannual Business Plan for 2017 to 2021, which was approved in December 2016, defines the strategic guidelines for the next five years, with short and medium term actions prioritized for this period, in alignment with the corporate strategy.

Based on the guidelines established in the corporate strategy and in the demands of existing investments, the Multiannual Investment Plan was structured considering the Company's leverage level (Net Debt / EBITDA) and its ability to pay debt servicing.

For 2017, the investments include works in progress and new investments prioritized to be started in the year. The investment amounts scheduled for 2018 and 2019 take into account the high debt maturity volumes concentrated in those years, contracted in periods prior to 2015, whose maturities will have a strong impact on the generation of operating cash. The reduction in the amounts forecast for the period is intended to offset these expenditures and avoid raising the leverage ratio.

Below is the Multiannual Investment Plan for 2017-2021, which includes the projects already committed and the additional demand for new projects:

Multiannual Plan 2017-2021	
year	Amount (R\$ million)
2017	650
2018	600
2019	550
2020	700
2021	700

RELATIONS WITH STAKEHOLDERS

(G4-24)

COPASA relates to its stakeholders pursuant to its values, principles and beliefs, according to the Code of Ethical Conduct, aiming to align interests and identify the expectations of the parties involved. To this end, it uses forms of interaction and channels of relationship to communicate decisions, mobilize the workforce and consolidate partnerships to assure the sustainable development of its business and of society. These relationships are with its customers, employees, supervisors, suppliers, the State Government of Minas Gerais, investors, regulators, city halls and society.

In order to provide a proper rapport with society, the Company uses different channels of communication and conducts dialogue especially through print and digital media, according to the reality of each stakeholder, such as: correspondence, posters, folders, direct mail, intranet, interviews, teleconferences, e-mails, and the website www.copasa.com.br (Relationship / Contact Us), Facebook, Twitter, YouTube, Customer Relations (115), physical and virtual service channels, Ethical Channel and Ombudsman Channel.

REGULATORY ASPECTS

The regulatory and supervisory functions of the public water supply and sewage services of the municipalities served by COPASA and COPANOR are carried out by the Water Supply and Sanitary Sewage Regulatory Agency of the State of Minas Gerais (Agência Reguladora de Serviços de Abastecimento de Água e de Esgotamento Sanitário do Estado de Minas Gerais - Arsae- MG), established by State Law No. 18,309 / 2009, which defined the rules for water supply and sewage services. In 2016, Arsae-MG carried out economic, technical and commercial audits to verify and evaluate the quality of the services rendered. No penalties were issued due to non-compliance related to the supply and use of products and services. **(G4-PR9)**

In October 2015, the request for tariff revision for COPASA and COPANOR was filed with Arsa-MG. The first stage of the COPASA review was finalized in April 2016, with the issuance by the Agency of Resolution No. 82/2016, which included a cost-based tariff increase resulting from inflation variation and efficiency calculation, and adjustment concerning market changes (water crisis, new consumption patterns). A change in the tariff structure was also promoted, with the substitution of the minimum consumption billing by billing based on two components: Fixed Rate and Variable Rate. The average tariff impact perceived by users was 13.9%, applied to consumption registered starting May 13, 2016. The second stage, which is scheduled for completion in June 2017, covers, in addition to what was considered in the first phase, a tariff realignment considering the remuneration, amortization and restructuring of the investments according to the definition of the base of regulatory assets.

COPANOR's tariff review, completed in August 2016, through Resolution No. 84/2016, resulted in an average tariff increase of 10.49%. This revision included a re-alignment of the tariffs based on the estimation of the costs necessary for the adequate supply of services, variation in inflation, adjustment due to market changes, as well as adjustments to the Company's tariff structure.

SUBSIDIARIES

The wholly-owned COPANOR subsidiary was created in 2007 to provide water and sewage services in the North and Northeast Regions of the State of Minas Gerais. In December 2016, it served about 223 thousand inhabitants with water supply and 106 thousand inhabitants with sewage services.

In order to guarantee the Company's sustainability and improve the quality of services rendered, the Subsidiary Recovery Plan was drawn up, highlighting the following actions developed during the year:

- review of corporate strategy, with definition of Business, Vision, Mission, Values and Strategic Guidelines;
- adjustment of the capital structure, with the payment of R\$ 57.4 million, allowing repayment of the loan from the Parent Company of R\$ 22.3 million; investment with its own equity of R\$ 13.2 million for the continuation of works to implement or expand systems, due to the suspension of onlending by the State Health Fund (FES) as of May 2016; and provision of working capital to cover expenses arising from the optimization of the staff and the implementation of the maintenance plan of the installed systems;
- update of user database, resulting in an increase of 6.75% in the revenue of the Subsidiary;

- completion of the first stage of the tariff review, with an average tariff increase of 10.49%, implementation of the social category, benefiting 31 thousand water connections and 14 thousand sewage connections; and alteration of the tariff structure, with the replacement of billing according to minimum consumption by a combination of fixed tariff and variable tariff.

In 2016, the procedures were concluded for the termination of the activities of the subsidiaries COPASA Serviços de Irrigação and COPASA Aguas Minerais de Minas, whose objectives were not aligned with COPASA's Corporate Strategy. The closing balance sheets were concluded on September 30, 2016 and December 26, 2016 respectively. **(G4-13)**

INNOVATION AND TECHNICAL COOPERATION

(G4-6)

Innovating, adapting, and pursuing effective solutions for contemporary challenges are valued skills in the corporate and social world. COPASA develops and shares ideas that result in benefits for the population.

One of the innovations that occurred in 2016 was the development of the Hybrid Mobile Billing System, a technology developed by COPASA, which will be deployed gradually in 2017. With this system, the invoice can be processed and delivered to the customer at the moment of meter reading. If cell phone coverage (GPRS) is unavailable at the time of reading, the data collected will be sent later to the Company's computers and the bills will be issued and delivered to the customers. The new technology will allow the Company to save approximately R\$ 11 million in annual expenses with mailing, in addition to improving the performance of its system with the reduced volume of processing in the company's computers.

COPASA, in order to expand its market beyond its institutional activities in water supply and sewage, develops technical and cooperation activities in Brazil and abroad with municipalities, sanitation companies and public and private sector entities. In 2016, some of the highlights were:

- British Technologies Workshop on Water Treatment, promoted by the Brazilian Association of Sanitary and Environmental Engineering (ABES) and the British Consulate General, which presented British industry solutions for the sanitation sector;
- presentation by Israeli companies, in partnership with the Economic Mission of the Consulate General of Israel, of technologies adopted there for the treatment, reuse and management of water;
- COPASA's participation in the 1st International Workshop on Sustainable Sewage Treat-

ment Plants (ETEs), an agreement signed with the Federal University of Minas Gerais (UFMG), Fundação Cristiano Otoni and the British Embassy, with the objective of promoting the exchange of good practices in the treatment of sewage in Minas Gerais and the United Kingdom;

- The Company's participation in the 7th Global Urban Resilience Forum in Bonn, Germany, with the presentation of the proposal for a partnership for the use of biogas from the Onça Sewage Treatment Plant (ETE) and the dewatered sludge from the treatment plants of the Belo Horizonte Metropolitan Region (RMBH) to generate electricity;
- presentation of paper on water supply and coping with the water crisis by COPASA at Habitat III, the UN Habitat Conference in Quito, Ecuador, which was shared with representatives of the member countries of the United Nations;
- the sharing, with Indian engineers, of construction solutions based on ferro cement used in COPASA's works, a technology pioneered by the Company in Brazil, which, by mixing steel wires with mortar, presents the benefits of strength, impermeability, malleability and low cost;
- Visits to COPASA by technicians from the companies Águas de Joinville, Companhia de Saneamento Municipal de Juiz de Fora (Cesama) and Companhia de Saneamento Básico do Estado de São Paulo (Sabesp) for learning and exchange of technologies used in the treatment of sewage and the energy utilization of the gas generated in the treatment units, indicators and management of macro-operation and distribution processes, and the Company's Commercial System.

COPASA is a member of the following associations and entities, in addition to committees in the environmental area: Associação Brasileira de Águas Subterrâneas (Abas), Associação Brasileira de Engenharia Sanitária e Ambiental (Abes), Associação Brasileira de Normas Técnicas (ABNT), Associação Brasileira de Recursos Humanos (ABRH), Associação Brasileira de Treinamento e Desenvolvimento (ABTD), Associação Comercial de Minas Gerais (ACM), Associação das Empresas de Saneamento Básico Estaduais (Aesbe), American Chamber of Commerce (Amcham), Instituto Brasileiro do Concreto (Ibracon). (G4-16)

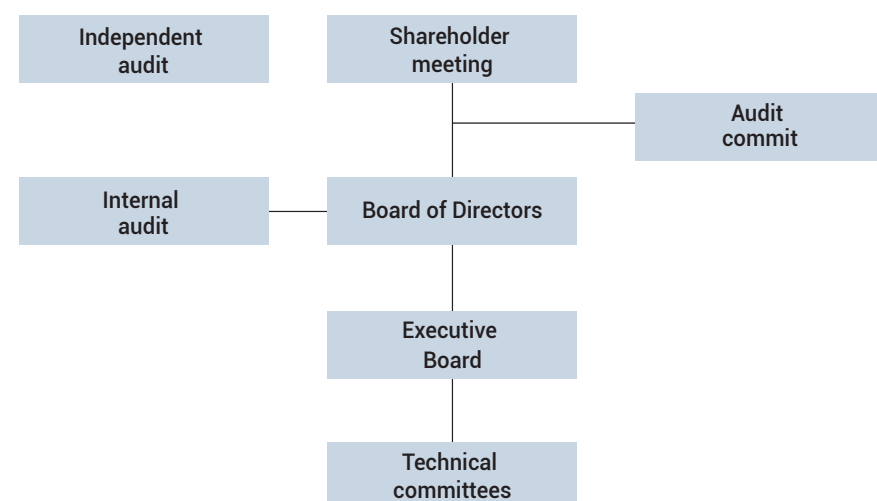
CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

COPASA is committed to complying with good corporate governance practices guided by the principles of transparency, fairness, accountability and corporate responsibility, which are in line with the Novo Mercado rules. The governance model adopted by the Company seeks sustainable development, based on a proper balance between social, environmental, economic and financial aspects, with the aim of improving the relationship with its employees, customers, shareholders, society and other stakeholders.

The following are among the good governance practices to which the Company is committed: working with a Board of Directors made up of at least 20% of independent advisors; 100% tag along concession to minority shareholders (conditions identical to those offered to the majority shareholder, in case of sale of control); development and dissemination of the Code of Ethical Conduct and the securities trading policy; issuance exclusively of common shares; free float (shares outstanding) of at least 25%; resolution of any and all disputes or controversies that may arise between the Company, its shareholders, administrators and members of the Fiscal Council, through the Arbitration Chamber of the BM & FBOVESPA Market, pursuant to the arbitration clause of the Bylaws; prohibition of the accumulation of positions of chairman of the Board of Directors and Chief Executive Officer.

REPRESENTATION OF THE GOVERNANCE STRUCTURE



(G4-34)

The General Shareholders' Meeting, the Company's top decision-making body, the Audit Committee and the Board of Directors have their powers and duties defined by Brazilian Corporate Law and the Company's Bylaws. The permanent Audit Committee may have from three to five full members and an equal number of alternates, elected at the Ordinary General Meeting (AGO). The Bylaws and other information are available at www.copasa.com.br/ir.

BOARD OF DIRECTORS

The Board of Directors, a joint deliberation body, is the highest tier of the Company's Management, consisting of at least five and at the most nine members, elected by the General Shareholders' Meeting. Its members serve a unified term of one year, except in the case of removal, considering the fiscal year between each Ordinary General Meeting, and are allowed to be re-elected. In the current composition, only the Vice-Chairman of the Board is a member of the Executive Board. **(G4-39)**

The Board of Directors meets ordinarily once a month and extraordinarily whenever necessary. Its powers and attributions are defined in the Company's Bylaws. According to the Internal Regulations of the Board of Directors, its members must declare, prior to any resolution being made, if the matter submitted has a private or conflicting interest with that of the Company, in this case refraining from participating in the deliberation and voting. **(G4-41)**

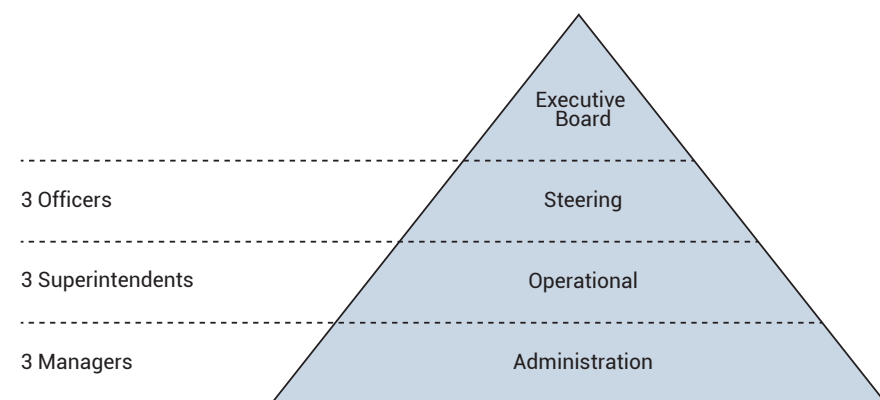
The remuneration of each member of the board corresponds to 20% of the average remuneration paid to the members of the Executive Board, 50% of which is equal to one fixed monthly payment and the other 50% is paid in accordance with the board member's participation in the monthly meetings. In addition, members of the Board of Directors receive 20% of the share of profits attributed to directors/officers. **(G4-51)**

EXECUTIVE BOARD

The Executive Board is responsible for the administration of the business in general, comprising the following: Presidency, Vice-Presidency and six Executive Officers, three operational (Metropolitan, North and South) managers and three corporate managers (Finance and Investor Relations, Technical and Corporate, and Expansion). Its members are elected by the Board of Directors for a term of three years, and may be reappointed, remaining in their positions until their successors are elected and take office. It meets ordinarily once a week and extraordinarily whenever required by corporate affairs. The powers and attributions of this body are defined in the Company's Bylaws. Further information on the Executive Board can be found on the website www.copasa.com.br/ir.

JOINT MANAGEMENT

In order to optimize the decision-making process, in 2016 COPASA implemented Joint Management at all levels of the organization, through the creation of Committees composed of at least three members, with approval limits for the authorization of any and all expenditures related to costing and investments, thus allowing a stricter management of these expenses.



AUDIT

(G4-S03 / G4-S05)

The Internal Audit team aims to verify internal controls so that they can generate reliable information for the Financial Statements and create an environment that inhibits the practice of acts contrary to the Code of Ethical Conduct, the Anti-Corruption Policy and the Company Disciplinary System.

In 2016, 26 audits were carried out involving 48 organizational units, representing approximately 34% of the Company's units. In these tasks, the process risks were evaluated, including the identification of potential cases of corruption. The main controls of the Company are contemplated in the Enterprise Resource Planning (ERP), and the operations are integrated, allowing the responsible units to monitor the processes and identify any irregularities.

In compliance with its commitment to contribute effectively to the identification and mitigation of risks of harmful acts against COPASA and its Subsidiaries, as described in its Anti-Corruption Policy, the Company's Corporate Risk Management Unit is implementing the Anti-Corruption Risk Matrix. This Matrix aims to identify the risks related to fraud and corruption, enabling them to be analyzed and evaluated for probability and impact, and monitored and treated.

The measures taken in cases of corruption are established in the guidelines of Procedures "Disciplinary System" and "Termination of Employment Contract", in the Code of Ethical Conduct, Anti-Corruption Policy and current legislation. In the year 2016, no cases of corruption were found.

PricewaterhouseCoopers Auditores Independentes is the company that provided the external audit services of the Financial Statements for the year 2016. Their contract, which went into effect in March 2013, does not contemplate the performance of services other than those related to the audit of the Financial Statements.

ETHICAL CONDUCT AND INTEGRITY

(G4-56 / G4-57 / G4-S04 / G4-S05)

The Code of Ethical Conduct, approved by the Board of Directors, is available on the website, through the link <http://www.copasa.com.br/wps/portal/internet/a-copasa/codigo-de-conduta-ethic>. All Company stakeholders are informed of this Code. In the case of employees, trainees and apprentices, a copy is delivered upon their signing a Solemn Commitment Term. As for suppliers and service providers, this requirement is explained in bidding documents and contracts. This Code addresses aspects related to the fight against corruption. Lectures on ethical conduct are delivered periodically.

In view of the need to create a forum responsible for the application and dissemination of the Code, COPASA maintains an Ethics Committee. This Committee is composed of six members who investigate reports, analyze and deliberate on complaints received, establish ethical processes and / or make recommendations to the parties involved, serving as an advisory body. In an educational way, it provides information about ethical behavior and possible consequences of a failure to comply with the rules that must govern interpersonal relationships. Requests for advice, which may be made in a personal or anonymous manner, are sent to the Committee by e-mail to comissao.etica@copasa.com.br, or by phone, in writing or in person.

The Ethics Committee received 51 complaints in 2016. Of this total, 28 were of an ethical nature and duly dealt with by the Committee. The other complaints received were sent to the affected units for proper investigation. In addition, the Ethics Committee received 12 consultations on employee behavior, providing guidance on future conduct to be adopted.

In order to implement internal integrity mechanisms and procedures, provided for in Federal Law 12.846 / 2013, known as the Anti-Corruption Law, which was regulated by Minas Gerais State Decree 46,782 / 2015, and in compliance with good Corporate Governance practices, COPASA prepared the document entitled "Integrity Program", approved by the Board of Directors, which basically consists of the implementation of policies, guidelines and procedures in the fight against corruption and in the investigation of grievances and irregularities. The implementation of the "Integrity Program" in 2016 also led to the creation of the Anti-Corruption Policy and the Ethical Line Channel.

The Anti-Corruption Policy was approved by the Board of Directors in September 2016. This Policy constitutes a code of conduct and integrity that, together with the Company's other internal control instruments, aims to contribute effectively to the identification and mitigation of risks of harmful acts perpetrated against COPASA and COPANOR, such as embezzlement, fraud and irregularities.

The Anti-Corruption Policy is applicable to all employees, administrators, tax advisors and shareholders of the Company, as well as all its suppliers, service providers, public authorities, representatives of regulatory agencies and any other party that has a contractual relationship with COPASA and COPANOR.

In order to prevent the practice and concealment of fraudulent or illegal acts, COPASA provides on its institutional website www.copasa.com.br the "Ethical Line Channel", accessible to any citizen, allowing the reporting of complaints, with guaranteed anonymity and lack of bias in the assessments. In addition, the ethics, disciplinary system, Code of Conduct and Anti-Corruption Policy are being addressed in various training programs promoted by the Company, and training sessions conducted in 2016 involved 648 participants.

ECONOMIC ASPECTS

ECONOMIC/FINANCIAL PERFORMANCE OF THE PARENT COMPANY (G4-EC1)

Specification (R\$ thou)	2016	2015	2016 X 2015	2014	2015 X 2014
Net income water and sewage	3,643,618	3,144,181	15.9%	3,132,154	0.4%
Cost of goods sold + expenses with administration and sales	2,788,366	2,848,581	-2.1%	2,450,655	16.2%
Cost of goods sold + expenses with administration and sales (without depreciation/amortization)	2,191,621	2,299,988	-4.7%	1,965,050	17.0%
Other operating income (expenses)	(22,176)	14,699	-	(49,402)	-
Net financial income	(201,205)	(343,070)	-41.4%	(186,810)	83.6%
Net profit (loss)	434,161	(11,592)	-	318,141	-
EBITDA	1,396,108	864,652	61.5%	1,107,927	-22.0%
Adjusted EBITDA	1,396,108	1,032,785	35.2%	1,091,331	-5.4%
EBITDA margin	36.1%	21.2%		26.1%	

The net revenue from water and sewage reached R\$ 3.64 billion in 2016, an increase of 15.9% over 2015. This growth mainly reflects the 13.9% average tariff readjustment applied in May 2016; the growth in the number of water savings (1.8%) and sewage (2.9%); and the resumption of the collection of sewage tariffs in Lavras, as of January 2016, by a preliminary decision of the Court of Justice of Minas Gerais (TJMG). The charge had been suspended by a court decision since January 2015.

Costs of services sold, sales and administrative expenses decreased by 2.1%, mainly due to the reduction in the number of employees with the implementation of voluntary dismissal programs.

In addition, the net financial result improved, from a negative R\$ 343.1 million in 2015 to a negative R\$ 201.2 million in 2016, mainly due to the appreciation of the Real against the US dollar and the Euro in the period.

As a result, the net income for the 2016 fiscal year was a net profit of R\$ 434.2 million, against a loss of R\$ 11.6 million in 2015. Operating cash generation, as measured by adjusted EBITDA, was R\$ 1.40 billion in 2016, whereas in 2015 this amount was R\$ 1.03 billion.

ECONOMIC IMPACTS

INVESTMENTS IN INFRASTRUCTURE (G4-EC7)

The table below shows a breakdown of the amounts invested over the past three fiscal years:

Specification (R\$ million)	2016	2015	2014
Water	164	201	280
Sewage	218	229	556
Paraopeba Withdrawal System – PPP Rio Manso	7	115	-
Other ⁽¹⁾	6	5	29
Total COPASA	395	550	865
PPP Rio Manso	-	364	280
COPANOR	33	49	69
Overall Total	428	963	1.214

⁽¹⁾ Programs of organizational and operational development.

With regard to the investments made in 2016, the highlights are the following:

Water supply systems: completion of the upgrade of the electric system and protection of civil structures of the Rio das Velhas Producer System, with investments of R\$ 13.2 million in 2016; continued construction of the Rio Viamão dam in Mato Verde, with input of R\$ 9.7 million in the year; continued expansion of water supply systems in the municipalities of Teófilo Otoni and Montes Claros, with R\$ 11.7 million invested in these areas in the year; continuation of the works of the waste treatment unit of the Water Treatment Plant (ETA) of the Serra Azul System, in Juatuba, with investments of R\$ 3.7 million in 2016; implementation of the Water Supply System in Guimarães, with investments in the amount of R\$ 0.8 million; and organic growth of distribution networks and water supply connections throughout the State of Minas Gerais.

Sewage collection systems: continued expansion of the Integrated Sanitary Sewage System of Coronel Fabriciano and Timóteo, the Sanitary Sewage System of Ribeirão das Neves, and ETE Vieira (Montes Claros). These projects received an overall investment of R\$ 57.8 million in 2016; continuation of the works to complement the Sanitary Sewage System of Caratinga, with investments of R\$ 11.3 million in the year; continuation of the expansion and improvement works of the Sanitary Sewage System and the Ventura Luiz ETE (Conselheiro Lafaiete), with investments of R\$ 9.6 million in the year; continuation of expansion works and improvements in the Sanitary Sewage System of Belo Horizonte and Contagem, aimed at the depollution of the Pampulha Basin, with investments of R\$ 6.8 million in the year; continuation of the implementation of collection network and sewage interceptor in Pedro Leopoldo, having invested R\$ 6.2 million in 2016; continuation

of the implementation of the Sanitary Sewage System of Tiradentes, with investments of R\$ 1.6 million; and organic growth of collecting networks and sewage connections throughout the State of Minas Gerais.

CAPITAL MARKET AND REMUNERATION OF SHAREHOLDERS

The Company's capital stock is R\$ 3.4 billion, represented by 126.8 million common shares. Of this total, 51.2% belong to the Government of the State of Minas Gerais, 48.5% are in free float and the remaining 0.3% in treasury. COPASA shares are listed on the Novo Mercado and in 2016 were present in 100% of the trading sessions with average daily trading volume of R\$ 11.1 million and an average of 1,400 trades per day. The stock price index in 2016, adjusted by earnings, increased by 145%, while in the same period the Ibovespa index rose by 39%. As of December 31, 2016, the Company's market value was approximately R\$ 4.6 billion.

The statements of Interest on Equity (Juros sobre o Capital Próprio- JCP) for the 2016 fiscal year totaled R\$ 119.9 million, corresponding to R\$ 0.96 per share.

The Extraordinary Shareholders' Meeting held on 13 September 2016 approved the consolidation of the Company's Dividend Policy, which went into effect in 2017, establishing that:

- the Board of Directors shall define, by the end of the first quarter of each year, the percentage of Adjusted Net Income to be distributed in that year, observing the mandatory legal minimum and the maximum limit of 50%;
- the dividend / JCP declaration will be made quarterly;
- Payment of the dividends / JCP will be made within 60 days from the date of the declaration by the Board of Directors, except for the amounts referring to the 4th quarter, which will be defined at the Ordinary Shareholders Meeting that approves the Financial Statements (DFs) of the year.

OPERATIONAL AND COMMERCIAL PERFORMANCE

(G4-8 / G4-9)

In 2016, Program Contracts were formalized with 11 municipalities in the State of Minas Gerais, with a combined urban population of about 180 thousand inhabitants, as detailed below:

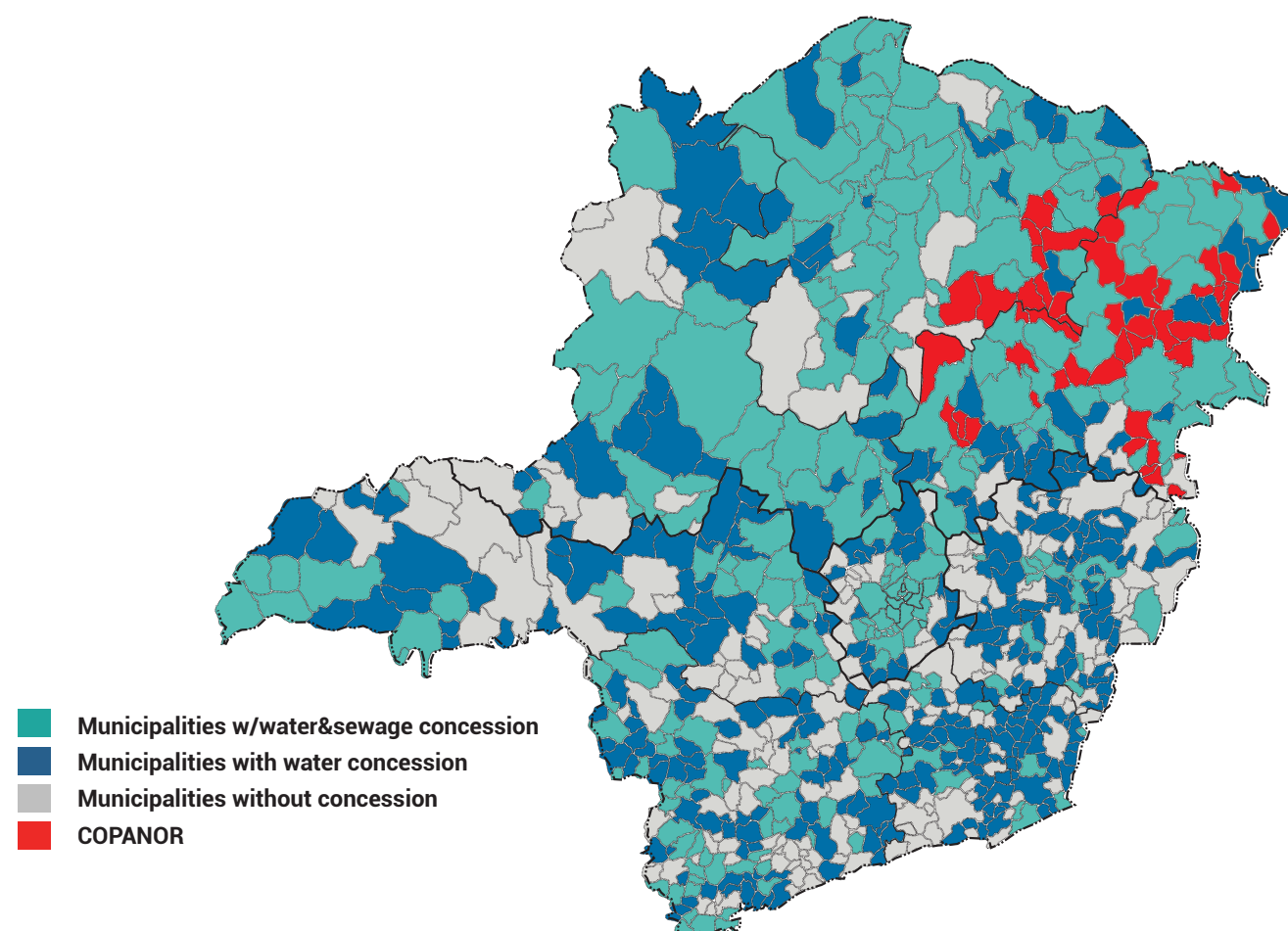
- Abaeté and Pirajuba: renewal of water supply concessions and assumption of sanitary sewage concessions;
- Conquista, Alpinópolis and Madre de Deus de Minas: early renewal of concessions for water supply and assumption of sanitary sewage concessions;
- Januária, Ouro Branco and Fronteira: renewal of water and sewage concessions;
- Pompéu and Água Comprida: renewal of water concession;
- Arantina: assumption of water concession.

COPASA reached the end of 2016 as concessionaire for the supply of water services in 635 municipalities and sanitary sewage in 299 municipalities, according to the table below:

Concessions and Operations ⁽¹⁾	2016			2015		
	Total	Parent company	COPANOR	Total	Parent company	COPANOR
Water						
Concessions	635	586	49	634	585	49
Operations	626	579	47	623	576	47
Sewage						
Concessions	299	244	55	294	239	55
Operations	245	209	36	240	204	36

⁽¹⁾ Only one concession/operation is considered per municipality, regardless of whether there is more than one contract, or if COPASA and COPANOR serve the same municipality, or if there is a contract that covers only districts and localities.

The map below shows the areas served by the Company



The Company closed the 2016 fiscal year with 74 thousand new water connections and 1,802 additional km of distribution networks, resulting in a total of 11.6 million people served with water supply in the State of Minas Gerais, through 5.1 million of economies and 52 thousand km of distribution network. The sewage services were expanded by 80 thousand connections and 1,026 km of collection network, benefiting 7.8 million inhabitants through 3.4 million economies and 25 thousand km of collection network.

The volume of treated sewage was 250 million cubic meters, which represents 79% of the total volume of sewage collected. In 2016, 10 new ETEs (wastewater treatment plants) went into operation, such as those located in the municipalities of Diamantina, São Sebastião do Paraíso, Carmo do Rio Claro and Santa Luzia.

The table below shows the operational data related to the Company's water supply services in the last three years:

Water supply services - COPASA + COPANOR						
Specification	Units	2016	2015	2016 Vs. 2015	2014	2015 Vs. 2014
Connections	Thousand units	4,208	4,134	1.8%	4,042	2.3%
Population served	Thousand inhabitants	11,556	11,494	0.5%	11,433	0.5%
Extension of network	km	51,688	49,886	3.6%	48,531	2.8%
Volume of water distributed	1,000 m ³ /year	934,553	910,484	2.6%	973,764	-6.5%
Volume of water measured	1,000 m ³ /year	593,645	586,273	1.3%	638,655	-8.2%

The table below shows the operational data relative to the sewage services provided by the Company over the past three years:

Sewage services - COPASA + COPANOR						
Specification	Units	2016	2015	2016 Vs. 2015	2014	2015 Vs. 2014
Connections	Thousand units	2,673	2,593	3.1%	2,529	2.5%
Population served	Thousand inhabitants	7,831	7,691	1.8%	7,627	0.8%
Extension of network	km	25,151	24,125	4.3%	23,375	3.2%
Volume of sewage measured	1,000 m ³ /year	391,982	379,260	3.4%	413,055	-8.2%
Volume of sewage treated ⁽¹⁾	1,000 m ³ /year	250,733	243,093	3.1%	251,978	-3.5%

⁽¹⁾ Numbers refer only to parent company.

The following table shows indicators of commercial and operational performance, with emphasis on the employees / connections indicator, which dropped 8.2% from 2015 to 2016, indicating an improvement in the Company's efficiency resulting from voluntary dismissal programs initiated in the year of 2015. The hydrometric index shows the percentage of connections of the Company which have a metered consumption, and the amount was in line with the comparative periods. The index of losses in distribution shows the relation between the volume of water consumed and the volume of water distributed.

Commercial and Operational Performance Indicators

Specification	Units	2016	2015	2016 Vs. 2015	2014	2015 Vs. 2014
Employees/connections ⁽¹⁾	Employee/ thousand connections	1.69	1.84	-8.2%	1.98	-7.7%
Metering index ⁽²⁾	%	99.70	99.81	-0.11 p.p.	99.89	-0.08 p.p.
Index of losses in distribution ⁽²⁾	%	36.19	35.43	0.76 p.p.	34.38	1.05 p.p.

⁽¹⁾ Number of employees / 1000 connections of water and sewage - data COPASA + COPANOR.

⁽²⁾ Annual average, referring only to parent company.

The information in the economic/financial section is detailed in the reports "Earnings Release 4Q16 (available in Portuguese and English)" and "2016 Financial Statements (available in Portuguese only)", available in Portuguese on the Company Investor Relations site www.copasa.com.br/ir

ENVIRONMENTAL ASPECTS

ENVIRONMENTAL MANAGEMENT

PRECAUTIONARY PRINCIPLE

(G4-14)

COPASA, as a water use rights beneficiary, is committed to improving the quality of life of the communities through providing water supply and sewage services, as outlined in its Environmental Policy published at <http://www.copasa.com.br/wps/portal/internet/meio-ambiente/politica-ambiental>.

The Company complies with current legislation, obtaining the water use rights and environmental licensing of its ventures in order to minimize the environmental impacts of its operations, by complying with the mitigating and compensatory measures determined by the competent environmental agencies. In 2016, it obtained 20 licenses for water abstraction, 215 environmental licenses for water and sewage works, and right to abstractable flow rates of 5.183 m³/s. In addition, the Company contracted and developed environmental studies to evaluate the environmental impact of its projects. The following table shows the river basins used by COPASA, covering the respective sub-basins and micro-basins:

Water basins used by COPASA	Volume of permits (m ³ /year)	Volume abstracted in hydrological year (m ³ /year)
Rio Buranhém	552,843	326,706
Rio Doce	153,560,733	88,477,597
Rio Grande	235,468,385	138,874,980
Rio Itabapoana	353,160	246,081
Rio Itanhém	1,279,419	310,462
Rio Jequitinhonha	45,087,056	24,949,346
Rio Jucuruçu	520,081	255,029
Rio Mucuri	28,393,376	13,740,398
Rio Paraíba do Sul	72,215,914	43,331,025
Rio Paranaíba	54,204,570	36,577,087
Rio Pardo	9,432,804	3,446,311
Rios Piracicaba/Jaguari	6,678,799	4,964,100
Rio São Francisco	1,168,577,066	615,541,525
Rio São Mateus	4,798,763	1,024,874

The Company also has on its staff experts to act in situations of risk such as contamination of water sources and treated water, fires in forest reserves and operational maintenance.

COPASA monitors major water resources in the State of Minas Gerais. Monitoring includes the quantity and quality of surface and groundwater sources used for water supply in river basins. It provides the Company with a database necessary for the continuous monitoring of the processes of quantitative and qualitative evolution of water resources. Through the analysis of these data, the monitoring of water resources allows detailed knowledge and improved management of the Company's business.

In the quantitative monitoring, activities include flow rate measurements of surface water sources of interest, installation of conventional monitoring stations and operation of a network of rainfall stations distributed in the State of Minas Gerais (installation and maintenance of equipment and data consolidation). This monitoring allows the identification of the interferences of the climatological periods on the water abstraction of COPASA, assisting in operational decision-making. In the period 2014-2016, 27 wells were added to the pluviometric network, increasing the data margin for pluviometric evaluation in the municipalities served by COPASA. Meanwhile, the river flow rate measurement increased in 2015, due to the improvement of the data system and the inclusion of new monitoring points. In 2016, there was a renewal of members of the metering teams that required training and an adaptation period, affecting the total measurements.

Quantitative Monitoring		
Year	Pluviometric	Flow rate
2016	564	1,987
2015	558	2,729
2014	537	2,398

Qualitative monitoring consolidates laboratory data and analyzes the evolution of reservoir waters, surface and groundwater sources, which serves as a basis for compliance with environmental legislation and requirements for licensing of COPASA projects. Sampling points for qualitative monitoring increased over the period 2014-2016. This increase reflected the installation of new abstraction points to the water supply systems and the operation of new sewage systems throughout the State of Minas Gerais. The reduction of surface stations is

due to the water crisis, a period in which there were changes to underground abstractions. Thus, some streams are no longer employed and monitored qualitatively.

Qualitative monitoring (sampling points)

Year	Surface (including reservoirs)	Underground (wells)	Stations at
2016	777	997	864
2015	799	992	854
2014	754	892	841

In turn, the seasonal control aims at the quantitative monitoring of the underground sources captured by the Company, through the measurement of hydrodynamic parameters. This allows monitoring of the evolution of the well-aquifer system, establishing deficiency alerts for the producer system. The increase in the number of tube wells monitored over the period 2014-2016 reflects the results of actions carried out with the Operating Units. In 2016, the seasonal control reached 42% of the tube wells operated by COPASA in the State.

Seasonal control

Year	Monitored wells
2016	535
2015	506
2014	189

Other initiatives refer to the environmental programs and projects developed or supported by the Company, such as:

Environmental Program: communication and social-environmental education program, originally developed by the Minas Gerais State Government, through the State Environment Foundation (Feam). It aims to promote awareness to allow behavior change and the internalization of ecologically correct attitudes, with the consequent improvement of the quality of life in the work environment through the implementation of selective waste collection, reduction of electric energy use, reduction of consumption and rational use of water and reduction of waste generation. COPASA joined the program in 2014 and has been gradually

expanding its practices from the administrative headquarters to the other units of the Company. COPASA also incorporated into the Program some complementary actions that have been mobilizing and involving a greater number of employees. Among them are:

- **Feira do Desapego:** an action carried out in partnership with the Association of Employees of COPASA (Aeco) that encourages the exchange and donation of objects that have been set aside but are in good condition, among the employees of the company;
- **Feira Verde:** an action carried out in partnership with Aeco, which aims to encourage the exchange of seedlings among the Company's employees to promote the introduction to new plants, the greening of the city, the diversification of gardens / orchards and the promotion of care with the environment.
- **Campanha Lacre do Bem:** aims to collect ring pulls of aluminum cans, which are sent for recycling and transformed into financial resources for the purchase of wheelchairs to be donated to institutions and people with disabilities. Since 2015, COPASA has been participating as a collaborator in this campaign, managed by the Associação Lacre do Bem, which encourages the exercise of solidarity and citizenship through recycling.
- **Programa Caça-Esgoto:** aims to identify and eliminate improper sewage releases in rain-water networks and streams, so as to redirect them to the wastewater treatment plants, thus contributing to the depollution of water bodies and improving the quality of life of the population.
- **Centro de Educação Ambiental (Ceam):** areas preserved by the Company which are used to promote environmental education, such as Ceam Barreiro, Ceam Curvelo and Ceam ETE Arrudas.
- **Programa Chuá de Educação Sanitária e Ambiental:** has been active in COPASA for more than 30 years. It consists of mobilizing and sensitizing the communities and, in particular, the school communities, regarding health and sanitation, conducting lectures and school visits to water and sewage treatment plants. Annually, educational institutions (public and private), including rural schools, apply to participate in COPASA's Operational Districts, which mobilize the necessary resources to plan and carry out activities in the municipalities within its coverage area.
- **COPASA Program in the Rio Paraopeba River Basin:** developed in partnership with the German Government, through the Kreditanstalt für Wiederaufbau Development Bank (KfW), which supports initiatives to protect the climate and the environment, with the achievement of goals through four components: 1) construction and expansion of sewage sys-



tems and use of biogas; 2) construction of two treatment plants for the waste generated by the water treatment plants; 3) social mobilization and health and environmental education; and 4) protection of the most important sources for the supply of drinking water.

- Between 2012 and 2016, protection actions were carried out in 30 surface water sources in 22 municipalities, with the execution of: 136,345 meters of fencing in several springs; recovery of degraded areas; construction of 1,159 "pockets" (containment basins); and supply of 90 drinking troughs for cattle. There were also lectures delivered on environmental education in schools, communities and municipal governments. In the municipality of Cristiano Ottoni, since 2015, the pilot project for the protection of underground springs has been underway. Diagnostic studies were developed to evaluate the situation of the public water supply, and led, in 2016, to the drilling of wells for the qualitative monitoring of groundwater. Monitoring of the underground source will provide indications of the risks and facilitate the discussions and support of the municipal public administration for the establishment of strategies for mitigation and interventions that guarantee quality public supply in the municipality.
- **Programa Cultivando Água Boa (CAB):** an initiative developed by Itaipu Binacional (hydroelectric power plant) and recognized by the United Nations in 2015 as the best water management policy in the world. In essence, the CAB allows bodies from different levels of government to work in an integrated and articulated way, seeking to recover the quantity and quality of the water, considering its various uses. The Program was adopted by the Government of the State of Minas Gerais, which constituted a working group of COPASA is a member and which also provides for the participation of institutions such as: Companhia Energética de Minas Gerais (Cemig), Empresa de Assistência Técnica e Extensão Rural do Estado de Minas Gerais (Emater), Fundação Estadual de Meio Ambiente (Feam), Instituto Estadual de Florestas (IEF), Instituto Mineiro de Agropecuária (IMA), Instituto Mineiro de Gestão das Águas (Igam) and several other State institutions. In 2016, COPASA continued the program in 10 municipalities where it operates.
- **Education for water consumption:** COPASA's technical staff deliver lectures in industries, schools, hospitals, gated communities, public agencies and companies, addressing issues related to the Company's general performance in relation to water supply, sewage collection and treatment, and environmental education.
- **Program of Protection of Water Sources:** has as main objectives the recovery of the degraded areas and the protection of the springs and riparian forests of the springs from which it abstracts water. Since its inception in 2011, it has been present in 264 municipalities, contributing to the environmental improvement of the watersheds of the water abstraction sources. In 2016, the Watershed Protection Program was evaluated and revised, aiming at a broader community action and more partnering, in order to implement,

starting 2017, new initiatives and environmental actions, complementing the services of planting and fencing around springs, to improve the quality and quantity of the waters. In the triennium 2014-2016, field survey and environmental actions were carried out in 153 municipalities, with the planting of 205,362 native seedlings, installation of 148,725 meters of new fences and maintenance of 4,674 meters of existing fences.

- **Program for collecting and controlling non-domestic effluents:** industrial effluents pose a threat to the environment and traditional sewage treatment processes. In view of this, COPASA interacts with the companies to promote the treatment of their effluents before they are released into the system, thus enabling downstream treatment together with domestic sewage. Some 3,000 companies that present polluting potential and whose effluents represent a risk to conventional effluent treatment processes are registered in this Program. Of this total, approximately 40% of the companies submit to COPASA, contractually, the results of self-monitoring of their effluents, which allows monitoring and management of the discharge of non-domestic effluents in sewage collection systems.

PARTICIPATION IN RIVER BASIN COMMITTEES AND OTHER ORGANIZATIONS (G4-16)

COPASA has representatives on all 36 state river basin committees in Minas Gerais and six federal committees. The committees are governing bodies of the water resources system, with deliberative and normative functions in their regions of operation. They have the purpose, with respect to water management, to promote the technical and economic-financial viability of investment programs and the consolidation of urban and regional structuring policies, aiming at the sustainable development of the respective basins.

COPASA participates in various advisory councils of federal and state conservation units, including the Environmental Protection Areas (APAs) Carste Lagoa Santa, Vargem das Flores, Sul RMBH, Parque Estadual da Serra do Ouro Branco, Parque Estadual da Lapa Grande, Fechos Ecological Station, Cercadinho Ecological Station, as well as several municipal environmental defense councils.

TOTAL VOLUME ABSTRACTION PER SOURCE (G4-EN8)

In 2016, of the total volume of water collected by COPASA's systems, 84.5% were from surface sources, 10.7% from underground sources and 4.8% from mixed sources.

AFFECTED WATER SOURCES (G4-EN9)

The Company's planning for the use of water sources, through water use permits, is of a long-term nature and takes into account the population growth projections of the localities to which it provides water. The prolonged drought has caused a reduction in the volume

of many sources used by the Company. In some regions, mainly in the lower and middle Jequitinhonha, the Rio Doce basin and the Vale do Aço, the reduction in rainfall volume reached close to 60% of the historical average volumes, lowering, consequently, the flow rate of the sources captured by the Company.

Due to the need to maintain minimum volumes for the abstraction of water for public supply, the Company has opted, in some cases, for alternative supply solutions, mainly deep wells. In addition, operational maneuvers were performed, observing the norms established by Arsae-MG, with the provision of water at alternate times and days for different areas of supply, as a means of minimizing the impact on the population.

RECYCLED AND USED WATER (G4-EN10)

COPASA does not recycle water in its processes. However, the Rio Manso and Rio das Velhas Systems water treatment plants (ETAs), located in the Metropolitan Area of Belo Horizonte, treat the wastes from the water treatment process and recycle the treated liquid effluent allowing reuse in the processes. In the Manso River System, the water from the ETA waste treatment is recirculated to the feed channel of the treatment plant, allowing its utilization. In the Rio das Velhas System, part of the water resulting from the treatment is released upstream of the catchment and next to the raw water of the source, being sent again for water treatment.

BIODIVERSITY (G4-EN11/G4-EN13/G4-EN14)

COPASA maintains almost 25 thousand hectares of preserved areas under regular surveillance. Most of these areas are in the Metropolitan Area of Belo Horizonte (RMBH). These reserves, presenting features of Atlantic Forest and Cerrado, contain a diversity of species of fauna and flora, sheltering endangered species as well.

In order to maintain the quality of biodiversity and protect the natural heritage found in these reserves, the Company develops activities such as: restriction of fishing and illegal hunting; execution and maintenance of firebreaks that cut through the reserves; and monitoring of surface and underground water sources.

COPASA also operates in Special Protection Areas (APE), created to protect springs operated by the Company, and in Conservation Units, such as: State Ecological Station of the Cercadinho, State Ecological Station of Fechos and Parque Estadual da Serra do Rola-Moça. **(G4-EN12 / G4-EN27)**

The main impact on biodiversity related to COPASA's products and services is the incorrect discharge of effluents into water courses by sewage collection systems that are not con-

nected to a treatment plant. In order to correct this situation caused by practices in effect before the current legislation went into effect, the Company has made significant efforts in the expansion of the collection and treatment of sewage. The ETEs of Arrudas and Onça, located in the RMBH, allowed the treatment of 93.5% of the sewage of the state capital. The effluent returned to the receiving body improved the water quality of the Rio das Velhas and, consequently, that of the São Francisco River, of which it is a tributary. Fish, such as mandis, piaus, matrinxãs, traíras, dourados and others, were once again found in the RMBH, proving that these species, hitherto seen along the São Francisco River, have once again found survival conditions more than 500 kilometers away.

In order to minimize environmental impact, the Company monitors the efficiency of the ETEs, highlighting two points: 1) the qualitative monitoring that evidenced the quality of its effluents by meeting the discharge standards required by current legislation; 2) the removal of the organic load measured by the reduction of the Biochemical Oxygen Demand in the treatment of sewage, which presented average values of the order of 81% in 2016, in compliance with the legislation. **(G4-EN22)**

The Company has two types of water disposal. The first type is the effluent from sewage systems. When these go through ETEs, the residual waste water from the treatment returns to the receiving body, in accordance with current legislation. The second type concerns the residual water from the ETAs, from the washing of the decanters and filters. The Company has been seeking the implementation of Waste Treatment Units (UTRs), through which it is possible to reuse / recirculate or return the treated effluent to the receiving body.

There was no significant leakage of fuels, chemicals and other hazardous products transported and used by COPASA. In 2016, the Company recorded 387,849 water leaks and 188,847 sewage overflows. **(G4-EN24)**

ENERGY EFFICIENCY

COPASA carries out monitoring and control of electricity for acquisition, self-production and energy efficiency actions, including control and combat of actual and apparent water losses, the main opportunity to reduce the specific consumption of electricity. With this performance, it has obtained gains in the standardization of actions to reduce electricity costs and water losses, as well as to take advantage of opportunities for self-production from the available energy in the sewage treatment processes and in the water storage dams.

ENERGY CONSUMPTION WITHIN THE ORGANIZATION (KWH) (G4-EN3)

The self-production figures reported in the table below refer to the sum of the last twelve months ascertained in the month of December of each respective year. In 2013, the Company started the regular operation of the ETE Arrudas thermoelectric power plant, reach-

ing approximately 50% of the energy consumption of the ETE with the generation of the plant. The power of this thermal power plant is 2.4 megawatts. The resulting heat from the production of electric energy in the turbines also heats the sludge used in the anaerobic reaction and increases the efficiency of the biodigesters, which accelerates the work and increases the current capacity of the treatment in the station.

The table below shows the energy consumption in the past three years:

Specification	2016	2015	2014
Purchased (thousands)	811,721	817,676	878,939
Self-production (thousands)	4,022	6,040	7,135

ENERGY INTENSITY

(G4-EN5)

The Energy Intensity (EI) indicator expresses the amount of electricity used in each of the COPASA processes - Water Supply System (SAA), Sanitary Sewage System (SES) and Administrative System (ADM) - in relation to the respective quantities of connections of their water and sewage processes. In the case of the administrative process, it refers to the amount of water process connections.

The figures reported in the table below refer to the moving average of the last 12 months calculated in December of each respective year. The Energy Non-Converted into Results (ENCR) indicator expresses the amount of electric energy added to the volume of water not converted into revenue (ANCR) (volume of water losses plus the volume of water used in practices and routines of operational and commercial processes). IE expresses all the electricity consumed in the operational and administrative processes in relation to the total amount of water connections per day. Thus, the Company can corporately monitor the effectiveness of energy efficiency actions implemented in internal processes.

Year	SAA			SES	ADM	COPASA
	ANCR	ENCR	IESAA	IESES	IEADM	IECOPASA
	L/conne- tion/day	kWh/conne- tion/day	kWh/conne- tion./day	kWh/conne- tion./day	kWh/conne- tion./day	kWh/conne- tion./day
2016	222.35	0.18317	0.5064	0.0451	0.0077	0.5434
2015	216.60	0.1793	0.5211	0.03065	0.0057	0.5575
2014	230.84	0.1983	0.5775	0.05043	0.0083	0.6187

REDUCTION OF ENERGY CONSUMPTION

(G4-EN6)

The reported values of energy consumption reduction per year refer to the IE COPASA difference of the previous year compared to the current one. For the analysis of the indicator, the greater the reduction (positive), the more energy efficient the company is, that is, it is using less energy to carry out the same processes.

Year	Reduction IECOPASA kWh/con/day
2016	0.0141
2015	0.0612
2014	0.0055

The data reported, until the 2015 Sustainability Report, only referred to the indicator Energy Intensity of Water Supply Systems - IESAA. Starting with the 2016 Report, they began to consider also the Sanitary Sewage Systems, calculated retroactively for the years 2014 and 2015. (G4-22)

CLIMATE CHANGE

COPASA develops the Greenhouse Gas (GHG) Inventory, in which the methodology of the Greenhouse Gas Protocol is adopted and the parameters and indices defined by the IPCC, US EPA, MCTI / Brazil and DEFRA are used. The inventoried gases are CO₂, CH₄, N₂O. Electricity emission factors defined by the Ministry of Science, Technology and Information are considered, which vary according to the use of the different energy sources employed during the year. The Company does not produce, import or export substances that deplete the ozone layer (ODS), nor does it present significant emissions of NO_x, SO_x, POP, COV, HAP and MP. (G4-EN19 / G4-EN20 / G4-EN21)

In 2015, total GHG emissions shrank by 11.5%, the main factor being the reduction of water consumption following a strong company campaign disseminated throughout the State. And in 2016, emissions fell by 8.4%, due to changes in the management of the corporate vehicle fleet, which has been encouraging the replacement of fossil fuels with renewable fuels and, mainly, the fact that the energy matrix used in 2016 was "cleaner", due to the lower use of thermoelectric plants in the National Integrated System.

Emissions of GEE COPASA	
Year	Variation(%)
2016	-08.4
2015	-11.5
2014	+13.8

The Company maintains the Steering Committee for the Policy of Prevention of Effects Caused by Climate Change and Variability (Climate Committee) and has a Policy concerning the Effects of Climate Change and Variability and a Program to Prevent the Effects Caused by Climate Change and Variability. To this end, it has been implementing and participating in initiatives related to the theme, with the objective of mitigating the generation of these gases and / or treating the impacts of climate change.

In 2016, through the Climate Committee, two actions were implemented regarding Corporate Mobility. They are: the implementation of the Carona Solidária (car pools) tool on the Intranet, using the free software ZUMPY through the partnership with the company Visual Virtual Computação Gráfica Ltda.; and the construction of two bicycle centers, one at the Company's Headquarters and another at an Operational Support Unit. These actions had the objective of encouraging the use of alternative transportation and, consequently, of positively impacting the lives of the employees, city traffic and the environment.

The Company participates in the Program for Voluntary Registration of Annual Emissions of Greenhouse Gases from Enterprises in the State of Minas Gerais and the Carbon Disclosure Project (CDP). In the preparation of the inventories, 2009 was defined as the base year, since it was the year in which COPASA's first GHG emissions survey was carried out. In 2014, the methodology for calculating emissions was revised, updated and applied retroactively in all years previously inventoried, including the base year 2009. This retroactive calculation enabled the comparison between the years and the historical evolution of GHG emissions. **(G4-22)**

The emissions of the gases in question are calculated annually in tCO₂ eq (ton of carbon dioxide equivalent) and have been accounted for from the following sources:

Scope 1 - Direct Emissions: sewage collected, including the treated and untreated fraction, including the sludge generated in the treatment; consumption of fuel used by the fleet of vehicles and stationary equipment;

Scope 2 - Indirect emissions: electric energy consumption;

Scope 3 - Other Indirect Emissions: travel of employees at the Company's service by air transportation;

GHG sequestration: trees planted by the Company for reclamation of riparian forests.

The calculation of the emissions in CO₂eq (equivalent carbon dioxide) took into account the values of the table below for the global warming potential - GWP.

GWP Values	
GEE	GWP
CO ₂	1
CH ₄	25
N ₂ O	298

Source: GHG Protocol Brazil

The following table shows the evolution of direct GHG emissions, indirect GHG emissions from energy acquisition and other indirect GHG emissions, from 2014 to 2016. In the years 2015 and 2016, COPASA GHG emissions suffered significant reductions, as shown in the table below.

	2016	2015	2014
Scope 1 tCO ₂ eq (thou)	493.99	509.71	571.16
Biogenic emissions tCO ₂ eq (thou)	2.22	2.25	1.72
Scope 2 tCO ₂ eq	66.84	102.23	119.83
Scope 3 tCO ₂ eq (thou)	0.05389	0.05159	0.13002

(G4-EN15 / G4-EN16 / G4-EN17)

In the 2015 Sustainability Report, the published value of the 2015 emissions of the Sector Sewage Treated, which makes up Scope 1, did not consider the emissions avoided by the energy reuse processes carried out in the ETEs, which corresponded to 111.36 tCO₂eq (thousand). For this reason, in this Report, the value of Scope 1 emissions in 2015 was changed to the correct value: 509.71 tCO₂eq (thousand). This consideration also changed the total emissions (kgCO₂eq) and for that reason, in this Report, the intensity indicator, in 2015, was changed to the correct value: 75.18 kgCO₂eq / no. **(G4-22)**.

The intensity indicator used for annual emissions comparison was kgCO₂ / economy because it is more comprehensive in relation to all gases generated by the Company. The metric used is physical in nature and comprises the total number of micrometer units of the Company. The index covers COPASA's total annual emission including the three scopes.

The following table shows the evolution of the GHG emission intensity in the period from 2014 to 2016:

Year	kgCO ₂ eq / n° economy
2016	67.20
2015	75.18
2014	81.89

(G4-EN18)

The compilation of emissions data in tons of CO₂eq in the year 2016 shows that 83.7% of emissions are from sewage collection, electricity consumption was responsible for 14.1%, fossil fuel consumption was responsible for 2.2% and air transport of employed persons for 0.01% of emissions. The GHG emission intensity rate defined as Reference Index with the State Environmental Foundation of Minas Gerais is the quotient of the total emissions in tCO₂eq for the total volume of sewage collected, in m³.



SOCIAL
ASPECTS

COPASA AND ITS EMPLOYEES

In line with its Social Responsibility Policy, in 2016, COPASA joined the Gender and Race Pro-Equity Program, aiming to: disseminate new concepts in people management and organizational culture to achieve racial equality and between women and men at work ; and to advance COPASA's social commitment to share with the State of Minas Gerais the task of addressing inequalities and oppression.

The Plan of Action of the Pro-Equity Gender and Race Program, available at www.copasa.com.br/responsabilidadeocioambiental, includes ten actions, all of them with a final execution deadline of March 2018. In 2016, the Company concentrated its efforts on carrying out structuring activities of the Program, such as:

- the establishment and operating regulations of the Program Steering Committee, composed of employees of different hierarchical levels, representatives of the Company top management, and representatives of the employees through the Workers' Union (Sindicato dos Trabalhadores nas Indústrias de Purificação e Distribuição de Água e em Serviços de Esgotos do Estado de Minas Gerais - Sindágua MG);
- training of employees through participation in seminars, meetings and courses on gender, race, ethnicity, diversity and dealing with discrimination;
- the inter-institutional articulation aiming at strategic partnerships within the scope of the Program;
- The mobilization of employees and other publics of the Company on the theme of gender and race equity, diversity, citizenship and human rights through internal events, campaigns and artistic exhibitions on commemorative dates, cultural group presentations of the Company and the posting, on the bulletin boards and in the social networks of the Company, of the Campaign Que Diferença Faz? designed by the Public Prosecution Service of the State of Minas Gerais in conjunction with social movements, civil society organizations, universities and partnering institutions.

EMPLOYEES

(G4-9 / G4-10 / G4-LA1)

Specification	2016	2015	2014
Employees ⁽¹⁾	11.325	11.986	12.540
New hires	172	168	1.048
Reinstated employees	3	3	5
Dismissals ⁽²⁾	815	708	348
Disability retirees	20	16	29

⁽¹⁾All 11,325 employees of COPASA have an open-ended contract. ⁽²⁾This number includes the employees who left under the voluntary resignation incentive program.

The table below shows the distribution of employees by region of the State of Minas Gerais and by gender at the end of the year 2016:

Area/gender	Men	Women	Total	%
Metropolitan Area of Minas Gerais	3,777	630	4,407	38.91
Interior of the State of Minas Gerais	6,513	405	6,918	61.09
Total	10,290	1,035	11,325	100.00

The following table shows the distribution of employees by Operational Departments and Governance/Administration, in the last three fiscal years.

Specification	2016		2015		2014	
	Quantity	%	Quantity	%	Quantity	%
Operational	9,936	87.74	10,376	86.57	10,798	86.11
Administrative units	1,389	12.26	1,610	13.43	1,742	13.89
Total	11,325	100.00	11,986	100.00	12,540	100.00

The data in the table below show the distribution of employees by age group and gender:

Age group	2016		2015		2014	
	Men	Women	Men	Women	Men	Women
18 to 35	2,626	226	2,850	239	3,105	258
36 to 45	3,251	281	3,324	287	3,405	303
46 to 60	4,159	512	4,282	577	4,371	621
Over 60	254	16	394	33	446	31
Total	10,290	1,035	10,850	1,136	11,327	1,213

The following table shows the total and admission rates of employees by age group, gender and region of the State of Minas Gerais in the year 2016:

Age group	Men	%	Women	%	Total	%
Under 30	65	44,52%	12	46,15%	77	44,77%
30 to 50	70	47,95%	13	50,00%	83	48,26%
Over 50	11	7,53%	1	3,85%	12	6,98%
Total	146	100,00%	26	100,00%	172	100,00%
Region						
Metropolitan Area of Belo Horizonte	47	32,19%	13	50,00%	60	34,88%
Interior of the State of Minas Gerais	99	67,81%	13	50,00%	112	65,12%
Total	146	100,00%	26	100,00%	172	100,00%

The following table shows the employee turnover by gender, age group and region of the State of Minas Gerais in 2016:

Turnover by gender, age group and region of the State of Minas Gerais (2016)			
Age group	Men	Women	Total
Under 30	0.43	0.06	0.49
30 to 50	0.54	0.08	0.62
Over 50	2.81	0.53	3.34
Total	3.78	0.67	4.45
Region			
Metropolitan Area of Belo Horizonte	1,93	0,48	2,41
Interior of the State of Minas Gerais	1,85	0,19	2,04
Total	3,78	0,67	4,45

The following table shows the ratio of employees by category, the relative share of these groups compared to total employees, whose employment contracts are for an indefinite period:

Category	2016		2015		2014	
	Quantity	%	Quantity	%	Quantity	%
College degree	843	7.44	962	8.03	1,021	8.14
Technical (operational or administrative)	2,246	19.83	2,332	19.46	2,492	19.87
Operational	7,403	65.37	7,834	65.36	8,137	64.89
Administrative support	833	7.36	858	7.16	890	7.10
Total	11,325	100.00	11,986	100.00	12,540	100.00

VALUING DIVERSITY

COPASA encourages inclusive practices in order to guarantee equal opportunities, impartiality and justice. In accordance with the provisions of clause 26, single paragraph of the Collective Labor Agreement 2015/2017, in case of a tie in internal selective processes, preference will be given to female candidates and / or black candidates, in this order. The calls for public tenders foresee 10% of the vacancies offered in each position / specialty for the admission of persons with disabilities and the Company has sought to adapt its facilities to allow unrestricted access to persons with disabilities. The Company also promotes respect for religious diversity, allowing the celebration of masses, services and other events in its internal spaces.

Since 2003, homoffective employees have been able to include their partners as dependents in the COPASA Employees Health Care Association (COPASSA), and the Company has anticipated the implementation of Normative Ruling no. 12/2010 of Agência Nacional de Saúde Suplementar (ANS).

The following table shows the distribution of employees by schooling and gender in December 2016.

Schooling	Men	Women	Total
Illiterate	1	6	
4th grade incomplete	122		122
4th grade complete	313	2	315
5th to 8th grade incomplete	197	3	200
5th to 8th grade complete	732	4	736
Middle school incomplete	136	2	138
Middle school complete	6,951	371	7,322
College education incomplete	141	20	161
College degree/graduate degree	1,693	632	2,325
Total	10,290	1,035	11,325

The table below shows the wages by gender in 2016. At COPASA, any professional that assumes a given position will receive the same salary, since what determines the valuation of the activity is the position / specialty and not the gender or race of its occupant.

G4-LA13

Salary range – SM ⁽¹⁾	Men		Women	
	Quantity	%	Quantity	%
1 to 4	6.878	60,73	224	1,98
5 to 9	2.623	23,16	484	4,27
10 to 14	447	3,95	193	1,70
15 to 19	94	0,83	64	0,57
20 to 24	93	0,82	42	0,37
25 or more	155	1,37	28	0,25
Total	10.290	90,86	1.035	9,14

⁽¹⁾ SM - salário-mínimo – minimum wage in effect in December 2016 (R\$880,00).

The following table shows the distribution of the Board of Executive Officers and the Boards of Directors and the Audit Committee by gender and age group:

Specification (age)		Women	Men	Total
Executive Board	Under 30	-	-	-
	30 to 50	1	3	4
	Over 50	-	4	4
Board of Directors	Under 30	-	-	-
	30 to 50	1	-	1
	Over 50	-	7	7
Audit Committee	Under 30	-	-	-
	30 to 50 years	1	-	1
	Over 50	1	2	3

The table below shows the list of managerial positions by gender.

Position	Men	Women	Total
Advisor	10	3	13
General auditor	-	1	1
Chief Technical Advisor to President's office	1	-	1
Chief of staff	-	1	1
Chief Secretary	-	1	1
Coordinator	1	-	1
Manager of operational district	34	2	36
Division Manager	50	26	76
Manager of Institutional Relations	1	-	1
Manager of Large Projects	2	-	2
Capital Raising Manager	1	-	1
Legal advisor	1	-	1
Superintendent	18	5	23
Subtotal	119	39	158
Employed director	1	-	1
Total	120	39	159

G4-LA12

The following table shows the distribution of employees by gender and race. The classification of employees by race is made by self-declaration. According to IBGE, the mixed race people are one of the five "color or race" groups that make up the Brazilian population, along with whites, blacks, Asian ("yellow") and indigenous people. The term 'mixed race' or "pardo" is most commonly used to refer to individuals with the most varied racial origins.

Specification	2016			2015			2014		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
White	693	5,482	6,175	774	5,846	6,620	829	6,138	6,967
Asian	6	55	61	6	55	61	6	56	62
Mixed	286	3,734	4,020	305	3,899	4,204	327	4,035	4,362
Black	50	1,009	1,059	51	1,042	1,093	51	1,090	1,141
Indigenous	-	10	10	-	8	8	-	8	8
Total	1,035	10,290	11,325	1,136	10,850	11,986	1,213	11,327	12,540
	-	10	10	-	8	8	-	8	8
Total	1,035	10,290	11,325	1,136	10,850	11,986	1,213	11,327	12,540

Below is the remuneration of employees broken down by race:

G4-LA13

Specification – SM ⁽¹⁾	Black		Mixed race		White		Other races		Total employees
	Number	%	Number	%	Number	%	Number	%	
1 to 4	774	6.83	2,764	24.41	3,508	30.98	56	0.49	7,102
5 to 9	240	2.12	1,007	8.89	1,846	16.30	14	0.12	3,107
10 to 14	33	0.29	184	1.62	422	3.73	1	0.01	640
15 to 19	3	0.03	25	0.22	130	1.15	-	0.00	158
20 to 24	6	0.05	18	0.16	111	0.98	-	0.00	135
25 or more	3	0.03	22	0.19	158	1.40	-	0.00	183
All	1,059	9.35	4,020	35.50	6,175	54.53	71	0.63	11,325

⁽¹⁾ SM - salário-mínimo – minimum wage in effect in December 2016 (R\$880,00).

In 2016, 6.32% of COPASA employees received the lowest salary paid by the Company, whose value as of May (base date of the category) was 51.34% higher than the national minimum wage (R\$ 880.00). It should be noted that this group of employees did not include apprentices, who receive half a minimum wage (R\$ 440,00) for a work day of 4h / day. (G4-EC5)

OPPORTUNITIES FOR ALL

The selection and hiring of employees to fill vacant positions is mandatorily carried out through public tenders, the notices for which are widely publicized in the press and on the internet. Exceptionally, the Company may absorb personnel from operating systems it takes over. In addition, the Company grants internships and hires apprentices.

The performance of the workforce is continually evaluated individually and as a team, taking into account the People Management Policy, which also enables growth and professional advancement. The methodology for performance evaluation used by COPASA is being re-viewed. As a result, in 2016 these evaluations were not made. **(G4-LA11)**

The following table shows the situation of training and development of employees in the last three years:

G4-LA9

Specification	2016	2015	2014
Investment in professional development (R\$)	1,522,347,00	560,175,67	1,623,344,58
Number of participants (unit)	17,714	21,222	35,826
Number of hours of professional development (h)	235,377	255,853	401,273
Average hours per employee (h)	20.8	21.34	33.43

The following table shows the total number of training opportunities and hours, as well as the average training hours, in the year 2016, broken down by functional category and gender:

G4-LA9

CATEGORY	EMPLOYEES 2016 ⁽¹⁾			TRAINING OPPORTUNITIES ⁽¹⁾			HOURS TRAINING ⁽¹⁾			AVERAGE NUMBER OF		
	Men	Women	Total	Men	Women	Total	Men	Mulher	Total	Aver. Men	Aver. Women	Gen. Aver.
Management	120	39	159	830	477	1,307	4,483	2,688	7,171	37	69	45
Upper Administrative	164	149	313	665	954	1,619	4,650	6,508	11,158	28	44	36
Upper operational	272	99	371	1,145	637	1,782	8,982	5,135	14,117	33	52	38
Technical administrative	941	444	1,385	2,294	1,487	3,781	18,817	8,055	26,873	20	18	19
Technical operational	803	58	861	1,834	172	2,006	16,588	1,388	17,976	21	24	21
Administrative	712	121	833	943	165	1,108	15,904	3,537	19,441	22	29	23
Operational	7,278	125	7,403	5,979	132	6,111	134,798	3,844	138,641	19	31	19
Overall total	10,290	1,035	11,325	13,690	4,024	17,714	204,222	31,155	235,377	20	30	21

⁽¹⁾ Excluding trainees and apprentices.

COPASA includes, in its policies and procedures, actions in line with the Universal Declaration of Human Rights, especially on training and development, such as the right to education, security, equality, freedom, among others. The rights and duties of employees, the meaning of work and the Code of Ethical Conduct are addressed in the content of the New Employees Integration Program and continuously on other occasions. In 2016, 8,447 training opportunities related to these themes were offered, with a total workload of about 160 thousand hours. **(G4-HR2)**

RESULT-BASED COMPENSATION

G4-52

At COPASA, compensation is defined based on the results of economic and financial feasibility studies and market research, adopting the policy of fixed and variable remuneration, which is linked to the achievement of targets for strategic indicators that influence the Company's results. The Company adopts the following remunerations:

- **Variable compensation:** amount paid monthly to all employees due to the result of the collective work. Beginning in 2015, it began to be calculated on a straight-line basis, through the achievement of the target established for the Adjusted EBITDA Margin indicator. Its calculation is quarterly, and the percentage adopted as calculation basis is up to 5% of the Employee's Base Salary;
- **Bonus for Managerial Performance [Gratificação de Desempenho Gerencial (GDG)]:** amount paid monthly to employees holding positions of trust. Its calculation is quarterly and the calculation base is up to 15% of the respective salary level that is predefined for each hierarchical level. Beginning in 2015, the percentage began to be calculated on a straight line basis, through the achievement of the target set for the adjusted EBITDA Margin indicator;
- **Performance Bonus for System Managers [Gratificação de Desempenho de Encarregado de Sistema (GDES)]:** monthly amount granted to the employee holding the position of System Manager, according to the determination of the operational performance of the locality (ies) under his / her responsibility. It is composed of a 10% fixed amount and a 5% variable part. The variable part is directly related to the achievement of goals established by the Company, for each location served;
- **Employee profit sharing program (PL):** annual amount granted to employees, in accordance with the Regulation approved by the Board of Directors. The targets previously set for calculating the profit sharing amount are measured annually and the amount is limited to 25% of the mandatory minimum dividends. The amount calculated is distributed in a linear manner to all employees;
- **Tenure bonus:** Additional amount for time of service with the Company, as an annual bonus: corresponding to 2% (two percent) of the salary per year of effective services rendered, until the fifth year of admission. From the sixth year onwards, the percentage of the bonus corresponds to 1% (one percent) per year of effective service rendered until reaching the maximum limit of 40% (forty percent) of the salary.

OCCUPATIONAL HEALTH AND SAFETY

In addition to the current legislation, there is a specific clause referring to health, safety and occupational medicine in the Collective Labor Agreement 2015/2017 signed between COPASA and the unions representing the category of employees.

All employees are represented in committees, commissions or formal safety and health groups, such as committees to combat dengue, zika and chikungunya, internal commissions on accident prevention and health mediators. These committees operate within the various district units of COPASA, accounting for about 10% of total employees.

(G4-LA5 / G4-LA8)

The 77 Internal Accident Prevention Committees (CIPAS) provide support to occupational health and safety professionals in the identification and treatment of risks related to occupational health, safety and ergonomics. In 2016, 5,759 training opportunities were offered focusing on health and safety at work programs, totaling approximately 43 thousand hours, corresponding to 32.51% of the total training opportunities held in the year.

In 2016, 10 employees from the security area, outsourced, received training in Forestry Brigade training, totaling 24h / participant.

COPASA hires outsourced companies to provide reception area administrative services as well as property and environmental protection services to work during the day and night, in addition to the surveillance / motorcyclist and the watchman / guard. In 2016, there were 611 employees providing such services. These employees, when admitted, receive training from their companies, addressing issues related to labor rights, benefits, health and safety at work and internal rules of procedures. **(G4-HR7)**

COPASA applies the standard NBR 14280 - Labor accident register - Procedure and classification for the registration and communication of statistics related to accidents. Accidents are tracked and statistics are compiled through the Integrated Enterprise Management System, whose accident records are identified and stored considering all relevant activities and geographic locations of the organization. There are similarities in the definitions of occupational accidents of NBR 14280 and of the International Labor Organization (ILO), whose focus is on harm, the injury itself, provoked to the worker due to the work activity.

The table below shows the indicators related to occupational accidents in the RMBH and in the interior of the State of Minas Gerais, in the last three years:

(G4-LA6)

Indicator	2016		2015		2014	
	RMBH ⁽¹⁾	Interior ⁽²⁾	RMBH ⁽¹⁾	Interior ⁽²⁾	RMBH ⁽¹⁾	Interior ⁽²⁾
Accidents with lost time (%)	1.01	1.55	1.03	1.26	1.07	1.23
Accidents with permanent disability (%)	0.00	0.00	0.00	0.00	0.42	0.19
Accidents resulting in death (%)	0.00	0.00	0.00	0.00	0.00	0.07

⁽¹⁾ Percentage of total number of employees of RMBH.

⁽²⁾ Percentage of total number of employees in the interior of the State of Minas Gerais.

BENEFITS WITH RESPONSIBILITY AND QUALITY OF LIFE

COPASA's Program of Benefits aims to promote the improvement of the quality of life of its employees, seeking to meet the factors related to health, recreation and assistance, through the granting of the following benefits: Special Assistance, Child Care, Special Educational Assistance, Educational Aid, Funeral Assistance, Meal / food Benefits, Monthly staple Basket, Christmas Basket, Complementary Sickness Aid, Payroll Loan, Standard Loan, Health Plan (Medical and Dental Coverage), Supplementary Pension Plan, Group Life Insurance and Transportation Vouchers.

In addition to these benefits, COPASA provides its employees with the Family Financial Planning Program (PPFF), with the aim of seeking an improvement in their quality of life, through financial education based on the importance of budget balancing. In 2009, COPASA adhered to the Citizen Company Program, pursuant to Law No. 11,770 / 2008, granting 180 days for maternity leave, that is, in addition to the 120 days provided for in the CLT, the Company offers 60 additional days, which allows more time for mothers to dedicate to their newborn babies. The Company also grants maternity leave for adoption ranging from 30 to 120 days depending on the age of the adopted child. COPASA offers for men 05 consecutive days of paternity leave, counting from the day of the birth of the child. **(G4-LA2)**

In 2016, there were no cases of male or female employees leaving the Company after their return from a paternity / maternity leave. **(G4-LA3)**

At COPASA, there are no employees involved in occupational activities that present a high incidence or high risk of specific diseases. **(G4-LA7)**

The Retirement Preparation Program (PPA) aims to prepare employees for retirement by assisting them in establishing a productive life project outside the Company's environment. In 2015, informative lectures on dismissal were held, with participation of 453 employees in preparation for retirement. These talks aimed at preparing the employees who had joined the Incentivized Voluntary Dismissal Program (PDVI) and whose dismissal took place from November / 2015 to May / 2016 and therefore did not have to complete the PPA in 2016. **(G4-LA10)**

Another factor that ensures support of the employee is the Minas Gerais State Safety Foundation (Libertas Foundation), a closed non-profit private pension fund sponsored by companies operating in several sectors. Of the 11,325 employees of COPASA, 9,834 are participants. The contribution to the supplementary pension plan varies between 3% and 10% of the salary, depending on the option of the employee, and the sponsor company contributes the same. **(G4-EC3)**

UNION RELATIONS

The employees are represented mainly by three entities: the Union Sindicato dos Trabalhadores nas Indústrias de Purificação e Distribuição de Água e em Serviços de Esgotos do Estado de Minas Gerais (Sindágua MG), the Sindicato dos Administradores no Estado de Minas Gerais (Saemg) and the Sindicato de Engenheiros no Estado de Minas Gerais (Senge). The Company maintains a professional relationship with the unions, recognizing their representativeness and ensuring compliance with the collective bargaining agreements signed. All employees enjoy the benefits provided for in these agreements, even those who are not affiliated with the trade unions. **(G4-11)**

On the occasion of COPASA's base date (month of May), a committee is set up to conduct, with the unions, the process of discussion and negotiation of the presented list of claims. The current Collective Labor Agreement was signed for two years, effective from May 2015 to April 2017. In collective bargaining agreements, there is no minimum term for notifications of operational changes. The Company meets the minimum deadlines established in the current legislation and the deadlines agreed with the trade union entities, when necessary. Any operational changes are communicated in advance, and the time period varies according to the situation. **(G4-LA4)**

Collective bargaining is a consolidated practice at COPASA, with permanent dialogue maintained with trade union entities. Freedom of association is guaranteed to all employees. During 2016, there were no situations in which the rights of freedom of association and negotiation were infringed upon. **(G4-HR4)**

COPASA AND ITS CUSTOMERS

The water supply and sewage collection and treatment services are remunerated in the form of tariffs, and the tariff policy applied by COPASA is regulated by Arsae-MG. The tariffs are differentiated according to the categories - social, residential, commercial, industrial and public - and volume ranges of consumption. Its determination takes into account the concessionaire's economic and financial balance and the preservation of the social aspects of public basic sanitation services. In addition, tariffs are progressive in relation to billed volume, that is, those who consume more pay more per liter than those who consume less. In 2016, the sewage tariff for localities with collection and treatment equaled

90% of the water tariff; in the localities where the sewage is collected, but not yet treated, corresponded to 50% of the water tariff. The tariff readjustments are annual and previously approved and authorized by Arsae-MG.

COPASA's customer base is diversified and pulverized, which reduces the Company's dependence or exposure to a particular customer or group of customers. Residential consumption, which represents 89.2% of total customers, accounts for 72.4% of revenues. The top 10 clients account for only 6.2% of revenues and the top 50 accounts for only 7.5%. **(G4-8)**

COPASA functions in the State of Minas Gerais operating the water supply and sewage systems, benefiting, without distinction, the entire population of the areas covered by the contracts signed with the granting authorities. The user units served in these locations are registered in categories according to their activity: residential, social, commercial, industrial and public. For the units of the social category that are inhabited by families enrolled in the Unified Register for Social Programs of the Federal Government, the Company applies differentiated rates of water and sewage services.

There are 658 physical locations of consumer services (service agency, local office and operating units) available in the State of Minas Gerais. The service is also provided by telephone and on a virtual basis, providing information and forwarding service demands to the Company's operational and commercial sectors. To this end there are several relationship channels: telephone 115, Virtual Agency, chat, Contact Us, blog, SMS, email marketing, in addition to social networks. These are also used to provide information on any interruptions in water supply, works and maintenance.

RESPONSIBILITY FOR PRODUCTS AND SERVICES

The design of the products and services of COPASA aims at the intended use and adaptations so that they do not present hazards to the health and safety of the society. In 2016, millions of analyses were carried out in all locations where ETAs and ETEs were operated, the results of which met the parameters required by current legislation. The Company does not market products prohibited in Brazil.

The treated water distributed by COPASA complies with the parameters of quality and potability required by the Ministry of Health, as per Ordinance No. 2914/2011. To do so, the Company's Laboratories are equipped to carry out physical-chemical and bacteriological analyses to confirm and maintain the quality standard of the water to be distributed to the population. Monitoring of water quality is also carried out in the sources and receiving bodies.

In a full-service type ETA, the raw water goes through the steps of flocculation, decantation, filtration, chlorination, fluoridation and pH correction. In each of these stages, analyses are

carried out in existing laboratories in the water treatment units to evaluate the efficiency of the process, taking into account the requirements of the internal quality control and the referred legislation. **(G4-PR1 / G4-PR6)**

In each month, COPASA carries out approximately 1.5 million analyses. In addition, in order to assure that the water distributed to the population is reaching the properties with the desired quality, COPASA also performs analyses in the homes of users and at network points, confirming the parameters required by the legislation.

All COPASA customers receive information on the quality of the water they are consuming, as established in Ministerial Directive n ° 2,914 / 2011. In the water bills, the main parameters are reported: chlorine, color, fluorine, total coliforms, turbidity and Escherichia coli, and on the Company's website information about basic water quality control parameters is disclosed in each of the facilities operated by the Company pursuant to Federal Decree 5.440 / 2005. To this quality is added the direct action of COPASA water in the prevention of dental caries, with the addition of fluoride in the treatment process in the Company's supply systems. Account detailing is also available for visually impaired clients, if they wish. **(G4-PR3)**

In order to guarantee the standardization and harmonization of the services performed in the micro-metering area, COPASA has a laboratory of metrological tests related to hydrometry of paramount importance for the control and management of installed meters, as well as for the control of water losses. This laboratory is certified by Inmetro under number EA-001, in compliance with the requirements established by Ordinances nº 246/2000 and 400/2013, which proves and ensures the recognition of the capacity and competence to perform assembly, recovery and inherent testing services for initial verification and after repair of water and sewage meters. It also has Accreditation by Inmetro in accordance with the NBR ISO / IEC 17025: 2005 standard, according to CRL 0563 Accreditation Certificate, proving the standardization and harmonization of services performed at international level, increasing the reliability of the results issued. In addition, it maintains the ISO-9001: 2008 certification in performing initial verification tests and after repairing the water meters installed in its process.

CUSTOMER SATISFACTION (G4-PR5)

The services provided by COPASA and its customer service have their quality measured through satisfaction surveys, and the grievances and complaints identified are dealt with. The Ombudsman's Office acts as a channel of direct communication between the society at large and the Company for the purpose of processing information with the aim of contributing to the improvement of customer relations and of the services provided. In this sense, a satisfaction survey is applied periodically to this service channel. In 2016, this survey was

applied to 23% of the customers who registered complaints in the Ombudsman's Office and the respondents' index was 14%.

When asked to evaluate the timeline for resolving the complaints after contacting the Ombudsman, 48% of the respondents considered it excellent / good and 51% considered excellent / good the quality of the reply and 76% stated that they would contact the Ombudsman again regarding future queries. In 2016, 42% of the registered events were answered within five days by the Ombudsman.

The COPASA Ombudsman maintains control of complaints specifying the type of subject. It is important to emphasize that the Ombudsman's Office is an opportunity for appealing within the Company and is used when the demand has not been satisfactorily addressed by other existing channels: call center (115), service agencies or the internet. In all channels of contact with the Company there are qualified people, who analyze each demand and pass it on to the respective units for action. In 2016, of the complaints registered in the Ombudsman's Office, only 0.008% were related to environmental impact. **(G4-EN34)**

The Ombudsman's Office is also responsible for handling the requests for information registered in the Transparency Portal (<http://www.copasa.com.br/wps/portal/internet/a-copasa/portal-da-transparencia>) and for complying with the legal deadline for responding to the complainant, in accordance with the Law for Access to Information (Law 12,527 / 2011). It also follows the processes involving COPASA, opened by the Arsae-MG Ombudsman's Office and the General Ombudsman's Office of the State of Minas Gerais.

COPASA AND ITS SUPPLIERS

In all its bidding processes, COPASA requires proof of compliance with labor obligations and a declaration that the potential supplier does not employ minors under 18 years of age for night work, nor hazardous or unhealthy duty, and that it does not employ children under the age of 16 except under the condition of an apprentice and, in this case, that it is from the age of 14 years up in accordance with the Federal Constitution and Law 8.666 / 93. According to the condition established in Law 12,440 / 2011 and Law 8,666 / 1993, it is also required to present a Negative Certificate of Labor Debts, which also contributes to inhibit the hiring of companies that employ people in situations of degrading or forced labor. These documents are verified at the stage of implementing the bidding process by the Bidding and Auction Commissions.

In 2016, 6,759 contracts were signed in the auction, ineligibility, price listing and bid exemption modalities, to meet the demands of expenditures, investments and organic growth. **(G4-HR1 / G4-HR5)**

Through the Operational Development Center (Cedo), COPASA promotes the training and retraining of its own and outsourced teams in routine operational services.

Included in contracts signed with service providers are the requirements that translate values and institutional principles, with the objective of involving and committing suppliers to the Company's guidelines. The values and principles are linked to the agility, quality, maintenance of the image of COPASA, the safety of its employees and the sustainable use of the environment.

To ensure that these contractual requirements are met, the projects are subject to daily and / or weekly supervision, depending on the size of the work. In order to involve and engage service providers with COPASA's values and organizational principles, specific events are carried out contemplating the participation of employees of the contracted companies, where lectures are delivered focusing on socio-environmental responsibility, people's health and safety of the work environment.

In 2016, COPASA maintained in its registry of 54,132 active supplier records, of which 7,074 are in the official registry and 47,058 for small purchases. The main products and services that make up the immediate supply chain are: pipes and fittings; chemical products; water meters; electrical energy and / or engineering services. **(G4-12)**

The table below identifies the main materials used by COPASA in the Company's operating processes (non-renewable materials):

G4-EN1

Specification	Quantity	Units
Fluorosilicate acid	3,056,240.90	Liters
Hydrated Lime	4,716.94	Tons
Ferric Chloride	14,909,800	Liters
Liquid aluminum sulfate	19,382,599.99	Liters
Liquid Chlorine (in bulk)	1,611	Tons
Lime (big bag)	381.54	Tons
Chlorinated ferrous sulfate	9,979	Liters
Moist activated charcoal	34	Tons
Calcium hypochlorite	766.64	Tons
Hydrated Lime (in bulk)	7,175.95	Tons
Liquid Chlorine	9,454	Cylinder (50 kg)
Aluminum sulfate (solid)	1,360	Tons

COPASA AND THE COMMUNITY

UNIVERSALIZATION OF ACCESS TO BASIC SANITATION

Apadrinhamento: aApadrinhamento (Sponsorship): the philanthropic entities registered in the action Conta com a Gente can benefit from the service of monthly collection of contributions from physical persons and legal entities through COPASA's water / sewage bills. In December 2016, the program contained 414 registered institutions.

Programa Água Doce: an agreement signed between the Union, represented by the Ministry of the Environment, through its Secretariat of Water Resources and Urban Environment, and the State of Minas Gerais, through the Secretariat of State for Cities and Regional Integration (Secir), with the participation of Instituto Mineiro de Gestão das Águas (Igam) and COPASA. Its objective is to recover, deploy and manage desalination systems in the semi-arid region of Minas Gerais. The actions include management, projects, works and socio-environmental activities. The Program foresees activities related to the diagnoses of 279 localities, of which 138 will be selected for pumping and water analysis tests, of which 69 will benefit from a desalination unit to supply potable water. In 2016, COPASA coordinated the work for the development of 49 diagnoses that are under analysis and approval by the Company and Secir.

Programa Água Para Todos (Water for Everyone Program): an agreement entered into between the Union through the Ministry of National Integration and the State of Minas Gerais, through the Secretary of State for Development and Integration of the North and Northeast of Minas Gerais (Sedinor), with the participation of the Secretary of State of the Government (Segov) and COPASA as an Intervening Executor. The Program provides for the implementation of collective water supply systems in the semi-arid region of Minas Gerais, covering approximately 500 rural locations in 85 municipalities, of which 19 are indigenous or "quilombola" communities [originally founded by people of African origin]. Projects, works and social mobilization activities are carried out, and COPASA is responsible for the management of the processes. By 2016, implementation works were begun in 96 communities. All interventions were articulated with the local granting authority and other entities involved. There were no cases of violations of the rights of indigenous and "quilombola" peoples as a result of actions in these communities.

(G4-HR8)

Programa Nacional de Desenvolvimento dos Recursos Hídricos (Proágua): can agreement between the Federal Government, through the Ministry of National Integration and the State of Minas Gerais, through the Igam, with a Technical Cooperation Agreement between Igam and COPASA. It aims to promote the expansion, improvement and installation of water supply systems and sanitary modules in the rural seats and localities of the municipalities of Janaúba, Januária, Mato Verde and Rio Pardo de Minas, located in the North of the State of

Minas Gerais. In 2016 negotiations were resumed and situational, budget and land ownership surveys were carried out to obtain the last installment of the financial resources from the Ministry of Integration and to continue the works.

Programa Solidariédágua: collects voluntary contributions from COPASA clients, directly on the water / sewage bills, to discharge past due debts of nonprofit, charitable hospital entities, duly registered in the Program. In December 2016, the program contained 40 beneficiary entities.

Subsidy for philanthropic entities: COPASA can allocate up to 0.6% of its monthly billing to the grant subsidizing program, which was aligned with the "Conta com a Gente" action. In 2016, 620 philanthropic entities benefited from discounts on water and sewage tariffs up to the limit of contracted demand. For the entities registered in the Action Conta com a Gente, the grant represents a discount of 25% in the tariffs. For philanthropic hospitals linked to the Solidariédágua Program, the discount is 50%.

Social tariff: the client must belong to a family enrolled in the Unified Registry for Social Programs of the Federal Government, with monthly per capita income equal to or less than half a national minimum wage. In 2016, 718 thousand residences (average / month) were benefited by the social tariff with water supply and 392 thousand residences (average / month), with sewage services.

PROMOTING CITIZENSHIP

Missing people: the Company prints photos of missing people on the back of the water and sewage bills.

Programa CONFIA EM 6%: possibilita e incentiva que os empregados destinem parte do seu imposto de renda devido ao Fundo da Infância e da Adolescência (FIA). Na campanha de 2016, 690 empregados aderiram ao programa, totalizando R\$496,1 mil, beneficiando diversos municípios no Estado de Minas Gerais.

Program of Social Integration and Contribution Além dos Muros: developed to integrate COPASA with the communities of Pedreira Prado Lopes and Senhor dos Passos, in the city of Belo Horizonte. Among the main activities, we highlight the Children's Choir Gotas da Canção, a group composed of about 50 children, aged between 6 and 11 years.

Programa Fica Vivo!: COPASA is a partner in this initiative, through an agreement signed with the State Department of Social Defense (SEDES) and the National Industrial Training Service (SENAI). In 2016, it hired 40 youngsters indicated by Senai as apprentices.

Volunteering: the employees of COPASA, with the support of the Company, organize and carry out various actions such as campaigns to collect personal hygiene products and collect recyclable materials for donation to needy families and charities, Children's Day commemorations, Christmas, etc.

COPASA Choir: composed of 39 members, among employees, family members of employees and people of the community. Founded 35 years ago, in 2016, 13 presentations were made in the cities of Belo Horizonte, Carandaí and Matozinhos.

Contadores de Histórias: consisting of employees who specialize in the art of storytelling. In 2016, 19 presentations were made in the cities of Belo Horizonte, Betim, Januária, Patos de Minas and Pedro Leopoldo.

Os Sustentáveis: a group of 10 employees who participate in social and cultural events, promoting campaigns on strategic themes, such as the conscious use of water, in a different way - with humor and music. The script, costumes, makeup and musical parodies that permeate the presentations are creations of the members themselves. In 2016, 17 presentations were made in the cities of Belo Horizonte, Bom Despacho, Conselheiro Lafaiete and Ribeirão das Neves.

COPASA Art Gallery: installed in the entrance hall of COPASA headquarters, it is a space designed to promote visual arts, with a regular schedule of exhibitions, which are defined by public competition.

COPASA Employees' Art Gallery: installed at the Company headquarters, promoting the artistic expression of its employees.

INCENTIVE FOR SOCIAL DEVELOPMENT ACTIONS

Through culture and sport incentive laws, COPASA sponsors projects that promote culture and entertainment, as well as sports. In 2016, the Company released R\$ 2.1 million in resources through the Rouanet Law, and R\$ 546 thousand through the Sports Incentive Law.

ANNUAL SOCIAL PERFORMANCE REPORT (G4-EC1 / G4-EN31)

COMPANY: COMPANHIA DE SANEAMENTO DE MINAS GERAIS - COPASA MG

1 – Calculation base	2016 amount (thou Reais)			2015 amount (thou Reais)		
Net income from water and sewage (RL) ⁽¹⁾	3,643,618			3,144,181		
Total net income ⁽²⁾	4,008,286			3,810,713		
Operating income ^(RO) (3)	600,032			143,917		
Gross payroll (FPB)	1,128,188			1,338,355		
2 – Internal social indicators	Amount (thou)	% of FPB	% of RL	amount (thou)	% of FPB	% of RL
Food	152,000	13.47%	4.17%	150,315	11.23%	4.78%
Mandatory social taxes	245,245	21.74%	6.73%	318,083	23.77%	10.12%
Private pension fund	35,969	3.19%	0.99%	37,775	2.82%	1.20%
Health	58,550	5.19%	1.61%	41,857	3.13%	1.33%
Occupational health and safety ⁽⁴⁾	5,780	0.51%	0.16%	6,072	0.45%	0.19%
Education	3,101	0.27%	0.09%	2,992	0.22%	0.10%
Culture	67	0.01%	0.00%	393	0.03%	0.01%
Professional skills development	1,158	0.10%	0.03%	653	0.05%	0.02%
Day care and/or allowance	1,036	0.09%	0.03%	961	0.07%	0.03%
Profit sharing	24,456	2.17%	0.67%	0	0.00%	0.00%
Other	12,907	1.14%	0.35%	12,343	0.92%	0.39%
Total – internal social indicators	540,269	47.89%	14.83%	571,444	42.70%	18.17%
3 – External social indicators	Amount (thou)	% of RO	% of RL	Amount (thou)	% of RO	% of RL
Education	914	0.15%	0.03%	924	0.64%	0.03%
Culture	2,390	0.40%	0.07%	298	0.21%	0.01%
Health and sanitation	384,905	64.15%	10.56%	338,467	235.18%	10.76%
Sports	583	0.10%	0.02%	54	0.04%	0.00%

Others	455	0.08%	0.01%	888	0.62%	0.03%
Total contributions to society	389,247	64.87%	10.68%	340,631	236.69%	10.83%
Taxes (excluding social oncosts)	459,518	76.58%	12.61%	220,930	153.51%	7.03%
Total – External social indicators	848,765	141.45%	23.29%	561,561	390.20%	17.86%
4 – Environmental indicators	Amount (thou)	% on RO	% on RL	Amount (thou)	% on RO	% on RL
Investments related to production/operation of the Company	54,615	9.10%	1.50%	90,746	63.05%	2.89%
Investments in external programs and/or projects	12,397	2.07%	0.34%	27,634	19.20%	0.88%
Total investments in environment	67,012	11.17%	1.84%	118,380	82.26%	3.77%
Regarding establishment of annual goals to minimize waste, consumption in general by production/operation and increase efficiency in the use of natural resources:	(X) no goals () meets 51 to 75% () meets 0 to 50% () meets 76 to 100%					
5 – Indicators of functional staff	2016			2015		
Numbers of employees at end of FY	11,325			11,986		
Number of admissions during FY	175			168		
Number of outsourced employees ⁽⁵⁾	1,215			1,183		
Number of trainees	66			35		
Number of employees over 45	4,944			5,286		
Number of women working in Company	1,035			1,136		
% of management positions held by women	24.53%			23.49%		
Number of black people working for Company	5,079			5,297		
% of management positions held by blacks	16.35%			17.07%		
Number of people with disabilities or special needs	518			539		

6 – Relevant information on implementation of corporate citizenship	2016			Goals 2017		
Ratio between lowest and highest pay in the Company	22.80			ND		
The safety and healthfulness standards in the work environment were defined by:	235			261		
Social and environmental projects developed by the Company were defined by	() top executives	(X) top executives and managers	() all employees	() top executives	(X) top executives and managers	() all employees
The safety and healthfulness standards in the work environment were defined by:	() top executives and	() all employees	(X) all + Cipa	() top executives and	() all employees	(X) all + Cipa
Union membership, right to collective bargaining and internal representation of workers, the Company:	() not involved	(X) follows standards OIT	() promotes and follows OIT	() not involved	(X) follows standards OIT	() promotes and follows OIT
Private pension fund contemplates:	() top executives	() top executives and	(X) all employees	() top executives	() top executives and	(X) all employees
Profit sharing contemplates:	() top executives	() top executives and	(X) all employees	() top executives	() top executives and	(X) all employees
In the selection of suppliers, the same ethical and social responsibility and environmental standards adopted by the Company	() not considered	() suggested	(X) required	() not considered	() suggested	(X) required
Participation of employees in volunteering work for Company:	() not involved	(X) support	() organize and promote	() not involved	(X) apoiar support	() organize and promote
Total number of complaints and grievances by consumers	At Company: 999.135	at Procon: 265	In court: 1.815	At Company: 974.934	at Procon: 133	In court: 1.800
% of complaints and grievances resolved:	At Company :	at Procon: 100%	In court: 36,47%	At Company :	at Procon: 100%	In court: 90%
Total added value to distribute (in thou R\$):	In 2016: 2,474,307			In 2015: 2,019,327		

Distribution of Added Value (DVA):	26.27% government 39.01 % collaborators 4.84% shareholders 17.18% third parties 12.70% retained			20.78% government 56.45% collaborators 0.40% shareholders 23.35% third parties -0.98% retained		
7 – Other information						

CNPJ17.281.106/0001-03, Sector: sanitation.

Explanations about information provided: Division of Social Mobilization and Responsibility, Tel.: 55 31 3250-1719, e-mail dvrs@copasa.com.br.

COPASA does not use child labor or slave labor and is not involved in prostitution or sexual exploitation of children or adolescents and is not involved in corruption. Our company values and respects diversity both internally and externally.

⁽¹⁾ Considering the value of the Net Revenue from the main activities of the Company, that is, water supply and sanitary sewage services for the calculation of the indicators, not considering the value of Construction Revenue from the conversion to IFRS.

⁽²⁾ Net revenue from water and sewage + construction revenue.

⁽³⁾ The Operational Revenue (RO) of 2015 was increased by the amount of R\$ 172,861 thousand related to non-recurring extraordinary expenses with the Dismissal Programs implemented in that year.

⁽⁴⁾ The Occupational Health and Safety result for 2015 was adjusted to reflect the expenses of the entire Company during the year. The amount previously reported (R\$ 10,427.70) referred to the expenditure of only one organizational unit.

⁽⁵⁾ The number of outsourced employees is estimated considering the workforce allocated in the service contracts, since COPASA does not directly contract third parties.

PARAMETERS FOR DEVELOPMENT OF THE REPORT

Since 2005, COPASA has been publishing its economic, social and environmental results integrated in a single document. This report refers to the 2016 fiscal year, during which the guidelines of the Global Reporting Initiative (GRI) were adopted for the seventh consecutive year, with the Company reaching the essential level of application of the G4 Guidelines. The financial statements were audited by PricewaterhouseCoopers Auditores Independentes. **(G4-28 / G4-29 / G4-30 / G4-32)**

The parent company and consolidated financial statements for the year 2016 were prepared and presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC) and in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). These statements include the operations of the Company, its subsidiary COPASA Serviços de Saneamento Integrado do Norte and Nordeste de Minas Gerais S / A (COPANOR) and the extinct subsidiaries COPASA Águas Minerais de Minas S.A. (AGMM) and COPASA Serviços de Irrigação S.A. **(G4-17)**

In this edition, we sought to consolidate our compliance with GRI indicators, in order to cover all aspects of sustainability. To guide the process of development of the report, the following principles were observed: Sustainability Context, Materiality, Completeness, Balance, Comparability, Accuracy, Timeliness, Clarity and Reliability. **(G4-18 / G4-23)**

The materiality directs the communication to the topics of greater relevance for the audiences with whom the Company relates. In 2015, COPASA carried out an analysis of the materiality to identify the most relevant sustainability issues for its business and its stakeholders, based on the documents listed in the following table:

(G4-24 / G4-25 / G4-26 / G4-27)

Stakeholders	Documents reviewed
Shareholders	Articles of Incorporation Reference form
Customers	Legal and regulatory requirements
Employees	Ethos Indicators for Sustainable and Responsible Businesses
Suppliers	Corporate Sustainability Index (ISE)
Society	Risk matrix
	Organizational climate survey
	Annual report of internal ombudsman
	Management report

ABOUT THE REPORT

The results of the analysis showed the following material issues:

- Expansion of projects and actions of socio-environmental responsibility.
- Enhancement of environmental education.
- Compliance with the requirements of government and regulatory bodies.
- Availability and quality of products and services.
- Scarcity of water resources.
- Optimization of fixed and operational results.
- Preservation of natural resources.
- Relationship with stakeholders.
- Tariff revision.
- Universalization of basic sanitation services.
- Valuation of sanitary sewage services.

(G4-19)

GRI CONTENT INDEX			
Indicator		Comment	Page
Strategy and Analysis			
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy		4
Organizational Profile			
G4-3	Name of the organization.		7
G4-4	Primary brands, products and services.		7
G4-5	Location of the organization's headquarters.		7
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.		7, 11
G4-7	Nature of ownership and legal form.		7
G4-8	Markets served.		23, 53
G4-9	Scale of the organization.		23, 42
G4-10	a. Report the total number of employees per contract of employment and gender; B. Report the total number of permanent employees by type of employment and gender; c. Report the total workforce by employees and contractors and by gender; d. Report the total workforce by region and gender; e.. Report whether a substantial part of the organization's work is carried out by workers legally recognized as self-employed or by individuals other than their own or outsourced employees, including employees and employees hired from outsourced companies; f. Report any significant variations in the number of employees (e.g., seasonal variations in the number of employees in the tourism or agricultural sectors).		42
G4-11	Percentage of total employees covered by collective bargaining agreements		52
G4-12	Organization's supply chain.		56
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.		11
Commitments with external initiatives			
G4-14	Whether and how the precautionary approach or principle is addressed by the organization.		28
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	COPASA is not a signatory to any commitment of this kind.	
G4-16	List participation in associations (e.g., sectoral associations) and national or international defense organizations in which the organization: sits on the Governing Board; participates in projects or commissions; contributes financial resources beyond the basic rate as an associated organization; considers its participation to be strategic.		12, 33

Identified Material Aspects And boundaries			
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents; b. Report whether any entity included in the consolidated financial statements or equivalent documents of the organization was not covered by the report.		65
G4-18	a. Explain the process used to define the content of the report and the limits of the aspects; B. Explain how the organization has implemented the Principles for Report Content Definition.		65
G4-19	List all the material Aspects identified in the process for defining report content		66
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.		37, 38, 39
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.		65
Stakeholder engagement			
G4-24	List of stakeholder groups engaged by the organization		9, 65
G4-25	Basis for identification and selection of stakeholders with whom to engage		65
G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.		65
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.		65
Report profile			
G4-28	Reporting period (such as fiscal or calendar year) for information provided		65
G4-29	Date of most recent previous report (if any)		65
G4-30	Reporting cycle (such as annual, biennial)		65
G4-31	Contact point for questions regarding the report or its contents.		74
GRI Content Summary			
G4-32	a. Report "in accordance" option chosen by the organization; b. report the GRI Content Summary for the chosen option; c. provide the reference to the External Assurance Report if the report has been submitted for verification. Although the GRI recommends the use of external assurance, this recommendation is not a requirement for the report to be "in accordance" with the Guidelines.		65
Assurance			
G4-33	a. Organization's policy and current practice with regard to seeking external assurance for the report.; b. If this information is not included in the assurance report accompanying the sustainability report, describe the scope and basis of any external assurance performed; c. Report the relationship between the organization and the party responsible for external assurance; d. Report whether the highest governance body or top executives are involved in seeking external assurance for the organization's sustainability	The report did not undergo external assurance	

Governance			
G4-34	Governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts		14
G4-39	Report whether the chairman of the highest governance body is also an executive director (and in that case, his or her role in managing the organization and the reasons for doubling up).		15
G4-41	Report the processes used by the highest governance body to ensure the prevention and management of conflicts of interest. Report whether conflicts of interest are revealed to stakeholders, including at least: cross-participation in other boards (participation in other boards, accumulation of board positions, etc.); relevant shareholder cross-participation with suppliers and other stakeholders; existence of majority shareholder and / or shareholder agreement; disclosure of information on related parties.		15
Compensation and incentives			
G4-51	a. Report the remuneration policies applied to the highest governance body and senior executives for the following types of remuneration: fixed salary and variable remuneration: performance-based compensation, stock-based compensation (stock or stock options), bonuses and exercisable or deferred shares; attraction bonuses or incentive payments for recruitment; termination payments; clawbacks; retirement benefits, including the difference between benefit plan and contribution rates for the highest governance body, senior executives and all other employees; b. Report how the performance criteria of the compensation policy apply to the economic, environmental and social objectives of the highest governance body and senior executives.		15
G4-52	Report the process used to determine the remuneration. Report whether compensation advisors are involved in determining remuneration and whether they are independent of management. Report any other relationships between compensation consultants and the		49
G4-54	Report the proportion of the total annual compensation of the highest paid individual of the organization in each country where the organization has significant operations and the total annual average remuneration of all employees (excluding the highest paid) in the same country.	Não se aplica	
G4-55	Report the proportion of the percentage increase in the total annual remuneration of the highest paid individual of the organization in each country in which it has significant operations compared to the average percentage increase in the total annual remuneration of all employees (excluding the highest paid) in the same country.	Não se aplica	
Ethics and integrity			
G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics		17
G4-57	Report the internal and external mechanisms adopted by the organization to request guidelines on ethical behavior and in compliance with legislation, such as relationship channels (e.g., Ombudsman).		17
ECONOMIC			
Economic performance			
G4-EC1	Direct economic value generated and distributed		20, 60
G4-EC3	Coverage of obligations under the organization's defined pension benefit plan.		52
Market presence			
G4-EC5	Variation of the proportion of the lowest wage, broken down by gender, compared to the local minimum wage in major operating units.		47

Indirect economic impacts			
G4-EC7	Development and impact of infrastructure investments and services supported		21
ENVIRONMENTAL			
Materials			
G4-EN1	Materials used, broken down by weight or volume		56
Energy			
G4-EN3	Energy consumption within the organization		35
G4-EN5	Energy intensity		36
G4-EN6	Reduction of energy consumption		37
Water			
G4-EN8	Total water withdrawal by source.		33
G4-EN9	Water sources significantly affected by withdrawal		33
G4-EN10	Percentage and total volume of water recycled and reused		34
Biodiversity			
G4-EN11	Operating units owned, leased or managed within or adjacent to protected areas and areas of high biodiversity value located outside protected areas.		34
G4-EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high index of biodiversity located outside the protected areas		34
G4-EN13	Protected or restored habitats		34
G4-EN14	Total number of species included in the International Union for Conservation of Nature - IUCN red list and in national conservation lists with habitats located in areas affected by the organization's operations, listed by extinction risk level.		34
Emissions			
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)		39
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)		39
G4-EN17	Other indirect greenhouse gas (GHG) emissions (scope 3))		39
G4-EN18	Greenhouse gas (GHG) emissions intensity		40
G4-EN19	Reduction of greenhouse gas (GHG) emissions		37
G4-EN20	emissions of ozone-depleting substances (ODS)		37
G4-EN21	NOx, SOx, and other significant air emissions		37
Effluents and waste			
G4-EN22	Total water discharge by quality and destination		35
G4-EN24	Total number and volume of significant spills		35
Products and Services			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services		34

Transport			
General			
G4-EN31	Total investments and expenditures with environmental protection, by type		60
G4-EN34	Number of grievances related to environmental impacts, logged and processed and solved by means of formal mechanism.		55
SOCIAL			
LABOR PRACTICES AND DECENT WORK			
Employment			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region.		42
G4-LA2	Benefits granted to full-time employees that are not offered to temporary or part-time employees, broken down by major operating units of the organization.		51
G4-LA3	Rates of return to work and retention after maternity / paternity leave, broken down by gender.		51
Labor relations			
G4-LA4	Minimum period for notification about operational changes and if they are specified in collective negotiation agreements	In collective agreements, there is no minimum time stipulated for notification of operational changes. Any changes are informed in advance, with varying periods depending on the situation.	52
Occupational health and safety			
G4-LA5	Percentage of the workforce represented in formal health and safety committees, composed of employees of different hierarchical levels, who help to monitor and guide health and safety programs at work.		50
G4-LA6	Types and rates of injuries, occupational diseases, lost days, absenteeism and number of work related deaths, by region and gender.		51
G4-LA7	Employees with high incidence or high risk of diseases related to their occupation.		51
G4-LA8	Health and safety topics covered by formal agreements with trade unions.		50
Training and education			
G4-LA9	Average hours of training per year per employee by gender, and by employee category		48
G4-LA10	Skills management and ongoing learning programs that contribute to the continued employability of employees in a period of preparation for retirement.		51
G4-LA11	Percentage of employees who regularly receive performance and career development analyzes, broken down by gender and functional category.		48

Diversity and equal opportunities			
G4-LA12	Composition of groups responsible for governance and breakdown of employees by functional category, according to gender, age group, minorities and other indicators of diversity.		46
Equality of compensation for men and women			
G4-LA13	Mathematical ratio for salary and remuneration between women and men, broken down by functional category and relevant operational units.		45 e 47
HUMAN RIGHTS			
Investments			
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that have undergone human rights assessment.		55
G4-HR2	Total number of hours of employee training in human rights policies or procedures related to human rights aspects relevant to the organization's operations, including the percentage of trained employees.		49
Non-discrimination			
G4-HR3	Total number of incidents of discrimination and corrective actions taken	No cases of discrimination were reported at COPASA in 2016.	
Freedom of association and collective bargaining			
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be being breached or there is a significant risk, and measures taken to support this right.	No operation was identified as posing a significant risk to the right of exercising freedom of association and collective bargaining	52
G4-HR5	Operations and suppliers identified as being at risk for the occurrence of child labor cases and measures taken to contribute to the effective eradication of child labor.		56
Safety practices			
G4-HR7	Percentage of security personnel who have received training in the organization's human rights policies or procedures that are relevant to operations.		50
Rights of indigenous and traditional people			
G4-HR8	Total number of cases of violations of indigenous and traditional peoples' rights, and measures taken in this regard.	No cases of violation of indigenous people were reported at COPASA in 2016.	57

SOCIETY			
Anti-corruption			
G4-S03	Total number and percentage of operations subject to risk assessments related to corruption and identified significant risks.		16
G4-S04	Communication and training on anti-corruption policies and procedures		17
G4-S05	Confirmed incidents of corruption and actions taken		16, 17
Public policies			
G4-S06	Total amount of financial contributions for politicians and political parties, broken down by country and recipient / beneficiary.	COPASA is not allowed to make any financial or cash contributions to politicians, political parties or related institutions	
PRODUCT LIABILITY			
Customer health and safety			
G4-PR1	Percentage of category of significant products and services for which health and safety impacts are assessed seeking improvements.		54
Labeling of products and services			
G4-PR3	Type of information about products and services required by the organization's procedures for information and labeling of products and services and percentage of significant categories subject to these requirements.		54
G4-PR5	Customer satisfaction survey results.		54
Marketing communications			
G4-PR6	Sale of banned or disputed products.		54
G4-PR7	Total number of cases of non-compliance with regulations and voluntary codes relating to marketing communications, including advertising, promotion and sponsorship, broken down by type of results.	In 2016 there were no cases of no conformities with regard to codes and laws related to marketing, publicity, promotion and sponsorship.	
Compliance			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations regarding the supply and use of products and services.		9

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(G4-31)

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Disclaimer

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The COPASA logo is displayed in white, bold, uppercase letters on a dark blue rectangular background. It is positioned on the right side of the page, overlaid on a large, artistic photograph of water droplets on a blue surface.