



Annual and Sustainability Report



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PONTO DE PARTIDA GROUP

"I belong to the world. I am Minas Gerais."

Perhaps by bringing its origin gene as a cultural movement implanted in its structure, committed to mobilization and citizenship projects, linked to the various culture areas. Perhaps by vocation or training, the fact is that the *Ponto de Partida* [Starting Point] grew creating bonds, forming partnerships, establishing alliances.

At the very beginning, when we decided that in addition to a cultural movement, we would also start a theater group, we made a decision that made us determined - we would not move from Barbacena, but would not be bound to the city limits. We would not be emigrants, but travelers and hosts.

A shortcut was established in the opposite direction of Brazilian's cultural production, which long before, had already set its address and shop windows. We would require three basic conditions to modify this fact: originality, hard work and competence.

There were no paths. We had to open up trails, trace an inaugural route, investigate a language, experiment and systematize processes, devise methods of creation and production. We felt honored to have done it, and to have managed to create a theater with a fresh spring feeling.

We are proud to have traveled throughout Brazil and around the world, bringing great Brazilian - and Minas Gerais' - authors to the stage: from Guimarães Rosa to Carlos Drummond de Andrade, from Bartolomeu Campos Queirós to Adélia Prado. Have enacted the work of key musicians, to have journeyed into the backlands and cities in search of the spirit of our people: to have written, sung and told their stories.

In all these years we have strived to weave a plot with the intangible thread that connects the seed to the fruit, grandchildren to great-great-grandparents. We have yanked out roots to build the architecture of the flights. We embrace our atavistic inheritance to be ready to challenge undiscovered paths. We have visited the attic of our memory to celebrate new births.

All work done by *Ponto de Partida* brings the signature of this Minas Gerais which brought you the style and fuel for the vastness of general amplitudes.

Today after 32 years, *Ponto de Partida* is known as a reference. Definitely reinstated to its origins as a cultural movement, is currently responsible for training 268 people in their various projects like *Núcleo de Teatro*, *Bituca – Universidade de Música Popular* [Popular Music University] - and *Coro dos Meninos de Araçuaí* [Araçuaí Children Choir].

However, the overwhelming amount of work this all entails did not steal the passion, humility to respect the mysteries, the patience to wait for dreams to mature, the courage to explore the country, the joy for the great battles, the pleasure of making up stories, the habit of bending the course of things, and the certainty that when you mix dream and work, even miracles become possible.

As you can see, COPASA and *Ponto de Partida* have joined in this partnership because they share values, strive for the highest mountains, the fresher springs, pursuing excellence and hold human beings and life as its central focus point in its endeavors.

Regina Bertola
***Ponto de Partida* Director**

COMPANY PRESENTATION

VIEW, MISSION, PRINCIPLES, BELIEFS AND VALUES (GRI 4.8)

View

To be acknowledged as a referential for corporate excellence.

Mission

To provide solutions in water supply, sanitary sewage and solid residues, contributing for the socio-economic and environmental development.

Principles, Beliefs and Values

The company is geared toward:

- permanent dialog with the granting power;
- sustainable growth;
- socio-environmental responsibility;
- preservation of the hydrous resources;
- high level of Corporate Governance;
- regard for the shareholders' interests;
- valuation of the employees;
- focus on customers' satisfaction;
- quality of the rendered services;
- partnership in the relation with suppliers.

MESSAGE FROM THE CHAIRMAN OF THE MANAGEMENT BOARD (GRI 1.1)

The principles that guide COPASA operation support the commitment to contribute for the development of the State of Minas Gerais, based on the respect for the environment and the expectations and needs of its stakeholders and society in general, through a responsible administration and the provision of quality services. Another important factor is the universalization of the water and sewage services, reason why the company contributes significantly and represent a consistent form to show its contribution for the social inclusion, guaranteeing improved healthy conditions to the population.

The Company has been applying a significant effort to expand the collection and treatment of the sewer with investments of about 683 million Reais. In 2011, COPASA expanded its service and ensured its quality in the areas where it was already involved, renewing the concessions for water supplies in 21 municipalities. Furthermore, it also expanded its operating Market obtaining new concessions for water supply in the municipalities of Passabém, Passa Vinte, Prudente de Morais, Santana do Deserto and Santo Antônio do Itambé. New contracts were signed for the development of sanitary sewage programs in the following municipalities: Além Paraíba, Caldas, Cataguases, Divinópolis, Inhapim, Leandro Ferreira, Passabém, Perdões, Prudente de Morais, Resplendor, Santo Antônio do Itambé and Timóteo. By taking on these new commitments, COPASA ended 2011 serving a higher number of municipalities, reaching 620 cities served with water supply and 225 with sanitary sewage service.

COPASA always focused on the needs of the less serviced regions development of the state, the company, through its subsidiary COPANOR assumed the new concessions in this area, starting to operate the water supply systems of the following municipalities: Bertópolis, Botumirim, Catuji, Itaipé, Mendes Pimentel, Pescador, Ponto dos Volantes and São Félix de Minas. With a strategic planning and using modern practices of governance and administration, the Company endeavors to work with maximum efficiency in preserving the springs and the environment and in the use of natural resources, combined with the constant concern to develop user awareness actions regarding the rational use of water. We understand that only an economically and financially solid organization, with low rates of losses, defaults and with consistent generation of cash can have access to vital financing to realize the necessary investments for the fulfillment of its objectives.

COPASA financial results in the 2011 fiscal year were exceptional, presenting a growth of 8.58% of its net income and a net profit of R\$470.4 million, which meant profitability on its net equity of 10.5%.

For these reasons, COPASA has been keeping the most elevated levels of governance and sustainability at Bolsa de Valores, Mercadorias e Futuros S.A. (BM&FBOVESPA), in the New Market and in the ISE BM&FBOVESPA, by obtaining important acknowledgements from the Associação Brasileira de Engenharia Sanitária e Ambiental.

The sum of all these efforts reinforces not only our trust in the organization and in achieving the goals set towards business excellence, but above all, the confidence and recognition from society for the work that was done and the quality and efficiency of services rendered to the population in all social strata, which leads us to make efforts to ensure and renew our commitment to the sustainable development.

João Antônio Fleury Teixeira

MESSAGE FROM THE CEO (GRI 1.1)

COPASA'S primary objective is the consolidation of a sustainable growth for which it focuses its strategic planning by emphasizing the relation with its interested parties in the economic and socio-environmental scenarios in which it is inserted. In this sense, the Organization presents a good performance in the attendance to its expansion plan, in all aspects, characterized by the realization of the established aims and by the improvement of its processes and procedures that sustain its business, looking forward for the definite acknowledgement as a reference of management excellence. The focus of this effort is the contribution to pursue the universalisation of basic sanitation services.

The results obtained with the implementation of the World Class Management Project demonstrate that the Organization is trailing the correct path. In 2011, the assurance was consolidated by being distinguished with another inedited award among the Brazilian sanitation companies, receiving from the Brazilian Association of Sanitary and Environmental Engineering the Quality National Award in Sanitation (PNQS), in the Platinum category, Level III, for the management of all the Organization. COPASA operational board was also awarded PNQS trophies. The East-Central Operation Board, created in 2011, and the Southeastern Operation Board were contemplated with the Platinum Trophy, while the Northern Operation Board, which had already received this award in 2010, received the highest of the sector's award, the Diamond Trophy, in Level IV.

Representing these results in numbers, we can verify that in 2011 the population served with water supply was increased by 457 thousand people during 2011, representing a growth of 3.5% in relation to 2010. As for the sanitary sewage system, the development was still more significant, with a growth of 516 thousand users, summing up 8.3 million benefited habitants and representing an increase of 6.7% of the population served in the State of Minas Gerais during 2011. This year total investments were in the range of R\$682.9 million, a sum applied mainly in water supply systems that received R\$270.5 million, while the sewers collection and treatment systems received R\$390.6 million. The

Since the adhesion, in 2006, to the highest corporate governance level of BM&FBOVESPA – the New Market – COPASA presents a considerable improvement of its operational indicators: the population served with water supply, from 11.2 million, in February 2006, grew to 13.6 million in December 2011, presenting an increase of 21.4%. As regards the sanitary sewage, the progress reached 48.2%, from 5.6 million to 8.3 million people served by this service. The sewer treated by the Company, in 2006, ranged the volume of 75.9 million cubic meters, a significant increase which raised the total of 182.2 million of cubic meters in 2011, which indicates a growth of 140.1% in treated volume.

Attentive to the population's and other stakeholders' needs and expectations as well as to the conditions and resources necessary to guarantee the perennial existence of its business in a sustainable way, COPASA continues to improve its processes and procedures and, for the second consecutive time, is inserted in the portfolio of the Corporate Sustainability Index (ISE) of BM&FBOVESPA. The adoption of corporate governance principles that guide the Organization resulted in the Company being a part of the BM&FBOVESPA indicator, the Corporate Governance Trade Index (IGCT), which examines the performance of papers issued by organizations that voluntarily adopt the distinct governance standards.

By maintaining the link cultivated with its collaborators, customers, shareholders, suppliers, government, and investors, COPASA follows its purpose and aim to surmount the challenges that emerge on its path, guaranteeing the quality improvement of our population's life and contributing for the development of the State of Minas Gerais and of Brazil.

Ricardo Augusto Simões Campos



COPASA



COPASA

Being of Minas, but being of the world. Being proud of its roots, of its tracks and having faith that the best chapters are still ahead. COPASA and the Ponto de Partida Group, share Minas' values and the ability to build with them a history that foments traditions, that mixes the local to the universal keeping the focus on the future, on the new.

Sanitation is a fundamental factor for the development of a region as it socially and economically affects the served communities and guarantees quality of life and health for the population by implementing the necessary sanitary conditions for collective welfare, making available treated water and collection and sewer treatment.

The set of measures which ensures that these conditions are echoed in a significant way in the economic field, contributing for the rationalization of the expenses with health, the reduction of absenteeism in schools and in companies. From a productive point of view, the services of water supply and sanitary sewage involve development opportunities, enabling enterprising initiatives that generate, directly and indirectly, jobs and income for the local population.

In this scenario, as a concessionaire of water supply and sanitary sewage services in the State of Minas Gerais, COPASA maintains a relation with its interested parties, dedicated to a policy addressed to the exercise of its activities based on legal and ethical principles. It increments its active actions with the several publics of its area of influence, with actual customer or with the population identified as potential user of the services, acting with a focus on the economic-financial balance, the improvement of the corporate governance and on the socio-environmental responsibility principles.

The Company invests in the expansion of the sanitation public service users' attendance, implementing actions addressed to the universalization of these services with a focus on the sustainable development of the Company and of the communities. This is a permanent commitment of the high administration, allied to the endeavor of COPASA functional team looking forward to vanquish the constant challenges and to ensure better life health and quality conditions for the served populations.

THE HISTORY OF COPASA

It was created on July 5th by State Law 2842, *Companhia Mineira de Água e Esgotos* (Comag) (the Water and Sewage Company of Minas Gerais), which purpose was to define and execute the ample policy of sanitation for the State of Minas Gerais. Up to then, the State had no sanitation policy and the conditions of water supply and sanitation services were insufficient to ensure life quality and health of the population.

In 1971, with purposes to be achieved in the country by the sanitation sector, the Federal Government issued the National Sanitation Plan (PLANASA). During that same period, the Municipal Water and Sewage Department of Belo Horizonte (DEMAE), responsible for the rendering of these services in the city of Belo Horizonte, was incorporated to COMAG. This adherence and the changes introduced by Planasa, especially the technical-financial support increment to the work developed by the state sanitation companies, provided a significant impulse to the Company's growth.

(GRI 2.1) As of that moment, Comag started to suffer a series of modifications in order to adjust itself to the needs of the Basic Sanitation Policy of the State of Minas Gerais, among them, the alteration of its name to *Companhia de Saneamento de Minas Gerais* [Sanitation Company of Minas Gerais] (COPASA MG), by Law 6475/74. COPASA's main activity is the water supply

and sewage rendering of public services which include the planning and preparation of projects up to their execution, expansion, remodeling and exploitation of sanitation services. (GRI 2.2)

In 2006, the Company realized its Initial Public Offering – IPO – entering into BM&FBOVESPA New Market, a distinct segment that demands a clearer transparency and stricter rules of corporate governance. COPASA's main expectation at the time of the initial public offer was the raising of resources for the Company's expansion. In April 2008, a secondary offer of shares was made in which the shareholder *Município de Belo Horizonte* (Belo Horizonte Municipality) disposed of the totality of its shares and the shareholder Estado de Minas Gerais (the State of Minas Gerais) sold part of its shares without losing the Company's corporate control.

The activities of COPASA's board of directors and its employees demonstrate the endeavor of the Government of Minas Gerais for the improvement of the infrastructure and health conditions in the State, assuming a decisive role in the resuming of the economic and social development of Minas Gerais. The Company incorporated in its managing practices the strategic planning, the technological innovation and the relation improvement with its customers. (GRI 4.11)

KEY INDICATORS (DATA FROM THE CONTROLLER'S OFFICE) (GRI EC1)

1. Economic-Financial Data (R\$ thousands)	2011	2010	2009
Net Operational Income of Water and Sewage (ROL)	2.509.611	2.311.237	2.194.516
Costs of Rendered Services + Commercial and Administrative Expenses	1.754.302	1.630.926	1.525.990
Costs of Rendered Services + Commercial and Administrative Expenses (without Depreciations/Amortizations)	1.449.805	1.361.998	1.261.792
EBITDA	1.065.888	1.236.398	934.692
Adjusted EBITDA ¹	1.065.888	923.325	928.612
Net Profit	470.437	677.125	525.306
Total Assets	8.274.201	7.265.695	6.929.326
Gross Debt	2.956.752	2.247.938	2.061.961
Net Debt	2.715.216	2.170.286	1.646.609
Shareholders' Equity	4.501.677	4.184.328	3.731.416
2. Profitability Indicators	2011	2010	2009
Return on Investment (ROI)	5,7	9,3	7,6
Profitability on Shareholders' Equity (ROE)	10,5	16,2	14,1
3. Economic-Financial Indicators	2011	2010	2009
Current Liquidity	0,84	0,94	1,48
Third Party Capital/Shareholders' Equity	0,84	0,74	0,86
EBITDA Margin %	40,9	45,6	39,6
Adjusted EBITDA Margin %	40,9	38,5	39,2
Net Deb/EBITDA ²	2,5	1,8	1,8

4. Shares	2011	2010	2009
Book Value of the Share (R\$)	39,17	36,41	32,47
Profit or Loss per Share (R\$)	4,09	5,89	4,57

5. Market	2011	2010	2009
5.1 No. of water connections (un)	3.634.689	3.500.986	3.384.735
5.2 No. of sewer connections (un)	2.111.360	1.955.693	1.857.052
5.3 No. Water savings (un)	4.402.057	4.253.301	4.119.493
5.4 No. Sewer savings (un)	2.708.870	2.531.650	2.419.433
5.5 Invoiced volume of water (1,000m ³)	649.706	628.902	604.697
5.6 Invoiced volume of sewer (1,000m ³)	402.552	382.273	357.063
5.7 Extension of water network (km)	43.906	43.544	41.618
5.8 Extension of sewer network (km)	18.105	16.314	15.327
5.9 Municipalities with water concession (un)	620	615	612
5.10 Municipalities with sewer concession (un) ³	225	213	199
5.11 Municipalities water operated (un) ³	606	603	603
5.12 Municipalities sewer operated (un)	176	161	150
5.13 Population served with water (thousand)	13.614	13.157	12.756
5.14 Population served with sewer (thousand)	8.270	7.754	7.539

(GRI EN8)

6. Staff	2011	2010	2009
6.1 Employees	11.535	11.436	11.442
6.2 No. of Hired People	479	243	510
6.3 Third Parties	686	684	684

7. Environmental Indicators (R\$ thousands)	2011	2010	2009
7.1 Investment Programs External Projects	6.336	3.495	3.771
7.2 Investments Production and Operation	171.735	211.736	228.333

8. Social Indicators (R\$ thousands)	2011	2010	2009
8.1 Employees Qualification & Development	1.096	1.440	2.527
8.2 Participation in Profits	28.317	27.132	34.546
8.3 Cultural, Artistic & Sporting Sponsorship	3.750	3.226	4.015
8.4 Childhood and Adolescence Fund	750	600	967
8.5 Total of Internal Social Investments	401.090	366.923	294.043
8.6 Total of External Social Investments	495.482	536.406	471.978

¹The 2009 EBITDA was adjusted for the exclusion of the profit in the disposal of assets for COPANOR, item not recurrent in 2009 for a value of R\$6.1 million and for 2010 the value was adjusted for exclusion of the actuarial liability reversal in the value of R\$313.1 million.

²The 2010 EBITDA was impacted by the reversal of the net actuarial liability provision of R\$313.1 million. As this refers to an item not recurrent, the adjusted EBITDA for the period is R\$923 million.

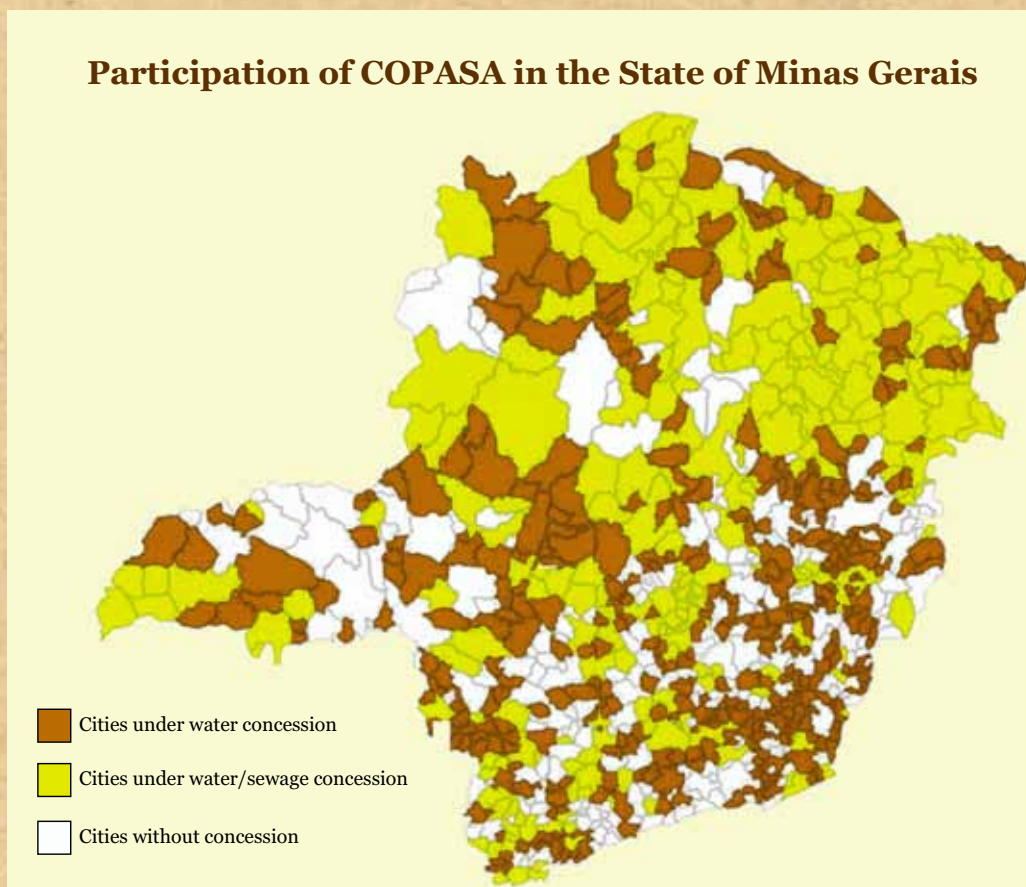
³2010 and 2011 adjusted data of the COPANOR subsidiary.

(GRI 3.10)

COPASA IN 2011 (GRI 2.7; 2.8; 2.9; 2.10)

COPASA ended the year with a supply of treated water to 13.6 million people or 69.2% of the State of Minas Gerais total population. 134 thousand new water connections were effected and installation of 362 km of new distribution networks, summing a total of 43,906 km.

COPASA expanded its attendance with sanitary sewage services, now serving 176 Minas Gerais municipalities, favoring a population of 8.3 million people. The volume of treated sewer reached 182.2 million m³, almost 16% above the volume recorded in 2010. This increment was due to the starting operation of eight new *Estações de Tratamento de Esgoto* (ETEs) [Sewer Treating Stations].



*Situation on December 31st, 2011

COPASA ended the year with a water and sewage net operational income of R\$2.51 billion and EBITDA of R\$1.07 billion, with a margin of 40.9%. Total investments were R\$682.9 million, a value applied mainly in water supply systems (R\$270.5 million) and in sanitary sewer systems (R\$390.6 million) which resulted in a significant expansion of attending capacity to public service users of sanitation served by the Company.

COPASA'S market value on December 31st, 2011, is R\$3.84 billion.

5th Brand of Greatest Prestige in Minas Gerais (GRI 2.10)

COPASA was rated among the first ten brands of greatest prestige and reputation in the State of Minas Gerais, by an investigation made by the *Troiano* Group in partnership with *Ideia Comunicação* and published in a special issue of the newspaper *Jornal Estado de Minas*. In the second year of the study, 60 organizations were selected based on an investigation made by *Exame* and *Valor* magazines and submitted for assessment to 4,520 interviewed persons in different regions of the State of Minas Gerais. One of COPASA highlights revealed by the investigation is the strong image of socio-environmental responsibility that the Company presents before the Minas people for its important work of sanitary and environmental education it provides especially with the student public. (See *Environmental Education*)

Moody's Agency assigns a rating to COPASA

In its first risk classification rating by a specialized agency, COPASA was assigned by Moody's an "Aa2" corporate rating at the Brazilian National Scale, which is equivalent to a High Credit Quality, corresponding to a "Ba1" at the global scale level, incorporating, in this case, the Brazil Risk. In the document published by Moody's, the Agency enhances COPASA financial and credit indicators and its stable cash flow, the result of existing long-term concession contracts with 620 municipalities of the State of Minas Gerais, its high operational efficiency, low rates of default, assured access to water supply and diversified customer base. It emphasizes as well the Company's expansion capacity, the observance to the expectations in terms of quality on rendered services and operational performance, besides the support of the State Government in view of COPASA role as essential service provider and the importance of the tariff review for the Company's expansion.

A Brazilian Corporate Highlight in Sustainable Environment and Development (GRI 2.10)

An additional award for actions and initiatives in favor of the environment was won by COPASA. The Company was among the 50 Brazilian organizations that won the Brazilian Corporate Highlight in Sustainable Environment and Development – edition 2011. The award granted by *Instituto Ambiental Biosfera* (Biosphere Environmental Institution), of the *Federação das Indústrias do Rio de Janeiro* (FIRJAN) (Industry Federation of Rio de Janeiro) designates Brazilian companies that conduct their production processes and/or services according to the good environmental practices and sustainable development, with activities based on social responsibility principles.

Companies that Best Communicate with Journalists (GRI 2.10)

COPASA press office was granted the award of *Companies that Best Communicate with Journalists*. The awarding, granted by *Negócios de Comunicação* (Communication Business) Magazine, aims to acknowledge the quality of the relation that companies have with journalists and with the media.

COPASA's Office choice was made from an investigation with 25 thousand communication professionals realized by H2R and audited by *Consultoria BDO*. Three companies were selected from each of the 30 sectors of the Brazilian economy that were distinguished during 2011.

Trade Corporate Governance Index (TCGI)

The shares of COPASA (BM&FBOVESPA: CSMG3) comprise the new BM&FBOVESPA indicator – the Index of Trade Corporate Governance (IGCT) since its institution, in January 2011. With the objective of examining the performance of the papers issued by organizations that voluntarily adopt distinct corporate governance standards, IGCT differs from the already existent index, the Corporate Governance Index (CGI), as it also takes into consideration the papers' liquidity.

Corporate Sustainable Index (BM&FBOVESPA CSI)

COPASA comprises the ISE Corporate Sustainability Index of BM&FBOVESPA portfolio. The inclusion in the ISE for the second consecutive year translates the recognition of the Company's commitment to socio-environmental responsibility and to corporate sustainability.

Health Medal of Honor (GRI 2.10)

The Health Medal of Honor's objective is to honor entities, persons and corporations that have been distinguished, in Minas Gerais, by rendered services to public health. COPASA was one of the companies who received the Health Medal of Honor, granted by the Health Agency of the State of Minas Gerais, as a Partner Public Institution of the Unified Health System (UHS). The medal was granted for relevant activities regarding the endeavors against the Dengue disease which is being developed by the Company.

Minas Award – Corporate Performance – Common Market – 2010/2011 (GRI 2.10)

COPASA was contemplated with the Minas Award – Corporate Performance – Common Market – 2010/2011, in the category of the “*Best and Greatest Organizations of Minas Gerais*”. In its 13th edition, the award is developed by investigations based on reports and balance sheets of the participants. The operational, financial and economic performances are taken into consideration. The selection and classification of the winning organizations are made by the management of the *Mercado Comum Magazine*.

2011 National Quality Award in Sanitation (GRI 2.10)

Another inedited award was won by COPASA by becoming the first Brazilian sanitation company to win the National Quality Award in Sanitation (NQAS 2011) in the Platinum category, Level III, for the management of the whole Company. COPASA operations management also won trophies from NQAS. The East-Central Operation Board, created in 2011, and the South-West Operation Board won the Platinum Trophy while the North Operation Board,

which was awarded the Platinum Trophy in 2010, received the best of all the awards of the sector, the Diamond Trophy, at Level IV.

Acknowledged by the International Water Association (IWA) as the most important managing tool of environmental sanitation services, NQAS encourages the adoption of managing models compatible with the best world examples. The award has the mission of stimulating the practice of the managing models by the promotion and the acknowledgement of successful cases that provide help and assistance for the improvement of the environmental sanitation sector and in increasing the population's quality of life.

ADVB Socio-Environmental Top Award (GRI 2.10)

The *Program Chuá de Educação Sanitária e Ambiental* (Chuá of Sanitary and Environmental Education Program) developed by COPASA was one of the winners of the State's Socio-environmental Top Award, promoted by the *Associação dos Dirigentes de Vendas e Marketing do Brasil* (ADVB) (Association of Sales and Marketing Directors of Brazil), Minas Gerais section. The awarding seeks to acknowledge the best activities addressed to the preservation and socio-environmental and cultural incentive with proven efficiency with society and the environment. (See *Programa Chuá*).

Recertification of the Corporate Responsibility Seal (GRI 2.10)

In 2011, due to the contribution of the improvement of the economic indicators and the quality of life of the Northern and Northeastern regions of the State of Minas Gerais, COPASA and COPANOR received the recertification of the Corporate Responsibility Seal from *Centro Mineiro de Alianças Intersetoriais* [Minas Gerais Center of Intersectoral Alliances] (*CeMAIS*) offered by a partnership between CeMAIS and the Government of the State of Minas Gerais. The objective of the seal is to identify and acknowledge companies committed to the development of the Vales do Jequitinhonha, Mucuri, São Mateus and Northern Minas Gerais regions.

Revival of the São Francisco River

COPASA signed a deal with *Companhia de Desenvolvimento dos Vales do São Francisco do Parnaíba* (CODEVASF) to guarantee the sanitation of the Minas Gerais municipalities located at the basin of the São Francisco River and to join forces for the revival of "Velho Chico".

Vila Esperança

COPASA launched an important social undertaking in Teófilo Otoni, Vila Esperança, a housing complex built to serve families that lived in the area where today the dam of *Todos os Santos* River is being built. This complex consists of 23 houses and involved an investment of R\$3 million from the State Government of Minas Gerais.

SUBSIDIARIES

(GRI 2.2; 2.3) Aiming to reinforce its presence and market position in the State of Minas Gerais and to take advantage of new businesses, in 2007 COPASA established three integral subsidiaries: COPASA Águas Minerais de Minas [COPASA Mineral Water of Minas], COPASA *Serviços de Irrigação* [COPASA Irrigation Services] and COPASA *Serviços de Saneamento Integrado do Norte e Nordeste de Minas Gerais* [COPASA Sanitation Services of North and Northeast of Minas Gerais (COPANOR)].

COPASA Águas Minerais de Minas S.A. (AGMM)

The subsidiary COPASA Águas Minerais de Minas was established by the Government of the State of Minas Gerais under the form of a private equity company with the objective of promoting the development of one of the principal touristic resources of the State: the hydro-mineral resorts. The subsidiary is responsible for production, distribution and commercialization of mineral water from sources of the cities of Caxambu, Cambuquira and Lambari, in the Water Circuit of Minas Gerais, besides Araxá, historically known for their thermal sources. Their waters originate from centenary natural sources, conferring purity, softness and sophistication to the traded products.

Caxambu was the first mineral water to go back on the market through the COPASA subsidiary and is available since 2008 for all of the Southern Region of country. This is gourmet water by excellence having the natural capacity of expanding the taste perception. On the other hand, Cambuquira mineral water, considered one of the best waters in the world, went back on the market in July 2011, after the restructuring of the plant. Lambari and Araxá waters are forecasted to enter onto the market in 2012 after having been refurbished and adequacies to the requirements of the National Agency of Sanitary Vigilance (ANVISA) and of the National Department of Mineral Production (DNPM).

COPASA Serviços de Irrigação S.A. (CSI)

COPASA Serviços de Irrigação S.A. (CSI) is a joint-stock Corporation, COPASA integral subsidiary, that was established in August 2007 with the objective of being an operating company of the irrigation system of common use of the Jaíba Project. The intention of the State Government of Minas Gerais by structuring the Stage II Jaíba Project was to promote the socio-economic development in the Northern Region of the State by generating jobs, income and production in a region favorable for good results in irrigation.

In this context, CSI was established to operate the irrigation system in a total area of 34.8 thousand hectares of which 11.3 thousand belong to an environmental reserved area and 19.3 thousand hectares are of an irrigable area. This latter area is divided into corporate lots which predominant cultures are sugar-cane, banana and grains. The principal activities of the subsidiary are:

1. Operation of raw water distribution system for irrigation of the agriculture lots;
2. Maintenance of the Stage II of the Jaíba Project infrastructure;
3. Monitoring of the water quality.

In March 2008, CSI initiated the operation of the Jaíba II Project irrigation system from the formalization of a Technical and Financial Cooperation Deal with the State of Minas Gerais through the Planning and Management State Agency, the Agriculture, Livestock and Supply State Agency and the Minas Gerais Rural Foundation (RURALMINAS). According to this deal and with the funding of the State Government, R\$7.5 million will be invested for the adequacy of the operational infrastructure as well as the acquisition of machinery and equipment.

In 2011, CSI consolidated the use of the automated system implemented in 2010 in a partnership with Companhia de Desenvolvimento dos Vales do São Francisco e do Parnaíba (CODEVASF) – (Development of the São Francisco and of the Parnaíba Valleys). The system is adjusted to the operational needs of the subsidiary and has a centralized control and monitoring in real time which provides a greater security and reliability in the rendered services.

When CSI assumed Stage II of the Jaíba Project it presented a low rate of occupation. But by the end of 2011, approximately 57% of the total area was already occupied, generating annual

sales of about R\$5.3 million.

This eminent growth was due to the security of the services COPASA Serviços de Irrigação S/A provided the investors of the irrigated agriculture and demonstrates that Stage II of the Jaíba Project is on its way to reach maturity. The expectation is that by the end of 2012 about 13 thousand hectares (67% of the area) will be occupied by agricultural production.

For 2012 the subsidiary forecasts a growth of 20% of the irrigated area to attend the expansion of the Jaíba Project Stage II irrigation plan.

COPASA Serviços de Saneamento Integrado do Norte e Nordeste de Minas Gerais (COPANOR)

Show the whole of Minas Gerais, building an identity that congregates this plural state and reveals it to the world. This contagious proposal is the art and history of Ponto de Partida which appear in its manner of being and of showing itself with valuable elements like happiness, proximity and diversity. While diverse in their essence, they complete themselves and enrich our culture and our people. And in this Minas (Mines) where there are so many, the challenge is to take good care of each and every one of the Mines of Minas Gerais, preparing to serve all in the best possible way.

With its headquarters in the city of Teófilo Otoni, the integral subsidiary COPANOR was established under the form of a private equity company for service rendering in all of the locations with populations between 200 and 500 inhabitants in the Northern and Northeastern regions of the State of Minas Gerais. As these are of a low Human Development Index (HDI), the objective of the Government of the State of Minas Gerais, with the creation of COPANOR, was to increase the servicing index of water and sewer, and to reduce the childhood death rate of the communities in the Northern Region and the region of the Jequitinhonha, Mucuri, São Mateus, Buranhém, Itanhém and Jucuruçu. COPANOR promotes the social inclusion, the pollution remedy of rivers and streams, providing a better quality of life to the population in its area of influence, the reduction of regional inequalities and of the so-called waterborne disease index.

The company is responsible for the implementation, operation and realization of the water supply and sanitary sewage systems maintenance according to COPASA quality standard. Furthermore, the subsidiary adopts a tariff model compatible to the socio-economic reality of the region without compromising the quality of the services. As the investment for the implementation of the water supply and sanitary sewage systems of COPANOR are subsidized by the State Government of Minas Gerais, the user pays only for the cost of the rendered service. The technological and organizational model adopted by the Company permits the increase of efficiency and the reduction of operational costs in the rendered sanitary services. The subsidiary's experience was one of the chosen by the World Bank as implementation and management model of sanitation services in Brazilian isolated communities by the "Studies and Models of Rural Sanitation" realized by the World Bank.

Of the 92 municipalities that will be part of COPANOR until December 2011, 81 Program Contracts and 87 Authorized Laws were signed, municipal documents that allow the transfer of the services to the subsidiary. There are now 163 locations being served, a benefit for more than 242 thousand people. Many of these people, who did not have a minimum infrastructure, started having sanitary modules with bathroom, washing-tank and shower in their homes. By the end of 2011, 830 modules were installed.

In 2011, R\$63.47 million were invested for the acquisition of materials and equipment, wells drilling, construction of 120 new water supply and sanitary sewage systems; there are assured

resources of R\$100 million in 2012. All investments are provided by the State Government of Minas Gerais and transferred through a signed deal with the Health State Agency.

CONCESSIONS

The concession is the delegation, under contract, of the administration and water supply and sanitary sewage public service rendering for a defined period of time and under controlled conditions, including quality of the service and tariffs. In January 2007, Federal Law 11445 was issued, regulating the sanitation sector in the country and established the juridical-institutional bases. Since then, the new COPASA concessions or those that are renewed in municipalities/locations of the State of Minas Gerais for the water supply and sanitary sewage services have their legal framework composed of the Cooperation Deal and Program Contracts. The first is celebrated between the municipality, the State of Minas Gerais and the Regulating Agency of Water Supply and Sanitary Sewage Services of Minas Gerais (ARSAE/MG); the second is between the municipality, the State of Minas Gerais and COPASA. These legal instruments contemplate all rights and obligations of the participants and confer the necessary transparency to the concession process.

In 2011, COPASA (controller) signed program contracts with municipalities of the State of Minas Gerais: five new concessions of water and 12 new concessions of sanitary sewage. 21 concessions of water were also renewed, according to the following table:

Municipality	PROGRAM CONTRACTS		Population IBGE 2010
	Water	Sewer	
Passabém	New	New	1.012
Passa Vinte	New	-	1.305
Prudente de Morais	New	New	9.199
Santana do Deserto	New	-	1.404
Santo Antonio do Itambé	New	New	1.230
Além Paraíba	Renewal	New	32.067
Caldas	Renewal	New	7.739
Cataguases	Renewal	New	66.780
Divinópolis	Renewal	New	207.516
Inhapim	Renewal	New	13.993
Leandro Ferreira	Renewal	New	2.152
Perdões	Renewal	New	17.776
Resplendor	Renewal	New	12.832
Timóteo	Renewal	New	81.124
Cana Verde	Renewal	-	4.068
Candeias	Renewal	-	10.206
Estiva	Renewal	-	4.899
Ipaba	Renewal	-	15.028
Maripá de Minas	Renewal	-	2.266
Mercês	Renewal	-	7.256
Riacho dos Machados	Renewal	-	4.499

Santa Vitória	Renewal	-	14.926
Santo Antonio do Grama	Renewal	-	3.365
São Sebastião do Oeste	Renewal	-	3.247
Silveirânia	Renewal	-	1.429
Tumiritinga	Renewal	-	4.323
TOTAL		26	12
		38	531.641

Also in 2011, the COPANOR subsidiary assumed new concessions in the municipalities of Bertópolis, Botumirim, Catuji, Itaipé, Mendes Pimentel, Pescador, Ponto dos Volantes and São Félix de Minas.

COPASA reached the end of 2011 as concessionaire for water services rendering in 620 Minas Gerais municipalities, as responsible as well for the sanitary sewage services in 225 of these municipalities.

In this universe, the Company is responsible for servicing a population of more than 13.6 million inhabitants in all of the State of Minas Gerais. The expectation for 2012 is the renewal of all expiring concessions and the expansion of its customer base according to the priorities established in the strategic planning.

PARTNERSHIPS AND TECHNICAL COOPERATION

Aligned with the strategic objectives of expanding the performing market, strengthening the Company's image and raising the customers' satisfaction by following its New Businesses Policy, COPASA continued to sign partnerships for which it seeks to implement the most adequate model to the business.

COPASA develops several activities of technical cooperation with the municipalities, sanitation companies and with the private sector, in Brazil and abroad. These initiatives, as technical assistance or as consulting, include, among others: water analyses; filling of cylinders with chloride, hydrometers maintenance, drilling, assembling and maintenance of artesian wells, projects and works of water supply and sanitary sewage, communitarian assistance, sanitary and environmental education, water supply by water-truck transportation, installation of automatic meteorological stations and technical publications. During 2011, companies in several countries such as Mozambique, Peru and Paraguay visited COPASA for benchmarking or identification of future partnerships.

Among the deployment works of 2011, the following are emphasized:

Empresa Pública de Águas (EPAL) – Luanda/Angola

In March 2011, COPASA received a technical mission from the IT responsible people of EPAL who were looking for the improvement of the implementation of a corporate management integrated system (Enterprise Resource Planning ERP) in that company. Soon after, in June, the Company received from International Organization for Standardization (ISO) their water treatment team for training in certification, according to a Work Plan prepared by the parties with a focus on Water Treatment Stations. The results obtained in both missions provided a new impulse toward a partnership which started in 2008 and is now consolidating the interchange between the two companies and their respective teams.

Companhia de Saneamento da Capital (SANECAP) – Cuiabá/Mato Grosso (Brazil)

Effective since October 2007, the Technical Cooperation Deal with the Municipality of Cuiabá was concluded in October 2011, accounting for considerable results before the proposed objectives. The cooperation had the purpose to help in the Corporate Restructuring Program of the Sanitation Company of the Capital (SANECAP) seeking to rationalize, modernize and improving the operational, commercial and administrative processes.

Water Operator Partnership for Latin America and Caribbean (WOP – LAC)

The need of a cooperation mechanism between the sanitation companies of Latin America and the Caribbean region, as an example of what occurs in other continents, making it necessary for agencies like *International Water Association (IWA)*, UN Habitat and the Inter-American Bank of Development to establish, in 2007, the WOP – LAC, a branch of the *Water Operators Partnership* for the region of Latin America and Caribbean.

WOP-LAC objective is to increment the technical cooperation between member countries in order to contribute for the dissemination of the best practices and to stimulate the pursuit for the universalization of the sanitation services in the region. COPASA, member of the Committee Board of this organization since its foundation, participated actively of their activities in 2011, realizing a workshop in which representatives of ten different countries from Latin America and Caribbean were present.

The workshop's objective was to disseminate experiences in the control and reduction of water losses in public systems of supply, stimulating the problem's discussion, common to sanitation companies. During this occasion, COPASA presented its Integrated Program of Control and Reduction of Electrical Power Losses and Costs. (*See Energy Consumption and Energy Efficiency*)

CORPORATE GOVERNANCE





CORPORATE GOVERNANCE

Before any journey, we try to understand the trail in order to leave the starting point and reach where we want to be. Important as it is to know the way, it is also important to know ourselves, to identify our values, to know whom we can count on and to be clear on what to expect from those who walk with us. COPASA invests, with ethics and transparency, in relationships that make of their roads, good and safe paths to walk on.

CORPORATE GOVERNANCE STRUCTURE (GRI 4.1)

COPASA is a mixed capital company and publicly-held, with shares negotiated in the Novo Mercado [New Market], maximum segment of corporate governance of Bolsa de Valores, Mercadorias e Futuros S.A. (BM&FBOVESPA) (Securities, Commodities & Futures Stock Exchange), having the State of Minas Gerais as the controlling shareholder.

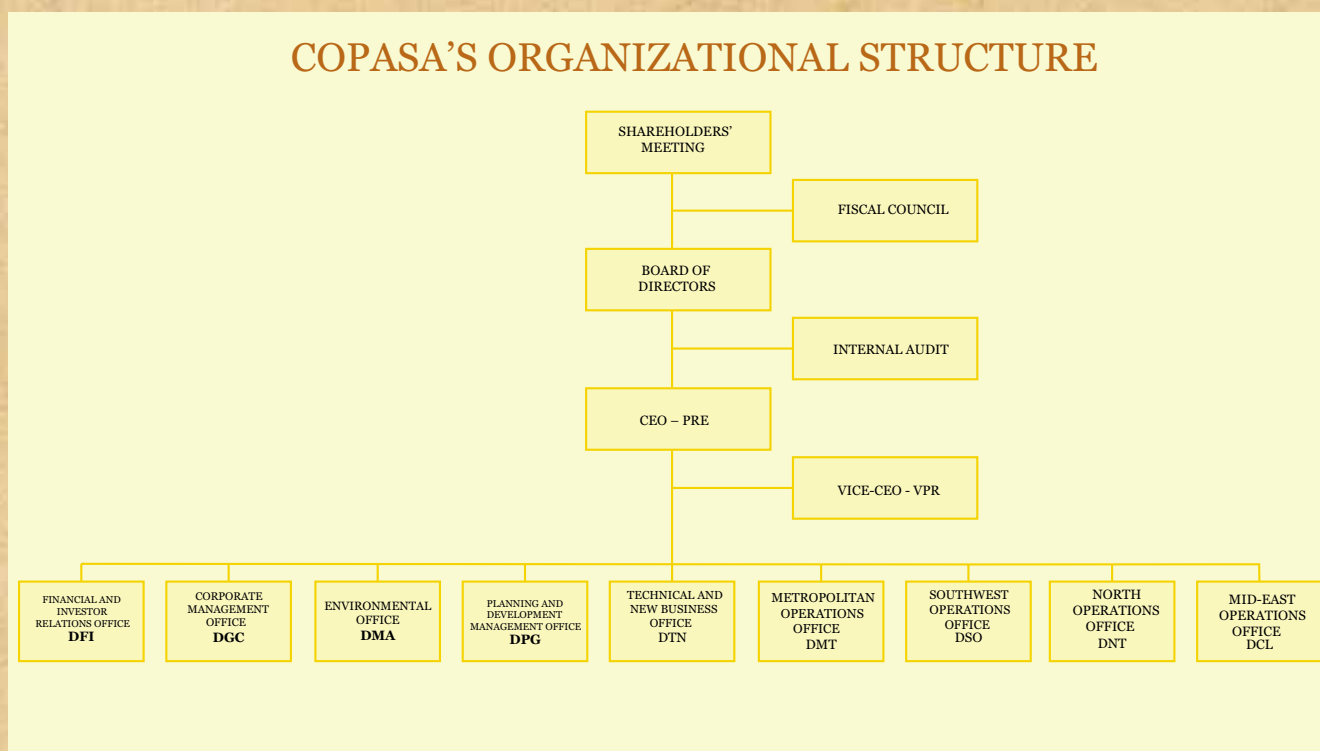
In September 2003, now a public company, the corporate governance structure of COPASA suffered a significant development. Since then, the Company has been seeking the improvement of its corporate governance practices through transparency, fairness, accountability and corporate responsibility in the relation with its interested parties.

COPASA's commitment with the corporate governance best practices is evident by its adhesion to the highest level of BM&FBOVESPA's corporate governance – Novo Mercado - still in the Initial Public Offering (IPO) realized in February 2006, in order to guarantee the balance of interests among the shareholders and to expand its rights, in relation to the current legislation.

Among the governance good practices with which COPASA is committed, the following are highlighted:

- exclusive emission of ordinary shares, having all of the shareholders the right to vote;
- free float shares of at least 25%; on December 31st, 2011, had 46.6% of the free float shares;
- granting to the minority shareholders 100% of tag-along (identical conditions to those offered to majority shareholders, in case of disposal of the control)
- disclosure of the financial demonstrations translated into English;
- realization of at least one public meeting per year with analysts and investors for the purpose of presenting the Company's economic-financial situation, projects and perspectives, considering that in 2011 seven meetings were held with the Association of the Analysts and Professionals of the Capital Market Investment (APIMEC) which occurred in Belo Horizonte, Brasília, Juiz de Fora, Porto Alegre, Rio de Janeiro, São Paulo and Uberlândia;
- elaboração e divulgação do Código de Conduta e da política de divulgação e de negociação de valores mobiliários;
- preparation and disclosure of the Conduct Code, Policy of Disclosure and Trading of Securities;
- performance of the Board of Directors with at least 20% of independent directors, considering that COPASA has six independent members (67%) of a total of nine members of the Board;
- vetting the accumulation of responsibilities of the President of the Board and of the CEO or principal executive of the Company as of 2014, considering that the Company adopts this practice since 2007;
- all and any dispute or controversy that may arise between the Company, its shareholders, administrators and members of the Audit Board shall be resolved through the BM&FBOVESPA Market Arbitration Chamber according to the arbitration clause contained in the bylaws.

(GRI 2.3) COPASA organizational structure which is based in the clear definition of the responsibilities of each body consists as follows:



Organization Chart current on December 31st, 2011.

General Meeting of the Shareholders

Highest decision-making body of the shareholders competence, the General Meeting has under its exclusive competence, among other attributions, the taking-over of the accounts from the administrators, examining and discussing them, and voting the financial demonstrations, deliberating on the destination of the net profit of the year and the distribution of the dividends, elect the administrators and the members of the Audit Board, deciding on the reform of the bylaws and on the administrators' compensation. Furthermore, the Company's Bylaws determines that it is the Meeting General's competence the following deliberations that involve values above R\$150 million: approval of any investment or any expense not prescribed in the Annual Budget, establishment of an administrative bidding process, the dispensation and ineligibility of a bid as well as the additive terms of the respective contracting and the homologations of the administrative bidding process, celebration of agreements and contracts involving loans, financing and other legal businesses to be celebrated by the Company.

In 2011, one General Ordinary Meeting and six General Extraordinary Meetings were held.

Audit Board

COPASA has a permanent Audit Board that may consist of three to five effective members and an equal number of surrogates, shareholders or not, elected in a General Ordinary Meeting. Their fees are established by the Meeting, in the terms of the law, and the duration of their term of office is of one year.

In 2011, 13 Audit Board meetings were held, of which 12 were ordinary and one was extraordinary.

Composition of the Audit Board on December 31st, 2011

Name	Position	Election Date
Paulo Elisiário Nunes	President	15/04/2011
Jair Siqueira	Vice-President	15/04/2011
Carlos Eduardo Carvalho de Andrade	Counselor	18/08/2011
Maron Alexandre Mattar	Counselor	15/04/2011
Rafael Rodrigues Alves da Rocha	Counselor	15/04/2011
Letícia Pedercini Issa Maia	Subrogate	15/04/2011
Sérgio Pessoa de Paula Castro	Subrogate	15/04/2011

The CVs of the Members of the Audit Board can be accessed at www.copasa.com.br/ri, Corporate Governance section.

Of these members, Mr. Rafael Rodrigues and his subrogate Ms. Letícia Pedercini Issa Maia were elected representatives of the minorities. (GRI 4.3)

Board of Directors

The Board of Directors is the highest collegiate decision-making body of collegiate of COPASA. Among others, its attributions are: the summons of General Meetings; approval of the strategic planning; approval of the business plans and annual budgets, and the multiannual, operational and investment plans of the Company; election and dismissal of directors and designation of the responsibilities; approval of new concessions which Present Net Value (PNV) is negative, according to economic-financial viability study realized by the Company; approval of career and salary plan, and investments or expenses not prescribed in the annual budget of values from R\$6 and R\$150 million; choice and dismissal of independent auditors. (GRI 4.7)

The Board may consist of a minimum of five and a maximum of nine members, including the president and the vice-president, elected by a General Meeting of Shareholders. The choice of the counselors takes into consideration qualifications, knowledge in relation to COPASA business and lack of conflicts of interest. The Board's members fulfill a one year unified mandate, except for dismissal, taking into consideration that this exercise mandate consists of the period included between every General Ordinary Meeting, and with the possibility of being reelected. The compensation of each counselor corresponds to 20% of the average compensation paid to the members of the Executive Board, considering that 50% of the value is equivalent to a fixed monthly installment and the other 50% are paid according to the participation of the counselor in the monthly meetings. Furthermore, the counselors receive 20% of the Profit Participation (PP) attributed to the directors. (GRI 4.5)

As for the frequency of the meetings, the Board of Directors realizes one meeting per month as ordinary and extraordinarily whenever necessary. According to the Internal Rules of the Board of Directors, its member must declare, before the decision-making, whenever the matter submitted for appreciation has a particular or conflicting interest with the company's interest, thus avoiding participating of its discussion and of its voting. (GRI 4.6)

In 2011, the Board of Directors met 14 times. (GRI 4.2) In the present composition, only the vice-president of the Board is part of

COPASA's Executive Board. The Board of Directors members elected in April 2011 and whose mandate will end in the General Ordinary Meeting of 2012 are the following:

Composition of the Board of Directors on December 31st, 2011 (GRI LA13)

Name	Position	Election Date
João Antônio Fleury Teixeira	President	15/04/2011
Ricardo Augusto Simões Campos	Vice-President	15/04/2011
Alexandre Pedercini Issa*	Counselor	15/04/2011
Alfredo Vicente Salgado Faria*	Counselor	15/04/2011
Enio Ratton Lombardi*	Counselor	15/04/2011
Euclides Garcia de Lima Filho*	Counselor	15/04/2011
Flávio José Barbosa de Alencastro*	Counselor	15/04/2011
José Carlos Carvalho*	Counselor	15/04/2011
Tadeu Barreto Guimarães	Counselor	15/04/2011

* Independent Counselors. (GRI 4.3)

The CVs of the Members of the Board of Directors can be accessed at www.copasa.com.br/ri, Corporate Governance section.

Executive Board

The Executive Board is responsible for the administration of COPASA business in general. It ordinarily meets at least once a week and extraordinarily whenever the social business requires. To consolidate the alignment of the strategies and guidelines of the Company, according to its strategic planning as well as to provide the follow-up of relevant issues for the Company's performance, periodic meetings of the Executive Board are held with the management team. Additionally, itinerant meetings of the Executive Board are held with the Chief of Staff of the Presidency, chiefs of operational, planning, communication departments, coordination and support superintendents. During these meetings, the Investment Program and the Expansion Plan of the Company's Concessions are especially discussed.

The Executive Board consists of up to 11 members, shareholders or not, resident in the country, elected by the Board of Directors for a three years mandate, with the possibility of being reelected and having to keep their positions until the election and investiture of their successors. The directors have individual responsibilities established by the Board of Directors and by the Company's bylaws; besides the fixed fees, they receive a variable remuneration in the form of Profit Participation (PP), as approved by the Board of Directors.

The Executive Board is composed by the President, Vice-President and nine directors: four operational directors (Director of East-Central Operation, Metropolitan, North and Southwest) and five corporate directors (Financial and Relations with Investors, Corporate Management, Planning and Undertakings Management, Environment Management and Technical and New Businesses Management).

In 2011, 50 meetings of the Executive Board were held and 903 Resolution Releases of the Board.

Composition of the Executive Board on December 31st, 2011 (GRI LA13)

Name	Position	Election Date
Ricardo Augusto Simões Campos	CEO	30/04/2010
Luiz Otávio Ziza Valadares	Executive Vice-President	30/04/2010
Carlos Gonçalves de Oliveira Sobrinho	Technical Director and New Business	28/03/2011
Gelton Palmieri Abud	Director of Corporate Management	30/04/2010
Juarez Amorim	Director of Metropolitan Operation	30/04/2010
Márcio Luiz Murta Kangussu	Director of Northern Operation	30/04/2010
Marcos Antônio Teixeira	Planning and Undertaking Management Director	30/04/2010
Paula Vasques Bittencourt	Financial and Relations with Investors Director	30/04/2010
Paulo Fernando Rodrigues Lopes	Director of Southwestern Operation	28/03/2011
Tilden José Santiago	Environment Director	28/03/2011
Valério Máximo Gambogi Parreira	Director of East-Central Operation	28/03/2011

The CVs of the Members of the Executive Board can be accessed at www.copasa.com.br/ri, Corporate Governance section.

Internal Audit

The Internal Audit department, linked to the Presidency of the Company since 1975, as of 2007, reports directly to the Board of Directors, having therefore independence and impartiality to exercise its functions, which are: planning and execution of audit works in all of the control systems; identification of failures and/or irregularities; proposals for improvements; recommendation and follow-up of actions implementation. The Internal Audit is also responsible for the generation, as a product of the functions mentioned above, of useful and reliable information to guide and support COPASA Executive Management's and Board of Directors' decisions.

In 2011, of COPASA 150 units (divisions and districts), 34 were submitted to internal audit, in aspects related to the assessment risk of the process, including the identification of eventual cases of corruption, resulting in a total of 22.67% of the Company. As of this work, 84 recommendations were issued to the audited units. (GRI SO2)

Of the nine reports of irregularities investigated by the Internal Audit in 2011, six were upheld.

Independent Audit (GRI 3.13)

Regarding the independent audit, for the observance of CVM Instruction No. 381, the company that rendered the audit services of COPASA financial demonstrations for the year ended on December 31st, 2011, was *Ernst & Young Terco Auditores Independentes S/S*. The contract signed with this company contemplates the audit services of the financial demonstrations since 2008. *Ernst & Young Terco Auditores Independentes S/S* did not render any other service to COPASA during this same period of time.

CODE OF ETHICAL CONDUCT (GRI 4.4; 4.8)

In 2005, COPASA established its Code of Ethical Conduct which seeks to systemize the ethical guidelines that lead the Company's performance.

The Code of Ethical Conduct is a public document and involves all COPASA employees and trainees, service renderers and those who have a mandate to fulfill, even if transitory and without remuneration, by election, appointment, designation, contracted or any other manner of link or investiture. Furthermore, this Code establishes guidelines for COPASA's relationships, as it is demonstrated in the following table:

Relationship in the Internal and External Environment of COPASA

Environment: COPASA's commitment and fundamental principle is the respect and the preservation of the environment as well as of the hydrous resources, acting in a legal, preventive and educational way, aiming for the environmental sustainability, health and quality of life of the population.

Customers: COPASA's commitment is to serve, with excellence, the needs of its customers, always acting according to Ethics in its strategic and institutional guidelines.

Community: the relations with the community are based on ethical principles of citizenship, responsibility and social welfare, with transparency, proactive posture and respect to cultural values, aiming for the sustainable development of COPASA business and of the communities. **Shareholders:** the relation with shareholders are governed by ethical and legal principles, with reliable, transparent and isonomic communication and information that translate reality and allow the following COPASA concomitant performance, aiming for the competitiveness, profitability and financial security of the capital.

Press: the relations with the press are based on ethics, trust, respect, objectivity, timing and transparency, aiming to preserve the Company's prestige, its concept and its image with the customers, communities, governments and markets.

Suppliers: the relations with suppliers of goods and services must be guided by technical and professional criteria, by ethical principles, respect for the current laws and norms, aiming for the strict service of the organization's needs without granting preferential treatment to anyone.

Unions: COPASA keeps a relation of respect with the unions, observing the legal and ethical principles.

Employees: the relation of COPASA with its employees is based on respect and fulfillment of the legislation, of the contracts, labor collective agreements and internal instructions.

The Code of Ethical Conduct may be accessed at www.COPASA.com.br.

Excelling in the fulfillment of the guidelines established in the Code and in order to guarantee the development of ethical culture, COPASA counts with an Ethics Commission composed by six members. The Commission guides and instructs the employees on issues related to the interpretation and application of the Code of Ethical Conduct, holding periodical lectures, according to the program of the organizational units, besides being responsible to assess and decide on any violation and breach of the Code. The Commission also receives and examines reports and facts, makes decisions in their respects and suggests measures and procedures for the Company's administration decision.

Ethic Processes¹

Name	2011	2010
No. of opened ethical processes	16	24
On-going processes ²	02	05
Application of ethical sanctions	06	04
Formal recommendations to the involved managers and employees	06	15

¹ situation on December 31st, 2011.

² processes during the reference year, opened during the previous year.

The Ethics Commission holds weekly ordinary meetings. In 2011, 46 meetings were held and 12 lectures were administered with the objective of disseminating the guidelines of the Code of Ethical Conduct to 471 employees. (GRI SO3)

RELATIONSHIP WITH INVESTORS (GRI 4.16)

Relation Policy with Investors

Disseminate information, perspectives and strategies to the capital market.

Policy Guidelines:

- building and maintaining a proactive, transparent, ethical, equitable, incorruptible, responsible, honest and independent relation with all publics;
- ensure that the mandatory and voluntary information is disclosed in a manner integrated with the market entities and institutions, and stock exchange as soon as possible.

COPASA adopts as its Relation Policy with Investors (PI) the transparency, the timing and the quality in the rendered seeking this way to provide subsidies sufficient for a decision-making regarding investment in the Company's shares, reducing the asymmetry of information.

This is why the Company discloses to the investors through reports, releases, website, etc., information that go beyond what the legislation requires. COPASA also received, in 2011, a significant number of visits from investors and analysts from the national and international

capital markets and participated of conferences, seminars and meetings, and realized a non-deal road show (individual or group meetings with investors) at the main financial centers of Brazil, Europe and North America.

Communication tools with investors (GRI 4.9)

Reports	Quarterly Release of Results
	Complete Annual Financial Demonstrations (DFP)
	Reference Form
	Social Balance Sheet
	Monthly Operational Release
	Sustainability Report
	Quarterly Information (ITR)
Interactive spreadsheets at the RI site	COPASA historical data since 2003
	Operational and financial data made available together with the Quarterly Release
Site e-mail & telephone	www.copasa.com.br/ri
	ri@copasa.com.br
	55 (31) 3250.2015
Meeting with analysts and investors	Meetings with APIMEC, seven meetings were held in 2011
	National & International Non-Deal Road Shows
	COPASA Day
	Expo Money
	Visits
Teleconferences	Quarterly, after disclosure of the results, with simultaneous translation into English
	Under request

As a result of this proactive kind of information with the market, in December 2011 COPASA had 17 institutions for the preparation of reports with recommendations on the Company.

In 2011, the Company was awarded a prize in the 13th edition of the IR Global Rankings – (RGR), an award that classified and identifies the best practices in the area of Relations with Investors. In the South American ranking, COPASA was considered among the Top 5 of the *Financial Disclosure category*.

RELATIONSHIP WITH STAKEHOLDERS

(GRI 4.16) COPASA relates with its stakeholders according to its values, principles and beliefs, aiming for the alignment of interests and identification of the involved parties' expectations. Thus, the Company uses interaction forms and relation channels aligned with its management to communicate decisions, mobilize the work force and build partnerships aiming for the sustainable development of its business and of society.

COPASA considers as its principal stakeholders or interested parties the following groups: (GRI 4.14; 4.15)

Customers

COPASA relates with the users of its services based on quality guidelines and on the Code of Ethical Conduct, with a focus on the constant improvement of the instruments used in the relation with its customers who have available help service for requests, explanation on doubts, records of demands (claims or praises) and ombudsman regarding issues that have not been solved at the instances or by the units directly responsible. (*See COPASA and its Customers*)

The State of Minas Gerais

The State of Minas Gerais, with 53.1%* of COPASA shares is the Company's controller. Operations with related parties are realized at prices and conditions considered by the Administration as compatible with those on the market, except for the form of financial settlement, which may occur by means of special negotiations (rendering of accounts).

The Regional Development Department and of Urban Policy of Minas Gerais (SEDRU) is the agency to which COPASA institutionally linked to the State Government of Minas Gerais. Furthermore, COPASA observes the decisions of the responsible governmental bodies for matters connected to its performance area, with emphasis on the Regulating Agency of Water and Sanitary Sewage Services of the State of Minas Gerais (ARSAE MG) and on the environmental agencies, under the supervision of the Corporate Governance Committee of the State of Minas Gerais.

*percentage as of December 31st, 2011

Suppliers and Service Renderers

COPASA relation with suppliers and service renderers is based on the current legislation, with emphasis on Law 8666/93 which guides the procedures of selection, contracting and suppliers and service renderers' management by public agencies and entities. Furthermore, the Company's relations with suppliers of goods and services are guided by technical and professional criteria, by ethical principles, respect to the current laws and norms, aiming for the strict attendance to the organization's needs. (*See COPASA and its Customers*)

Capital Market and Investors

COPASA relations with its shareholders and with the Market are governed by ethical and legal principles. The Company amply discloses reliable and isonomic information allowing the progress of its performance, aiming for competitiveness, profitability and financial security of the capital. Since 2006, the Company is listed in BM&FBOVESPA New Market which includes organizations voluntarily committed with the good practices of corporate governance. (*See Relationship with Investors*)

Municipalities

The municipalities of the State of Minas Gerais are the granting powers to which COPASA is linked based on concession contracts and program contracts established according to the

current legislation, especially to Federal Law 11445/07; At the performing locations, COPASA keeps in direct contact and participates of meetings with representatives of the municipal legislative and of the granting power, aiming to guarantee the quality of the rendered services, to establish partnerships, besides the renewal and attainment of new concessions.

Internal Public

COPASA maintains relation with its employees guided by the respect and fulfillment of the labor legislation, of the contracts, labor collective agreements, internal norms and Code of Ethical Conduct. The employees' needs and expectations are identified and examined by a biannual application of the Organizational Climate Research which assess the satisfaction degree of the work force and promotes the deviation treatment in order to ensure everyone's welfare. (*See COPASA and its Employees*)

Society and Community

Apart from seeking the excellence of the rendering of a basic service which is Sanitation, COPASA COPASAbases its relationship with society and with communities as per provisions of the Code of Ethical Conduct and by the good practices of social and environmental responsibility with transparency and respect to the cultural values, aiming for the sustainable development of the Company's business and of the communities. The Company realizes and supports several projects of social and cultural nature, aiming for the strengthening of society and of the communities in which it is involved. (*See COPASA and the Community*)

REGULATING AGENCY & MARKET REGULATION

The regulation of sanitation public services has the challenge to guarantee the balance between the users' needs for tariff reasonableness, services of adequate quality and quantity; the needs of the service renderers for economic and financial sustainability and those of investors for adequate remuneration of the investments. The consolidation of the regulatory norm inflicts on the service renderers cost standards and efficiency as well as the definition of operating strategy, expansion forecast of the services and the origin of the resources for the realization of the investments. This way, the establishment of Regulating Agencies is a landmark for the Brazilian sanitation sector as well as for COPASA performance that reinforced the judicious planning of its actions and activities.

Federal Law 11445/07 determines that it is a condition of validity of the contracts to have for object the sanitation rendering of public services, "the existence of regulating norms that prescribe the means for the fulfillment of this Law's guidelines, including the designation of the regulating and inspecting entity".

Following this determination, the State Government of Minas Gerais implemented, in August 2009, Law 18309, which established the norms related to the water supply and sanitary sewage services and created the Regulating Agency of Water Supply and Sanitary Sewage Services of the State of Minas Gerais (ARSAE-MG), a special agency linked to the State Bureau of Regional Development and Urban Policy (SEDRU). ARSAE-MG is responsible to inspect and guide the rendering of public services of water supply and sanitary sewage as well as to issue technical, economic and social norms for regulation.

Trying to be prepared for the coping of regulatory issues in a proactive and organized way, COPASA created in 2010 the Superintendence for Regulating Matters of the Services with the objective of assisting the Company's management in the regulatory issues, coordinating the

necessary actions for the attendance of ARSAE-MG requirements and to act as interlocutor of the Company.

In January 2011, ARSAE-MG Normative Resolution 003/2010 entered into force, establishing the general conditions for the rendering and use of sanitation services. From then on, formal work groups were created at COPASA aiming to study adaptation mechanisms of the Company's internal processes to the new regulation.

In March 2011, ARSAE-MG opened Public Audience 001/2011 to collect contributions from society, including the concessionaires, on the readjustment methodology of the tariffs regulated by the Agency. Normative Resolution 003/2011, published in March 2011, established the calculation methodology of the Tariff Readjustment Index (IRT) of the sanitation concessionaires regulated by ARSAE-MG. Once the economic-regulating framework was defined, ARSAE-MG authorized on March 23th, 2011, COPASA tariff readjustment through Normative Resolution 004/2011, and in April 18th, 2011, through Normative Resolution 007/2011, it authorized COPANOR tariff readjustment. These resolutions, which aim to ensure the economic and financial balance of the rendering of the services with attention to the tariff reasonable principle complied with Federal Law 11445/07 and State Law 18309/09.

In August 2011, ARSAE-MG started the inspection of systems operated by the Company with the objective of verifying the due compliance to Normative Resolution 003/2010. Twelve inspections were made at locations operated by COPASA and produced appropriate report with an assessment of the rendered services and eventual recommendations of adequacy to the regulatory norms.

SISTEMAS DE GESTÃO





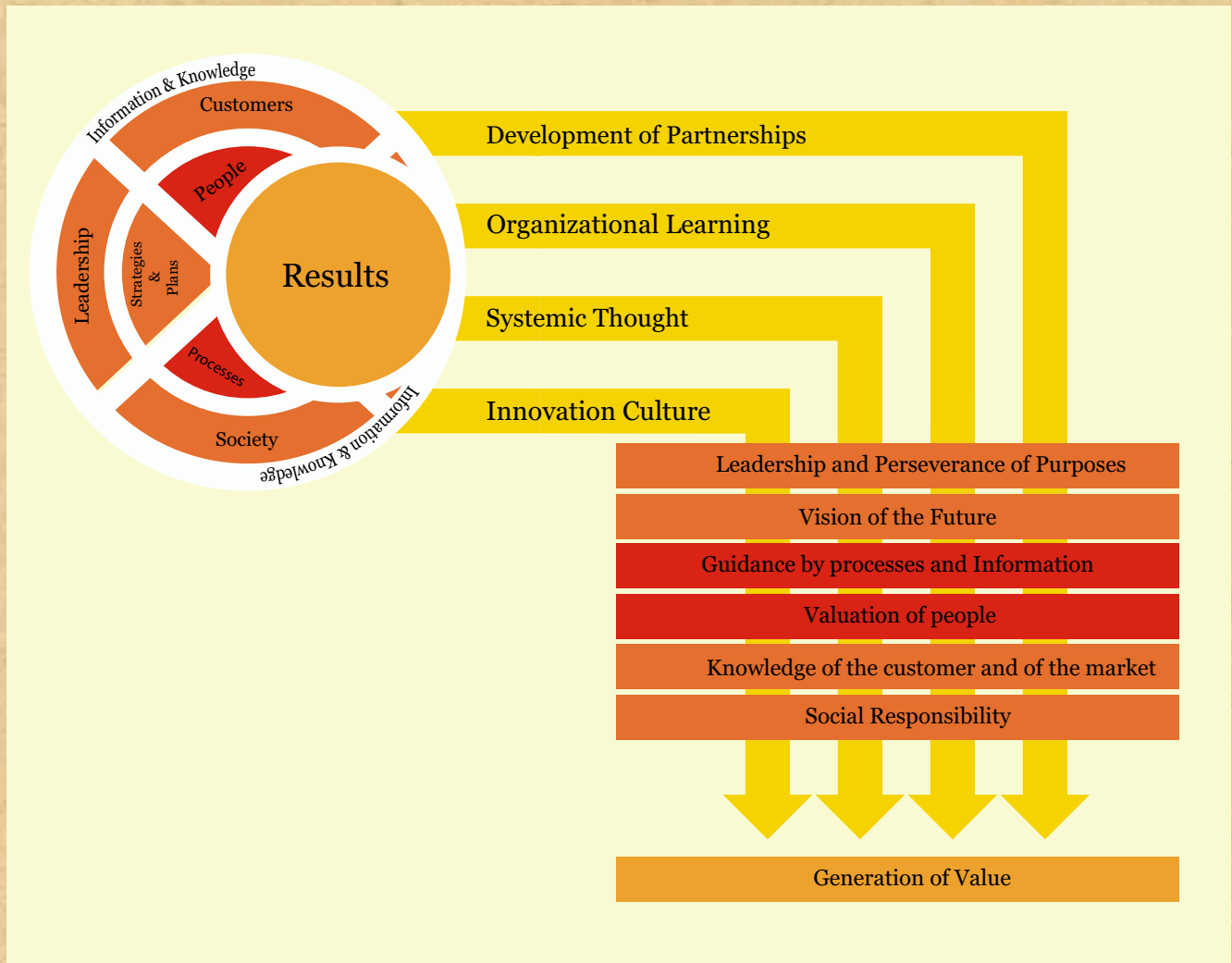
MANAGEMENT SYSTEMS

Innovating every year, at every attraction, at every opportunity to improve what is done. The challenge of changing without losing identity moves the Ponto de Partida Group and inspires Copasa to seek, in a continuous and systematic way, improvements in its processes and in its management, upgrading every year the way it handles the offered products and services.

Managing for Excellence

COPASA uses the Management Excellence Model (MEG) introduced into the country by Fundação Nacional da Qualidade (FNC) (Quality National Foundation) and recommended by Associação Brasileira de Engenharia Sanitária e Ambiental (ABES) (Brazilian Association of Sanitary and Environmental Engineering).

Management Excellence Model



The strategic planning demonstrates the emphasis given to the sustainable growth to which converges all of the Company's strategy. COPASA's commitment with the quality of its management is explicit in its vision: "to be acknowledged as a reference of corporate excellence". (GRI 4.8)

Strategic Map



Strategic Management: COPASA uses the Balanced Scorecard (BSC) as a monitoring tool of the principal strategic challenges by following the performance of the indicators established in the Institutional Performance Measuring System (SMDI) and of the plans of actions developed to ensure the achievement of the expected results.

The Corporate Management Development Support System (SADGE) subsidizes the performance assessment process of the organizational units, the variable remuneration and the improvement process of the management practices.

Variable Remuneration: COPASA uses a variable remuneration model applied to all organizational units which rewards the collective endeavors of the employees in case the targets defined for the performance indicators are reached. This remuneration consists of the following processes: Institutional Performance Bonus (GDI), the Employees Participation Program of the Company's Profits (PL), Managerial Performance Bonus (GDG) and Responsible of System Performance Bonus (GDES). (*See Remuneration per results*)

Performance Assessment: the Corporate Management Development Support System (SADGE) is used to promote and measure the implementation level of the excellence culture at COPASA. The percentages of attendance to the management assessment model compose the index indicators of the Management System Performance (DSG) and the Process Practices and Results Management (GPRP) that affect the variable remuneration of the managers.

Knowledge Management

The technical staff's knowledge and experience is one of the Company's competitive advantages which encourages actions to preserve documents, information, and technical and operational expertise of its employees.

COPASA encourages creativity, in order to improve or modify processes, facilities and equipment, to ensure a knowledge-conducive environment through the following practices:

Technical Archive: collection of approximately 185 thousand files consisting of projects, designs, descriptive memories, COPASA technical norms and standards, providing a source of the Company's historical and technical-operational aspects.

Corporate Library: gives employees the opportunity to broaden their knowledge, from a collection specialized in Sanitary Engineering and Environmental Sciences as well as materials that cover administrative areas of the Company. Its management is computerized allowing employees to search the collection through the intranet. Requests are answered daily and in 2011 there was an average of 751 loans per month. Due to the quality and comprehensiveness of the collection of approximately 37,250 records, the Library has established itself as a reference in the city and state, also serving outside public, especially researchers, teachers and students, as well as professionals of related institutions.

Work Groups: formed by professionals fully knowledgeable of issues relevant to the work objectives to be developed and submitted to the Executive Board for review COPASA

Technology Link/Technological Research and Development: To improve the knowledge-sharing practice, there is a link in the intranet called Technology/Research and Technological Development, which gathers the technologies introduced and/or prospected, trademarks and patents registered by COPASA at the Instituto Nacional da Propriedade Industrial (INPI).

Internal Multipliers: employees who act as facilitators and multipliers of information to other employees, aiming to expand the acquired knowledge and improve processes.

Payment of royalties: for any marketed patent, the inventor employee will receive 50% of the royalties levied on the net sales of licensed object.

Corporate Education Program (PEC): annual planning of corporate education actions, which are focused on the needs, goals and achieving results established by COPASACOPASA. Its development is subsidized by the Levantamento de Necessidades de Treinamento [Training Needs Assessment] (LNT), with the participation of all organizational units.

Trainee Program: designed for employees who wish to develop a systemic view of organizational processes and COPASACOPASA's management model. (*See Opportunities for All*). link

Standardization System: structured by regulations, standards managerial processes and operating procedure; and by control of external business documents (rules, ordinances, laws, etc.).

Commercial management

Rates: Services such as water supply and sewage collection and treatment are paid through rate calculations. The pricing policy applied by COPASA is regulated by the Regulatory Agency for Water Supply and Sanitation of Minas Gerais (ARSAE-MG).

Rates are differentiated by categories – social, residential, commercial, industrial and public – and consumer levels. Application of rates takes into account the economic and financial equilibrium of the utility company and the preservation of the social aspects of basic public sanitation services operated by COPASACOPASA.

Rates are progressive in relation to the billable volume, that is, those who consume more pay more per liter than those who consume less. This pricing policy benefits the population, which is aware of the need to preserve nature, reflected in water consumption education (*See Environmental Education*).

Following the provisions of Ruling No. 004/11 from the Agência Reguladora de Serviços de Abastecimento de Água e de Esgotamento Sanitário do Estado de Minas Gerais (ARSAE-MG), in 2011 rates for sewage collection and treatment services, increased from 60% to 75% of the water rates applied to users with this type of service. In 2012, it will increase to 90%. Sewage collection services with no treatment rose from 40% to 45% in 2011, and in 2012 it will increase to 50%.

Rate Readjustment: Rate readjustments are annual and previously approved and authorized by ARSAE-MG. In 2011, an average rate readjustment of 7.02% was applied, approved by Normative Resolution No. 004/2011 ARSAE-MG, of March 23rd, 2011.

Billing

COPASA has a diversified customer base, which helps to reduce dependence and exposure to a particular client or consumer group. In 2011, large clients – those who hold specific contract and volume demand, accounted for 5.7% of all billings.

COPASA works with different billing cycles, depending on the variation of time between the water meter reading and account due date, which impacts collection speed. There were two kinds of cycles in 2011: the shorter cycle (13 working days) was applied to 94% of all billings, corresponding to locations with better infrastructure access. The greater cycle (20 working days) was applied in locations with poor infrastructure access, representing 6% of all billings.

Delinquencies: COPASA has a collection policy that allows for one of the lowest delinquency rates among sanitation utility companies. At the end of 2011 the rate was 1.29%, one of the smallest in the country in the sanitation sector.

Delinquency		
2011	2010	2009
1,29%	1,32%	1,54%

Collection: COPASA's constant delinquency index decrease in recent years demonstrates the efficiency of the collection system and the policy of negotiating debts with large clients. In 2011, COPASA issued an average monthly debt notices of approximately 19.5% of all bills issued/month. The monthly average water supply interruption during that period was approximately 2.6% of all bills issued/month.

Debt Notices (monthly average)		
2011	2010	2009
19,54%	20,6%	20,54%

Water supply interruptions (monthly average)		
2011	2010	2009
2,63%	2,80%	2,91%

Individualized Measurement: the individualized measurement system can be deployed to any category such as residential, commercial, industrial, public or mixed. Locations that opt for individualized measuring receive one main water meter, and individual water meters, corresponding to the number of existing units. Reading can be done visually or remotely depending on the chosen model. In 2011, COPASA implemented individualized measurement systems in 52 locations.

COPASA's Hydrometer Park Statistical Management System (SIGEPH)

COPASA implemented a computerized system for analysis through statistical techniques, of specific databases of installed hydrometers.

The system was developed in partnership with the Economic, Administration and Accounting Research Institute Foundation of Minas Gerais. Hydrometer data is stored for 24 months, which helps obtaining performance indicators relating to the park's age, the need for resizing, results of the impacts of hydrometer replacements, the reasons for moving more relevant hydrometers, and allows for conclusions regarding meter performance and potential fraud and violations.

SIGEPH is housed in the Micro-measurement Quality Improvement Program (PMQM), consisting of a set of actions for managing COPASA's hydrometer park, including preventive maintenance of meters and replacement of hydrometers with low performance in measuring customer consumption volumes. Hydrometers are subjected legislation from the Legal Metrology (INMETRO Ordinance No. 246 of October 17th, 2000), which provides that "Periodic checks of hydrometers in use are made at intervals established by INMETRO, not exceeding five years". The PMQM will include the following segments:

- replacement of meters by age;
- resizing and modernization of the meter park;
- meet the demands of the Water Loss Reduction Program (PRPA);
- large consumers;
- special meters for research, squares and gardens.

Certified Management Systems

The Central Laboratory Quality Management System, located in Belo Horizonte, and the Integrated Service System (SATI) of the Araxá Operating Unit are both ISO 9001:2008 certified, audited by British Standards Institution (BSI). This certification indicates that products and services meet strict quality standards and specifications.

COPASA's Central Laboratory is ISO 9001:2000 certified since 2000. Since then, it has renewed the certification every six months. The last ISO 9001:2008 certification version was obtained in December 2011. Also in December 2011, the National Metrology, Standardization and Industrial Quality Institute (INMETRO) audited the Central Laboratory to verify adherence to the procedures, both to the management and technical systems, adopted by the Unit according to the requirements established by ABNT NBR ISO/IEC 17025:2005 regulations. This review is part of the ongoing process to maintain the initial accreditation obtained by the Laboratory from INMETRO in January 2010, which helped obtaining the Accreditation Certificate No. CRL 0474. The certificate is the formal recognition of the Central Laboratory's

technical competence to perform tests on water and sewerage samples, according to Normative Resolution No. 167/11 from the State Council for Environmental Policy (COPAM) and the Health Department Ordinance No. 2914/11, which replaced Ordinance No. 518/04.

In February 2009, COPASA's Hydrometric Laboratory obtained INMETRO specific certification number PMG-68 as an Authorized Test Station (PEA), according to requirements established by INMETRO Ordinance No. 066/00. This certification, issued by INMETRO Ordinance No. 072/09, verifies and ensures recognition of the Hydrometric Laboratory's ability and competence in performing the metrological tasks prescribed for recovery, assembly and verification of hydrometers. This laboratory is equipped with the latest equipment in a modern structure with control processes of the activities and computerized tracking of results, which ensures quality and reliability of services performed within the required quality standards.

In order to consolidate its recognition as a unit of excellence in its market, the Hydrometric Laboratory is implementing its quality management system as established by the most stringent technical and management requirements, in order to enhance its competence in carrying out activities and generating technically valid results which are recognized by INMETRO. After an audit in December 2011, INMETRO indicated the Hydrometric Laboratory for the NBR ISO/IEC 17025:2005 accreditation, confirming at an international level its standardization and harmonization of services, and increasing the reliability of results.

RESEARCH AND TECHNOLOGICAL INNOVATION

COPASA invests in the search for alternative technologies to solve problems related to water supply and sewage collection and treatment. The initiatives involve ongoing research which represents an enormous contribution to the improvement of Company's processes and methods, resulting in improved health for the population.

To improve the dissemination of knowledge and application of these solutions, a link discussing this specific subject was made available on an intranet. Besides disseminating the technologies and methodologies throughout the Company, this link allows for cost/benefit analysis of the development and reactivation of project portfolios as a basis for conducting research and/or prospects of new technologies and methodologies.

Automation Projects: COPASA invests in automation systems for water distribution and treatment processes, and sewage treatment as a way to leverage its technological development, optimize processes and reduce operational costs. In 2011, improvement to the data collector solution in the city of Varginha stood out under the Electromechanical Maintenance Management System (SIGMA), through sizing of the electromechanical maintenance teams, review and suggestions of improvements to electromechanical maintenance facilities of operating districts, enabling the restructuring of teams and departments for the proper execution of electromechanical services. In 2011, there were 23 teleoperation contract jobs and two automation contract jobs. Currently there are eight ongoing projects.

Some highlights in innovation and prospects:

Biogas Energy

COPASA continues its progress in designing the energy use of biogas and sludge generated during wastewater treatment. The project, developed for ETE Ibirité, proposes the use of biogas for both electricity generation and for thermal drying of sludge, which after drying is burned to generate heat to be used by dryer itself. This design project will result in a sewage treatment process with minimum residue volume and maximum utilization of energy. Biogas and sludge energy use studies have been initiated at five medium-sized

sewage treatment plants, two in the metropolitan area of Belo Horizonte (ETEs Onça and Betim Central) and three within the State of Minas Gerais (ETE Vieira in Montes Claros, ETE Rio Doce in Ipatinga, and ETE Curvelo).

Mobile Water Treatment Plant Design Studies

COPASA is testing a prototype of the latest generation Water Treatment Plant (ETA) in the Rio das Velhas System. Tests are being carried out by COPASA's technicians and engineers to be used in a mobile ETA, supervised and remotely teleoperated. The idea of evaluating the operability of a compact, mobile, teleoperated ETA was consolidated from a technical cooperation agreement signed between COPASA and *Gruenbeck*, a German company. A prototype was developed with the capacity to treat one liter of water per second, functioning almost as a multiple technology laboratory such as: laminar clarifier; hydrocyclone and rotary drum filter, intensive aerator, ultrafiltration and reverse osmosis with self-cleaning systems; flow measurement and analysis of physical-chemical parameters systems, in addition to automatically performing the dosage of chemicals. From these studies, it is possible to have a more efficient and viable view of the compact ETA, which can be transported in containers, allowing it to be moved to emergency situation locations.

New technology streamlines the process of communication with operational teams

COPASA's digital radio system is gradually being adopted by the operating units. It allows communication among employees while conducting field services, facilitating team management. The system is a pioneer initiative which uses modern digital radios and a software application that allows, in addition to sending text messages and voice transmission, to locate vehicles in the field using GPS, which facilitates service planning. The following projects were developed in 2011 for this department: implementation of digital radio in the Eastern and Southern districts of Belo Horizonte; installation of remote radio equipment in 19 cities from the Médio Rio Pomba District, located in the city of Leopoldina; development of the radio system maintenance control.

Sewer Unclogging Machine

The spiral cable sewer pipe unclogging machine is a fast, safe and versatile equipment, supplied with all the complementary accessories that allows for various application types, such as: clearing pipes clogged by clay, remove grease from drains, and clearing pipes clogged by roots and hardened materials. The machine allows the clearing of sewage system with greater security, since wires are no longer needed. Since its proven efficiency, this machine can now be found in the cities of Alfenas, Cláudio, Divino, Estrela do Sul, Pará de Minas and Santos Dumont.

Renewed Technology Increases Service Efficiency

In the past, the combined water jet and vacuum systems, used to clean the interceptors and sewage collection systems and debris removal were installed on large 15 and 17-ton trucks. Later, COPASA developed studies and created a new water jet/vacuum system for trucks with load capacity of up to nine tons, called mini combined. It has the same efficiency of the equipment mounted on large trucks. Because the mini combined is more compact, it has proved quite useful in cleaning systems in places where the roads are narrow, especially in the smaller cities. In addition to providing easier maneuvers, the new water jet and vacuum combined version is also more economical, with lower fuel consumption.

PEAD Pipeline

PEAD is a petrochemical material, obtained by the breakdown of resins PE80 and PE100. Studies carried out at COPASA concluded that the use of this material significantly contributes to reducing water loss in the systems. By using weldable joints, contact materials form a single unit, thus preventing leakage. The process uses a device that controls the voltage supplied to the connection and the time necessary to reach the temperature for melting and cooling of elements. PEAD allows

the implementation of a single network with continuous pipe, since the material is supplied in reels of up to 100 meters, which reduces the use of connections. Furthermore, as the tubes are light and flexible, laying them is faster and more economic, since they can be previously assembled and welded, outside the gutter. For this reason, gutters can be made smaller, reducing dirt removal and paving, thus reducing costs. PEAD networks are already being used with positive loss-reducing results in the cities of Campanha, Curvelo and Montes Claros, replacing the older networks.

INFORMATION TECHNOLOGY

COPASA's Information Technology (IT) infrastructure consists of equipment configured to serve the locations where the Company provides services in the State of Minas Gerais, enabling greater integration, data security and agility of Company processes. IT solutions are constantly evolving, adding technological improvements to the needs of its stakeholders. Through the COPASA website – www.copasa.com.br, customers and the general public have access to various services provided by the Company.

In 2011, COPASA started building a new data center, designed according to the best worldwide market practices, aiming to increase safety and availability of the Company's information systems such as:

Balanced Scorecard (BSC): enables the monitoring of strategic and operational indicators results, goals, comparative internal benchmarks and the performance of action plans developed by the organizational units.

Enterprise Resource Planning (ERP): management system for departments such as: finance, accounting, controlling, procurement, supplies and electronic purchasing, human resources, asset management, crisis management, fleet maintenance and management, self-service portal and new developments.

Electronic Document Management (GED): enables management, control, storage, sharing and retrieval of COPASA documents.

Intranet: enables publishing of contents, organizational unit sites, communication and applications for the entire company.

Commercial System (Sicom): enables control and monitoring of COPASA business processes such as metering, billing, collections, collection, among others. The Mobile Billing, a SICOM subsystem implemented in 2003, controls the reading, billing and issuance of online customer accounts. This technology was pioneered in Brazil and it was developed by COPASA technicians.

Business Management Development Support System (SADGE and SADGE Unit): allows for management practices according to the criteria that evaluate the adoption of the foundations of excellence established in the methodology of the National Quality Award in Sanitation (PNQS). The system was developed with internal technical resources and knowledge.

Electricity Control Information System (SICOE): allows control and management of energy expenses.

Water Quality Control System (SICQA): enables control of water quality analyzes results made by COPASA laboratories, as per specific legislation and regulatory agencies.

Water Production and Control System (SICPA): enables control of measurements the made in water treatment plants, monitoring the quality of treated water and the produced volume.

Geoprocessing System (CopaGIS): Geographic Information System (GIS) which captures, models, manipulates, retrieves, queries and analyzes geographically referenced data. In a web environment, it provides urban mapping registration, water and sewage network systems, project management, supply interruptions control, customers and operational services data.

3T Program – Telemetry, Telesupervision and Telecommand: remote, real-time monitoring of water supply in the metropolitan area of Belo Horizonte, allowing measurement and transport of operational data.

WEB-Energy: electricity use on-line information system. Enables real-time access to information on consumption, demand and potential savings opportunities for the Company's 50 most representative units of monthly electricity expenditure.

MANAGEMENT AND STRATEGY

Intellectual Property

COPASA owns 21 patents (brands and utility models), 40 brands and eight software applications, including the real-time reading and billing system with simultaneous invoice printing, filed with the National Industrial Property Institute (INPI) and holds rights to the trademark registration process at the INPI, including the following trademarks: COPASA, COPASA MG, Pipimóvel and COPASA – Minas Spring Water. It also owns the industrial design registration of the self-adhesive information stamp for the temporary suspension of public services supply.

Items already holding a Patent:

- Construction layout applied to a tube lined with creased diversion holes – MU7901013-0.
- Construction layouts applied to creased channels for sewage and industrial waste – MU8000076-2.
- Construction layouts applied to bottom of manhole inspection chambers – PI9603293-6.
- Construction layout applied to conical ceramic Selim – PI9302133-6.
- Manhole and maneuver chamber cover removal device – COVER REMOVER – PI9302134-8.
- Filtering media consisting of a mixture of oxidized manganese ore and ore tailings concentration for the public industry water supply treatment – MANGANESE DIOXIDE – PI9300779-5.
- Implementation process of elastic joint top in sewage collection, storm water and industrial waste networks – ELASTIC JOINT – PI0006683-4.

Inventions at the analysis process at the INPI:

- Mechanical disc thickener – MU8503051-1.
- Knurled bag applied to plastic connections- PI0300571-2.
- Pre Shaped Box for 1.5 m³/h or 3.0 m³/h Hydrometers at the Walkway – Temporary Protocol No. 14100003407.
- Building water connection splitter – PI0402620-9.
- Arrangement introduced in equipment for asphalt restoration and hole-fillings – MU8902066-9.
- Arrangement introduced in sewage treatment mobile stations – MU8803202-7.
- Portable device for making bags out of PVC tube – PI0406115-2.
- Multi-camera saturation dispenser – DSM – MU8003208-7.
- Equipment for preliminary treatment of sewage pumping – Temporary Protocol No. 14000029696.
- Ultra efficient laminar decantation modules – PI0106517-3.
- Process for building water connection on pavements and circular floor-cutting saw – MICROVALA – PI0504798-6.
- Process for building connection on pavements and circular floor-cutting saw PI0705660-5.
- Self-adhesive informational SEAL for temporary suspension of public service supply – DI5400603-1 (Registration Certificate – Industrial Design).
- Double support cover – PI0200973-0.

Trademarks filed with the INPI:

- Água Real – classes 32, 35 and 42.
- Araxá – class 32.
- Cambuquira – class 32.
- Caxambu – class 32.
- Caxambu Gourmet – classes 32, 35 and 42.
- Confiágua – Água Confiável – classes 32, 35 and 42.
- COPASA – Águas Minerais de Minas – classes 32, 35 and 42.
- COPASA – Rounded blue border – classes 32 and 42.
- COPASA - Blue border – class 40.
- COPASA - classes 32, 35, 37, 39, 40, 42 and 44.
- Lambari - class 32.
- Real-time reading meters.
- i Brand – classes 32, 35 and 42.
- Pipimóvel – classes 07 and 11.
- Life in the Valley Project – class 40.
- PRPA – class 40.
- SATI COPASA MG – class 35.
- SICOE – class 35.
- SIGMA COPASA MG – class 37.
- SPA – Health through Water – classes 32, 35 and 42.

Computer software registered at the INPI:

- Electronic purchasing.
- ANGGELOS – Automatic electronic messaging system.
- SIAGO – Operational Management Support Information System.
- SICOE – Electricity Control Information System.

- TELECOPASA – Telephone Control System.
- Real-time reading and billing system in with simultaneous printing of receipt and invoice.
- XGD – UNIX Directory Management.
- SIACOS – Operational Control, Monitoring and Information System.

Intangible Assets

The Social Communication Policy is one of the highlights of COPASA's Strategic Planning, demanding and valuing the promotion of clear, efficient and transparent communication with the public. This strategically focused policy enables the creation of some intangible assets, as shown in the table below.

Assets	
Widespread vision and mission	
Components	The Company's strategic planning is unequivocal evidence of the ongoing strive to consolidate its intangible assets, in seeking recognition as benchmark for business excellence.
Evidences	This knowledge is widely spread among all employees, which was confirmed in 2011 in the Company's endeavor to achieve the Platinum category of the PNQS.
Initiatives	In the State of Minas Gerais, all of the Company's units post signs displaying COPASA's vision, Strategic Planning and other guidelines.
Asset	
Company strength	
Components	The slogan "Water from Minas" demonstrates the ongoing search for the concept of an excellence driven public company from Minas, a symbol of equity and pride of Minas' residents. Many of the Company's values are rooted in credibility, transparency and services quality. This adds value to the company and helps build its reputation for excellence.
Evidences	The slogan is one of the company's informational and educational elements. COPASA's association with the slogan and the Government of Minas Gerais' image reinforces its characteristic of a public company.
Initiatives	The Company seeks to be intensively involved in all initiatives that are important to the perpetuation of the so-called "Minas values". This includes official values, from celebrations such as Minas Day and Minas Conspiracy, to cultural events such as festivals and celebrations which give the state of Minas Gerais its unique characteristics.
Asset	
Strategic presence in Minas Gerais	
Components	COPASA is present in all regions of Minas Gerais, working in 620 cities, managing large-sized plants and serving more than 13.6 million customers.
Evidences	COPASA operates in 73% of Minas, and is heavily involved in watershed committees, regional development agencies and, through its employees, organizations that are present throughout the state.

Initiatives

The following initiatives increase the perception of Company's strength and excellence throughout Minas Gerais: standardization of the fleet of over 3,000 vehicles; uniforms that identify more than 7,000 operational and administrative employees directly interacting with customers; and the existence of a visual identity manual which provides mechanisms that increase the company's visibility.

Intangible assets account for a significant portion of COPASA's value – intellectual capital, trademarks, copyrights, patents, franchises, internet domains, software – and gained credibility in the market, among others.

ECONOMIC DIMENSION





ECONOMIC DIMENSION

The main objective of those who go for a walk is to reach the destination. Once there, they have to turn it into a new starting point and keep walking. We must celebrate results, create new goals, turn risks into opportunities, take another step with the same enthusiasm as the first, but with the confidence as the penultimate; because there is no last step for those who want to improve and move forward.

ECONOMIC OUTLOOK

In the beginning of 2011, the Brazilian economy was still influenced by the strong growth of the previous year. The economy slowed down throughout the year, and 2011 closed with a Gross Domestic Product (GDP) growth of 2.7% and 6.5% inflation measured by the National Consumer Price Index (IPCA). This slowdown in growth was due to macro-prudential policies adopted by the Federal Government since the end of 2010 associated with elevation of the base interest rate by the Central Bank in the first half of 2011 in order to control an overheating economy and failure to comply with inflation targeting. Since August, with the intensification of international economic problems, especially in the Eurozone and the deceleration in domestic growth, the Central Bank initiated a new cycle of basic interest rate reduction which closed 2011 at 11.0%/year.

The performance of the Brazilian economy in 2012 will be influenced by the uncertainties of the global economy. However, it will be stimulated by the macroeconomic policies adopted by the government, and especially the reduction of interest rates.

In 2012, the sanitation sector will continue to generate opportunities and demanding massive investments, and COPASA plans to continue its policy of expansion and improvement of services rendered to society.

CONTROLLER FINANCIAL PERFORMANCE

Revenues

The controller's net operating revenues for water and sewage amounted to R\$2,509.6 million in 2011, an increase of 8.6% over the R\$2,311.2 million reported in 2010. This increase can be explained by the service increase, due to COPASA's effort to increase service coverage in the State of Minas Gerais; due to the 7.02% rate increase approved by the Regulatory Agency, whose full impact was felt since late May 2011; and due to the sewer rate collection percentage changes, because Sewage Treatment Plants (ETEs) started their operations in several cities throughout the year.

Following is a comparative table of water and sewer net operating revenue in 2011 and 2010:

R\$ thousands	2011	2010	2011 / 2010
Net Revenue – Water	1.783.983	1.713.916	4,09%
Net Revenue – Sewer	725.627	597.321	21,48%
Total Net Revenue	2.509.611	2.311.237	8,58%

As can be seen, the evolution of water and sewer revenue happened differently in the period being analyzed. The increase in sewer rate percentage billing from 40% to 45% of the water rate happens when sewer is only collected, and increase from 60% to 75% when the sewage is

treated. Offset by a reduction in the water rate, it resulted in a significant sewer revenue growth compared to that obtained with water services.

Costs and Expenses

The sum of service costs, administrative expenses and commercial expenses totaled R\$1,754.3 million in the 2011 fiscal year, compared to R\$1,630.9 million reported in the 2010 fiscal year. If depreciation and amortization are disregarded, the increase in costs and expenses was 6.5%. The following table shows in detail the Company's costs in 2011 and 2010:

R\$ thousands	2011	2010	2011 / 2010
Service Costs + Commercial and Administrative Expenses	1.754.301	1.630.925	7,56%
Personnel	821.946	741.848	10,80%
Depreciations and amortizations	304.497	268.928	13,23%
Electricity	221.999	214.434	3,53%
Outsourced services	236.672	225.905	4,77%
Material	99.105	91.732	8,04%
Other operating costs	33.907	32.306	4,96%
Rate transferring	63.073	56.684	11,27%
Provision for loan losses	43.972	49.433	-11,05%
Tax credits	(70.871)	(50.345)	40,77%
Service Costs + Commercial and Administrative Expenses (without depreciations/amortizations)	1.449.804	1.361.997	6,45%

The items that most contributed to COPASA's costs increase in 2011 compared with 2010 were:

- Personnel: a 10.8% increase mainly due to the Collective Agreement signed in July 2011, retroactive to May 1st, 2011, which is the Company's base date;
- Depreciations and amortizations: a 13.2% increase due to the start of asset depreciation/amortization, with the incorporation of capital assets and completed jobs during the comparative period.

On the other hand, there was a reduction in Item Provision for Loan Losses, due to a change in 2010, in the manner of accounting for interest and monetary adjustment of delinquent customers' bills. In addition, there was a 40.8% increase in tax credits due to the incorporation of capital assets and completion of jobs since December 2010, which were depreciated/amortized as of January 2011.

Revenue and Construction Costs

According to Statement No. 17 of the Accounting Pronouncements Committee (CPC), the Company reported construction revenues of R\$701.3 million (R\$915.5 million in 2010), with construction costs in the amount of R\$687.3 million (R\$893.6 million in 2010), thus making a net construction revenue of R\$14.0 million compared to R\$21.9 million the previous year. The

fall in the recorded values is due to the decreased Company investments in 2011.

Given that construction net revenue results have no effect on cash, the Company does not include it in the EBITDA calculation, because it believes that this figure represents only an economic gain. However, its accounting has implications in the year that is recognized, since its net income is part of the calculation basis for the payment of interest on personal capital/dividends, and in employee profit participation.

Following is a comparative table of building revenue in the last two years:

R\$ thousands	2011	2010	2011/2010
Building Revenue	701.256	915.508	-23,40%
Construction Cost	(687.301)	(893.606)	-23,09%
Net Construction Revenue	13.955	21.902	-36,28%

Other Operational Revenues (Expenses)

The comparative basis was impaired, since R\$313.1 million was recorded in 2010 as non-deductible provision reversal. Such accounting is due to the provision reversal of the net actuarial liability resulted from the Company's welfare strategy which consisted in the closure of the Defined Benefit Plan, and the creation of COPASA's Settled Plans and COPASA's Defined Contribution (CD). (GRI 3.10)

Other Operational Revenues (Expenses) (R\$ thousands)	2011	2010	2011 / 2010
Other Operational Revenues			
Technical services revenue	2.046	3.223	
Non-deductible provision reversal	28.045	334.081	
Recovery of write-off accounts	30.420	43.918	
Other revenues	18.191	9.339	
Other Operational Revenues Total	78.702	390.561	-79,85%
Other Operational Expenses			
Eventual or special losses	(52.503)	(74.610)	
Other expenses	(10.883)	(13.350)	
Other Operational Expenses Total	(63.386)	(87.960)	-27,94%
Other net operational revenues (expenses) total	15.316	302.601	-94,94%

Company's Operating Results

Em relação ao resultado operacional, a COPASA apresentou, em 2011, elevação das receitas dRegarding operating results, in 2011COPASA presented an 8.6% increase in water and sewer revenues, while service costs added to the commercial and administrative expenses (excluding depreciation and amortization) increased by 6 5%. In the same comparative period, other net operational revenues (expenses) decreased by 94.9% due to the extraordinary provision rever-

sal of the net actuarial liability in 2010. This reversal affects the EBITDA comparison of 2011 with the previous year.

EBITDA* Calculation (R\$ Thousands)	2011	2010	2011 / 2010
(+) Water and sewer net revenue (a)	2.509.611	2.311.237	8,58%
(+) Service costs + commercial and administrative expenses	(1.754.301)	(1.630.925)	7,56%
(+) Depreciations and amortizations	304.497	268.928	13,23%
(=) Service costs + commercial and administrative expenses (without depreciations and amortizations) (b)	(1.449.804)	(1.361.997)	6,45%
(+) Other operational revenues	78.702	390.561	-79,85%
(+) Other operational expenses	(63.386)	(87.960)	-27,94%
(=) Other net revenues (expenses) (c)	15.316	302.601	-94,94%
(+) Operating results of the Subsidiaries (d)	(9.235)	(15.443)	-40,20%
EBITDA (a)+(b)+(c)+(d)	1.065.888	1.236.398	-13,79%
EBITDA** Margin	40,91%	45,56%	

*The Company does not consider construction revenues (costs) in the EBITDA calculation, considering that this net result has no effect on cash and represents only an economic gain.

**The EBITDA margin is calculated by adding the total Net Service Revenue and revenues from the subsidiaries, which amounted to R\$17.1 million (2011) and R\$12.1 million (2010). (GRI 3.9)

However, if we disregard the extraordinary provision reversal of the net actuarial liability in 2010, the adjusted EBITDA would be:

Adjusted EBITDA Calculation (R\$ Thousands)	2011	2010	2011 / 2010
EBITDA	1.065.888	1.236.398	-13,79%
EBITDA Margin	40,91%	45,56%	
(-) Actuarial Liability Reversal		(313.073)	
Adjusted EBITDA	1.065.888	923.325	15,44%
Adjusted EBITDA margin	40,91%	38,46%	

Net Income and Profitability

In 2011, the controller's net income was R\$470.4 million, which meant a 10.5% Net Equity return. The comparison with the previous year is impaired due to the net actuarial liability reversal provision of R\$313.1 million in 2010. However, if we excluded this reversal and its impact on income tax and social contributions on net income, we would see a stable net income in the comparative periods.

R\$ thousands	2011	2010
Net Profit	470,437	677,125
Profit (Loss) per Share	4.09	5.89

Shareholder returns

In compliance with the Dividend Policy approved by the Ordinary and Extraordinary General Meeting (AGO/E) held on April 28th, 2009, the Company's Board of Directors decided, for the year 2011, to distribute dividends according to Interest on Capital (JCP) of 35% (thirty five percent) of net income, adjusted by the decrease or increase of the values specified in Items I, II and III of Article 202 of Legislation 6404/76. This percentage is above the minimum legal and statutory amount.

Such distributions have happened according to JCP, ad referendum of the Ordinary General Meeting, as provided in its bylaws. At the Shareholders General Meeting distributions are ratified for the year. In following table shows the JCP statements for 2011.

Reference	RCA Date	Credit Date	Gross value (R\$ millions)	Gross value per share (R\$/share)	Payment Date
1T11	25/03/2011	31/03/2011	39,4	0,34	23/05/2011
2T11	27/06/2011	06/07/2011	41,4	0,36	26/08/2011
3T11	16/09/2011	21/09/2011	42,5	0,37	14/11/2011
4T11	29/02/2012	13/03/2012	29,8	0,25	to be defined
Total de 2011			153,1	1,33	

The Board of Directors has approved maintaining the distribution of JCP dividends for 2012 at 35% of the net income, adjusted according to Article 202 of Legislation 6404/76.

The Administration Board will be responsible for the defining the percentage to be distributed to shareholders until the end of the first quarter of each financial year, as defined in the Dividend Policy. This definition will take place after evaluating the Company's results, its investment prospects and the performance of the Market Expansion Program.

This proposed percentage will be at most 50% of the net income, with quarterly distributions and payments within 60 days after distribution.

Debt

The Company ended 2011 with a total debt of R\$2.96 billion, including financing and other obligations (PREVIMINAS and Cemig). Of this total, only R\$55.8 million is indexed to the dollar. The Company maintains a security deposit of R\$35.2 million with Banco do Brasil. This security deposit is adjusted by applying average prices of zero-coupon bonds of the United States Treasury and will pay off its last installment due in 2024.

The short-term debt at end of the fiscal year was R\$575.0 million, and the Company had R\$241.5 million in cash and short-term investments. Moreover, R\$70.0 million of this debt is related to the convertible debentures whose conversion option may be exercised by the BNDE-Sup to the end of May 2012.

The net debt amounted to R\$2.71 billion, and the Net Debt/EBITDA ratio was 2.5.

The following table lists the balances and main features of financings in December 31st, 2011:

Financing Line (R\$/Thousands)	Fixed Rate (Annual)	Variable Rate	Contract Expiration Date	Outstanding Balance 12/31/11
<i>In Brazilian currency (Reais)</i>				
Fgts* Resources	9,87%	TR	16/02/2031	728.720
BDMG (SOMMA)	9,03%	IGP-M	26/11/2016	12.473
National Treasury	5,38%	TR	01/01/2014	78.681
Promissory Notes **			18/07/2012	155.924
BNDES/BNE	1,56%	TJLP	15/06/2023	588.047
Bndes/Debentures 1 st Issue	3,58%	TJLP	15/07/2014	120.356
Bndes/Debentures 2 nd Issue	2,30%	TJLP	15/12/2019	135.035
Bndes/Debentures 3 rd Issue	2,30%	TJLP	03/06/2013	381.733
Bndes/Debentures 4 th Issue				
1 st SERIES	1,55%	TJLP	15/12/2022	225.605
2 nd SERIES	9,05%	IPCA	17/12/2019	37.300
CEF/Debentures 5 th Issue	9,00%	TR	30/09/2031	290.335
<i>Other Obligations</i>				
CEMIG	6,00%	IGP-M	10/06/2012	19.228
PREVIMINAS	6,00%	INPC	05/12/2020	127.565
<i>In foreign currency (U.S. Dollars)</i>				
FEDERAL UNION – BONUS***	4,71%	US\$	30/04/2024	55.750
TOTAL GROSS DEBT				2.956.752
Cash And Cash Equivalents				241.536
NET DEBT				2.715.217

* FGTS (Fundo de Garantia do Tempo de Serviço) [Dismissal Compensation Fund] Resources: CEF (Caixa Econômica Federal), Bradesco, Itaú and Unibanco.

** Promissory notes interest rates are 102.5% of the CDI.

*** Average rate (Libor + Spread) of several bonuses.

The average interest rates of these loans and financings was 8.7%/year on December 31st, 2010, and some financing lines also exhibit their outstanding balances tied to specific indexes, such as: FGTS, National Treasury and CEF (Caixa Econômica Federal) 5th Issue (TR), BDMG Somma and CEMIG (IGP), BNDES 2nd series of the 4th Issue (IPCA), PREVIMINAS (INPC) and the Federal Government (U.S. dollars).

Financings Negotiated in 2011

Caixa Econômica Federal:

- Financing contracts totaling R\$19 million were awarded between March and August 2011, and its funds are intended for the purchasing of bulldozers and hydrometers under the *Machinery and Equipment Financing Program* (FINAME).
The deadline for debt repayment is 96 months, with a 24-month grace period. Financial cost ranges from 5.5% to 8.7% per year.
- In October 2011, a financing contract worth R\$82 million was signed, and its funds are

intended to the establishment of sewage systems, interceptors, household connections and execution of jobs related to the security of the enterprise (drainage and paving) in the cities of Contagem and Belo Horizonte, which make up the Bacia da Pampulha, able to benefit an estimated population of 80,000 people. This contract is related to the Sanitation for All Program.

- In November 2011, a financing contract worth R\$12.3 million was signed, and its funds are intended to sanitary sewage system expansion programs of the city of Santa Luzia. This contract is related to the *Sanitation for All Program*.
The deadline for debt repayment is 240 months, with a 44-month grace period. Financial cost is 7.3% per year, added to the Referential Interest Rate (TR).
- In October 2011, a financing contract worth R\$63.5 million was signed, and its funds are intended to the establishment of detention basins along the Córrego Ferrugem, in the cities of Belo Horizonte and Contagem (1st stage), able to benefit an estimated population of 8.5 thousand people. This contract is related to the Sanitation for All Program.
The deadline for debt repayment is 240 months, with a 38-month grace period. Financial cost is 7.3% per year, added to the Referential Interest Rate (TR).
- In November 2011, a financing contract worth R\$74.7 million was signed, and its funds are intended for sewage systems expansion programs. R\$34.9 million is destined to the city of São Sebastião do Paraíso and R\$39.8 million to the city of Cataguases.
The deadline for debt repayment is 240 months, with a 36-month grace period. Financial cost is 7.3% per year, added to the Referential Interest Rate (TR).

Caixa Econômica Federal – Debentures/5th Issue (R\$288 million)

On August 4th, 2011, COPASA signed a Private Deed Instrument of the 5th Issue of Private Offering of non-convertible Simple Debentures, of the Collateral Guaranteed Species. This issuance is comprised of 288 thousand simple debentures, with a nominal value per unit of R\$1.0 thousand, totaling R\$288.0 million in a single series. The issuance took place on September 20th, 2011, and the subscription and payment took place on October 27th, 2011.

The proceeds from this issuance are intended to implement COPASA's Investment Plan, which includes the completion of implementation of the Northwest Pipeline Integration in Belo Horizonte Metropolitan Region (RMBH); expansion of the BHMA Sewage System – Arrudas Sewage Treatment Plant; completion of the implementation of the Central Sewage Treatment Plant in the city of Betim; and completion of the Sanitary Sewage System of the city of Contagem.

KfW Bank (€ 100.0 million)

In November 2011, a financing contract in the amount of € 100.0 million was signed with German bank *Kreditanstalt für Wiederaufbau* – KfW. These resources will be applied to the “*Decontamination of the Water Basin of the Paraopeba River*” Program, specifically for building Sewer Treatment Stations for residue treatment, use of biogas energy, technical and socio-environmental protection of water sources of the Paraopeba River Basin.

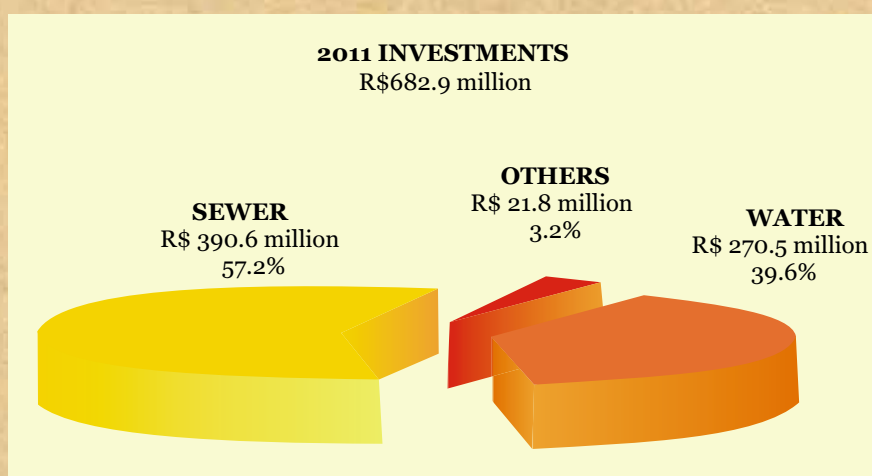
The main financing conditions are:

- grace period: 3 years;
- debt amortization term: 9 years with semiannual payments;
- interest rate: 2.07% per year;
- arrears interest rate: 0.25% over an amount not yet; and
- administrative fee: 0.5% over the financed amount.

On December 31st, 2011, COPASA had contracted loans from Banco Nacional do Desenvolvimento (BNDES) and Caixa Econômica Federal in the amount of R\$1.07 billion, to be disbursed and accounted for as they are used, as well as resources originating from KfW contracts. These funds will be used in the Company's Investment Program.

INVESTMENTS

Investments in 2011 totaled R\$682.9 million. Of this total, R\$270.5 million was invested in water supply systems, R\$390.6 million went to collection and sewage treatment systems, and the remaining R\$21.8 million was invested in development programs, general goods and others.



Besides its own resources, the main sources of funds used to make the investments were loans from Caixa Econômica Federal and BNDES.

Work at the Rio das Velhas Production System was concluded, which resulted in increased water production capacity. Work at the Blue Line was also completed, which connects the Rio das Velhas Producer System to the Paraopeba System, in order to ensure water supply to the Belo Horizonte Metropolitan Region (RMBH) population. In addition to these investments in the metropolitan integrated production system, other investments are highlighted for the expansion of service capacity of water supply systems in several cities, such as: Itamarandiba, Jaíba, Santa Bárbara and Teófilo Otoni.

Investment in sanitary sewage systems refers mainly to those of decontamination of the for the Rio das Velhas Basin and the establishment of the sanitary sewage systems of Esmeraldas, Jaboticatubas and Jequitinhonha; the ongoing construction projects of the Sewage Treatment Plants (ETEs) in Pará de Minas, Patos de Minas, Santo Antonio do Monte and Teófilo Otoni; the expansion of the sanitary sewerage systems of Esmeraldas, Pouso Alegre, Ribeirão das Neves, Santa Luzia, and Santa Rita do Sapucaí.

CAPITAL MARKET

Corporate structure and Stock Performance

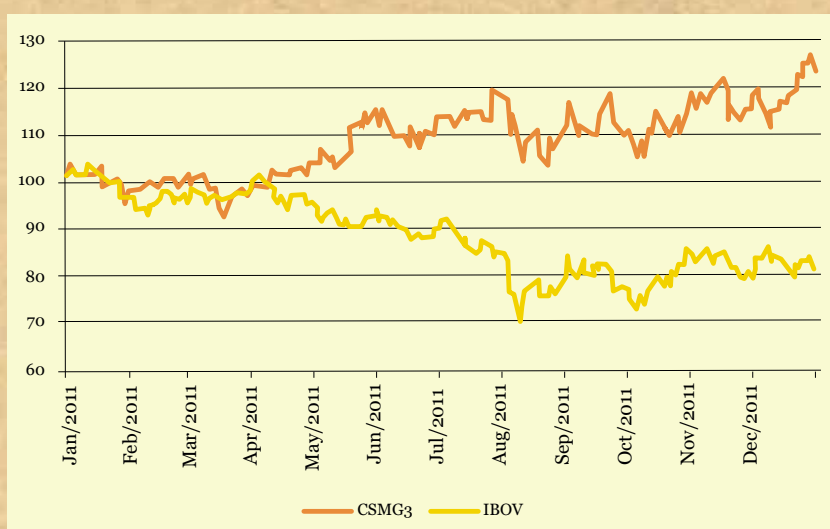
COPASA is listed on BOVESPA's New Market under the CSMG3 ticker, with shares traded since February 2006. Its capital stock is R\$2.64 billion represented by 115,300,760 shares, of which 53.1% belong to the state of Minas Gerais, 46.6% are in circulation (free float) and the remaining 0.32% is held in treasury, as shown below:

Shareholding position as of 12/31/2011

Shareholder	Ações	(%)
State of Minas Gerais	61.188.867	53,1%
Administrators	1.772	-
Other Shareholders	53.739.945	46,6%
Treasury Shares	370.176	0,3%
Total	115.300.760	100,00%

The Company also has 1,096,047 convertible debentures in 4,384,188 shares. 50% of them have a conversion deadline of May 31st, 2012, and the remainder is due on May 31st, 2013. If the debenture holders opt for conversion, the number of Company shares will rise to 119,684,948 and the share capital will be lower than the minimum authorized of R\$3.0 billion. In this case, the controlling shareholder would represent 51.1% of the Company's capital.

The performance of the share price, adjusted for interest on capital/dividends, showed an increase of 23.3% in 2011, and in the same period, the Ibovespa index dropped 18.1%. On December 31st, 2011, the unit price of the shares was R\$33.40, and the Company's market value amounted to R\$3.84 billion. The comparative chart below shows COPASA's stock performance compared to Ibovespa:



Another important point is the increase of COPASA's share liquidity in 2011, compared to the previous year. The average daily trading volume was R\$7.1 million, with an average of 1,151 trades per day, being present in 100% of the sessions. Its base was formed by about 2,500 shareholders in 37 countries.

To promote the liquidity of its shares, the Company counts with the BTG Pactual to act as market maker.

COPASA's shares represent an important part of the BM&FBOVESPA indexes, such as the IBrX-Brasil index (which lists the 100 most liquid shares of the stock market); the Índice de ações com Tag Along Diferenciado [Differentiated Tag Along Index Shares] (ITAG); the Corporate Governance Differential Index (IGC); the Small Caps Index (SMLL); and the Corporate Trade Governance Index (IGCT).

Moreover, COPASA was selected to integrate the theoretical portfolio of the Corporate Sustainability Index (ISE BM&FBOVESPA) again in 2012. The portfolio brings together companies that have a strong commitment to sustainability and environmental responsibility.

COMMERCIAL AND OPERATIONAL PERFORMANCE

Service Data (GRI 2.8)

The population who received water supply by the Company (including the Controller and COPANOR) increased by 457 thousand people, an increase of 3.5%, reaching about 13.6 million people at the end of 2011. This performance resulted from an increase of 134 thousand new water connections from the Controller and COPANOR.

COPASA – Consolidated¹ WATER SUPPLY SERVICE

ITEM	UNITS	2011	2010
Cities with Concession	Number	620	615
Cities with Operation	Number	606	603
Population Served	Thousand people	13.614	13.157
Connections Billed	Thousand units	3.635	3.501
Network Extension	Km	43.906	43.544
Water Volume Billed	1.000 m ³ /ano	649.706	628.902

¹ Consolidated data (includes locations operated by the subsidiary COPANOR). (GRI 2.7)

With respect to sewage systems, the expansion was even greater as a result of efforts made to increase service coverage. The number of cities served increased from 159 in 2010 to 176 in 2011, benefiting a total population of 8.3 million, an increase of 516 thousand of people served.

This service is performed through 2.1 million sewage connections, an increase of 156 thousand connections (8.0%) compared to 2010. Of these, about 81 thousand refer to the beginning of operation and invoicing of new locations. The collection system expanded 1,791 km, totaling over 18.1 thousand km.

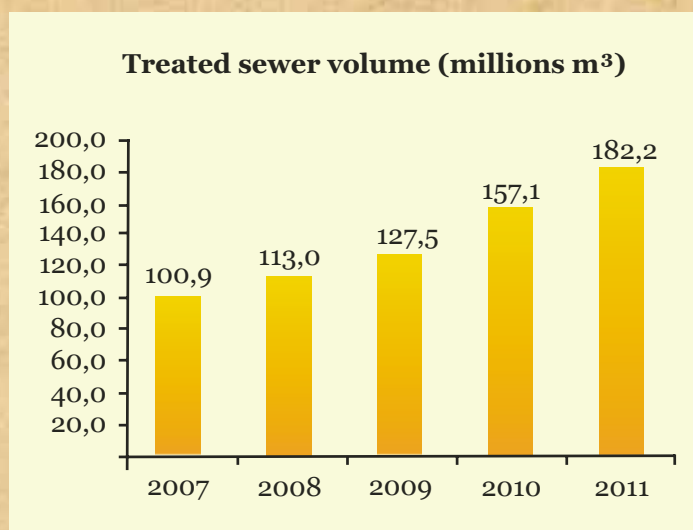
COPASA SERVICE WITH SANITARY SEWAGE

ITEM	UNITS	2011	2010
Cities with Concession	Number	225	213
Cities with Operation	Number	176	159
Connections Billed	Thousand units	2.111	1.956
Population Served	Thousand people	8.270	7.754
Network Extension	Km	18.105	16.314
Sewer Volume Billed	1.000 m ³ /ano	402.552	382.273
Sewer Volume Treated	1.000 m ³ /ano	182.211	157.062

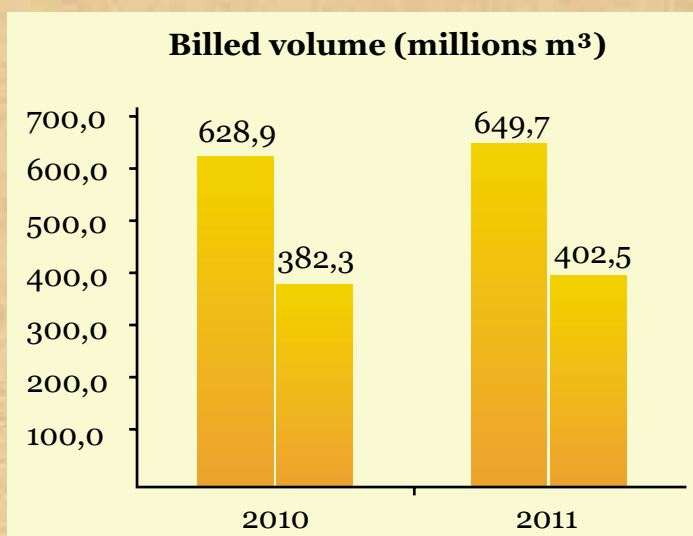
(GRI 2.7)

There was a breakthrough volume of sewage treated by the Company, which reached 182.2 billion liters, an increase of 16.0% over the previous year, due to start-up of eight new Sewage

Treatment Plants (ETEs) in cities throughout the State of Minas Gerais, among which are: Araçuaí, Curvelo (San Antonio) and Itajubá (Sapucaí).



In 2011, the Company’s expansion increased the volume of billed water at 20.8 billion liters (3.3%) and the volume of billed sewer at 20.3 billion liters (5.3%). The expansion of water supply and sanitation sewage services in locations that were already being served, and beginning of sewer systems billings in new locations such as Cataguases, Pedra Azul, Perdões, São Sebastião do Paraíso, and Sarzedo and contributed significantly to this growth.



Personnel productivity results – measured by the ratio employees/1,000 connections (water + sewage), rose from 2.12 employees/1,000 connections in 2010 to 2.04 in 2011, mainly due to the increase of sewage connections.

The following table represents the performance of some operational/commercial indicators for the indicated period:

COPASA – Consolidated OPERATIONAL/COMMERCIAL PERFORMANCE INDICATORS (GRI 2.8)

ITEM	UNITS	2011	2010
1 – Employees¹	Number	11.717	11.579
2 – Employees/Connections (A+E)	Emp./thou. Conn.	2,04	2,12
3 – Volume Billed WATER	1.000 m ³ / year	649.706	628.902
SEWER	1.000 m ³ / year	402.552	382.273
TOTAL	1.000 m ³ / year	1.052.258	1.011.175
4 – Water Volume produced	1.000 m ³ / year	912.281	892.997
5 – Hydrometering Index ²	%	99,95	99,91
6 – Billing Loss Index ³ and ²	%	28,9	29,6
7 – Water not Converted into Revenue ²	l/connections/ day	230,6	236,4

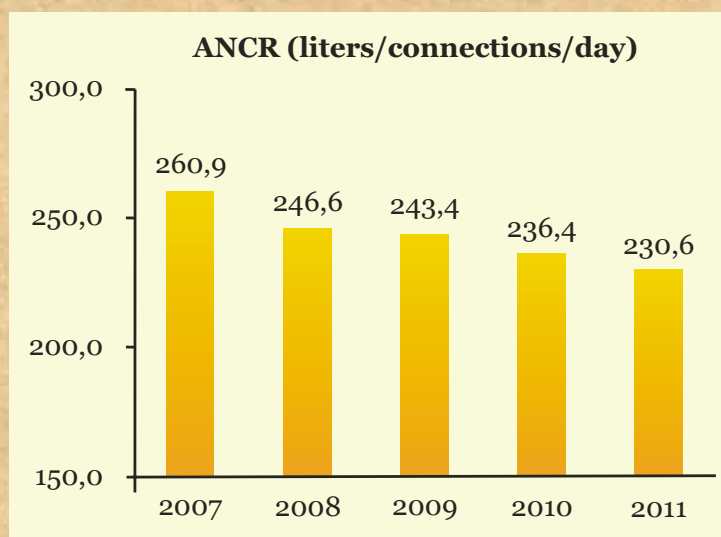
¹Consolidated (COPASA + COPANOR)

²Controller's Data

³Annual Average

The Water not Converted into Revenue (ANCR) indicator, which represents the difference between distributed volume and the amount actually consumed by users, due largely to the actual water loss resulting from the rupture of pipes, theft and measurement inaccuracies, reached 230.6 l/connections/day in 2011, down from 236.4 l/connections/day in 2010.

This indicator is one of the most used and most important in the industry, and the Company's results are being used as reference by sanitation companies throughout the country.



Based on data accumulated since January 1998, the total delinquency rate – which corresponds to the ratio between the balance of accounts receivable and the total amount billed – improved in 2011, reaching 1.29% and is considered one of the best in the country and a reference for the other companies operating in the sector.

	2011	2010
TOTAL DELINQUENCIES	1,29 %	1,32 %

The Company’s delinquency rates have been declining steadily in recent years as a result of a consistent commercial policy, which includes the development of effective collection actions, and policy of negotiating debts with large customers and public administration organizations.

KEY RISKS AND OPPORTUNITIES (GRI 1.2; EC2)

The ability to identify risks and capitalize on opportunities is essential to ensure the company’s sustainability. In the process of developing the strategic plan, business risks that may affect the Company’s proper functioning and sustainable development are identified and analyzed. This identification allows the Company to take a proactive role with the goal of managing these risks.

COPASA’s main business risks	
Business Risks	Unilateral termination of the concession contracts
	Non-renewal of concession contracts
	Not achieving Market Expansion goals
	Reduction of customer satisfaction rates
Operational Risks	Expiration of water and sewage systems lifespan
	A significant increase in water loss
	Impacts related to drought and floods
Financial Risks	Revenue reduction
	Cost increase
	Restricted financial resources for investments
	Increased delinquency rates by public organizations
Environmental Risks	Reduction of watershed production capacity
	Pollution of the production source
	Actions of the Government and environmental agencies actions, due to environmental liabilities
Legal and Economic-Financial Risks	Effects of Service Regulations
	Regulation of Sanitation Legislation No. 11445/07
	Increased costs arising from legal impositions
	Uncertainties about the role of the regulating agency, particularly concerning rates
	Expenses for renovation and acquisition of new concessions

COPASA has business contingency action, which foresees immediate actions to situations such as contamination of water supplies, floods, epidemics and outbreaks, drastic flow reduction of surface and groundwater, prolonged drought and chemical leakage, among others. Any occurrences are discussed in management meetings, where sufficient preventive actions are determined in order to prevent recurrence.

This practice is connected to a methodology of communicating relevant events to the Executive Board called SOS COPASA, a crisis management program that enables proactive actions in searching for solutions to possible events which may affect the Company image.

As for opportunities, the strengths listed below provide COPASA conditions to seek new opportunities to operate in the sector, decreasing business risks:

Balanced financial situation

Consistent cash flow and financial strength enables COPASA to access financing sources on favorable terms for the implementation of its growth strategy. Its customer base is diverse and broken down, especially the residential consumption sector, equivalent to 68% of revenue, which helps reduce the Company's dependence or exposure to a particular client or consumer group. The ten largest customers account for only 6% of revenue and the top 50 account for only 8%.

In addition, all water supply and sanitation service revenues are supported by formal instruments of long-term concession contracts and program contracts.

Scale and scope gains due to capillarity

Studies indicate that viability in the sanitation sector is mainly due to operational scale of the business. COPASA has the opportunity to optimize its costs through scale gains arising from the large number of water concessions. Furthermore, it can optimize costs through scope gains from its two concessions (water and sewer) in a significant number of cities. The solid waste operation can further contribute to the expansion of scale and scope gains.

Perceived quality

COPASA meets the regulations of Ordinance 2914/11 from the Health Department, which establishes the quality standards to sanitation service providers. Compliance has assured consumer and media recognition, which can be measured through satisfaction surveys and by winning several nationally recognized awards.

Low delinquency rate

COPASA has one of the lowest delinquency rates among the state sanitation companies in Brazil, due to the efficiency of its billing system. The delinquency rates have been declining steadily in recent years, reaching 1.29% in 2011.

Availability of water resources granted above the current needs

COPASA holds concession for most of the springs used as water sources. It also has ownership or rights to almost all of the lands where these springs are located. Thus, the Company manages to preserve the quality of much of its springs (water sources), preventing the invasion of land and deforestation of the nearby areas. The availability of water resources, combined with the Environmental Conservation Policy, has allowed COPASA to avoid implementation of rationing policies throughout its history.

Technical expertise

Because COPASA has operated for 49 years in a state with diverse economic, social, climate, cultural and geographical characteristics allowed the development of engineering and management specialists with extensive knowledge of the sanitation sector. The Company also provides technical assistance in other states and abroad.

Excellence benchmark of in the sector

The adequate business infrastructure, the technical and operational performance, and the history of quest for excellence, resulted in the unprecedented achievement of the award in the sanitation industry, the Prêmio Nacional da Qualidade em Saneamento [National Quality Award in Sanitation] (PNQS), where COPASA won the Troféu Ouro – Rumo a Excelência [Golden Trophy – Towards Excellence] (PNQS 2010), and the Platinum Trophy, Level III (PNQS 2011).

KEY STRATEGIES (GRI 4.11)

In 2010/2011, the Strategic Planning Review Project continued focusing on COPASA's organizational structure review. Following management policies are highlighted:

Practice a management model based in Strategic Planning, focusing on business sustainability

COPASA established the Management Excellence Model (MEG), proposed by the National Quality Foundation (FNQ) as the management model to be practiced throughout the Company. It expresses internationally recognized management concepts that translate into the practices found in “world class” organizations. To that end, the World Class Management Strategic Project was established.

Identify and evaluate new business opportunities in Brazil and abroad

COPASA's participation in new businesses or new partnerships follows the guidelines recommended by its New Business Policy: improving the Company's performance in Brazil and abroad; participate in national and international events which have new business prospects; promote the integration of organizational units involved in new business viabilities; and implement the most appropriate model for the Company in each new business.

Estabelecer estratégias para atuação no mercado de resíduos sólidos

COPASA established the Solid Waste Policy with the following guidelines: assess and evaluate the solid waste market; work individually or in partnership with public and private entities and agencies; and ensure the economic and environmental sustainability in the provision of solid waste services.

Establish strategies for operations in the solid waste market

Social Responsibility Management Policy Guidelines are: ensure that all social responsibility actions contribute to sustainable development; systematically evaluate social responsibility actions and practices developed by the Company; work individually or in partnership with public and private entities and agencies.

Among the management tools used to monitor its social actions, COPASA performs a diagnosis of its social responsibility practices using the Ethos Social Responsibility Indicators. The Company answers the questionnaire and the results obtained through Diagnostic Report and issued by the Ethos Institute, is used to establish the internal strategic indicator, called Atuação com Responsabilidade Social [Performance with Social Responsibility] (ARES), referring to the strategic goal to “*Perform with Social Responsibility*”.

Promoting Development, Welfare, Health, Safety and Employee Appreciation

COPASA's work organization is corporately portrayed in the positions and details section of the Plano de Carreiras, Cargos e Salários [Career Plan, Job functions and Wages] (PCCS), which defines functional and salary administrative policies and procedures, which guide Company's human resource management. Over the past few years, PCCS has been undergoing improvements and refinements aimed at implementing new career designs, redefining its professional growth policies needs and meeting workforce expectations regarding work motivation, health and labor safety, benefits and ethical behavior. (See COPASA and its employees)

Contributing to Environmental Preservation

COPASA's commitment and fundamental principle is to respect and preserve the environment and water resources, acting in a preventive and educational fashion, according to current legislation, focused on environmental sustainability, health and quality of life.

MAIN GOALS AND RESULTS

In reviewing its Strategic Planning, COPASA found the need to redefine its market expansion in view of the new scenario established for the business environment, due mainly to Legislation 11445/07, and subsequently Decree 7217/10, which regulated and established national guidelines for sanitation, and changed the procedures for negotiating concessions, with the addition of new steps to the development process.

The goals for expansion of concessions, broken down by priorities and with variable scope were redefined for the period 2010 to 2013 as follows:

I – Expand sewer concessions where the Company already holds water concessions

Initially, there were 51 cities with population exceeding 15 thousand. As of December 31st, 2010, 20 concessions have been granted. The remaining 31 concessions will be signed between January 2011 and 2013.

Concessions to be signed by 2013	Total
Number of cities	31
Population (thousands)	1.500

Of this group, four concessions were signed in 2011, totaling 390 thousand people. As for the others, two have already been authorized and 25 are under negotiation.

Initially, there were 108 cities totaling a population below 15 thousand. Fifteen concessions have been signed until December 31st, 2010. The remaining 93 concessions will be signed between January 2011 and 2013.

Concessions to be signed by 2013	Total
Number of cities	93
Population (thousands)	600

Of this group, four concessions were signed in 2011, totaling 32 thousand people. As for the others, 32 have already been authorized and 66 are under negotiation.

II- Expand sewer and water concessions

Initially, there were 33 cities with population exceeding 15 thousand. As of December 31st, 2010, two concessions have been granted. The remaining 31 concessions will be signed between January 2011 and 2013, and all of them are under negotiation.

Concessions to be signed by 2013	Total
Number of cities	31
Population (thousands)	1.400

III – Establish a full rate collection related to sanitation in cities where there is a rate discount because sewage is not being treated.

Regarding this goal, 187 locations were being billed for sewerage services on December 31st, 2011. The full sanitation rate was applied in 77 of those locations. Among the 110 locations where the full rate is not applied, 50 have treatment plants under construction, 4 are in the bidding phase, 12 are hold finished projects and 1 has project being developed and is awaiting the completion of the bidding process, for the construction of its plants.

IV – Continuing several jobs which are part of the Company's growth plan

For 2012, COPASA intends to continue the important jobs which are part of its growth plan. The most important are:

- expansion of the Rio Manso System, which is part of a large COPASA project to increase the supply of treated water to several neighborhoods of the Belo Horizonte Metropolitan Region (RMBH);
- expansion of the Córrego do Arrudas Sewage Treatment Plant at the RMBH. The plant's capacity is being increased from 2.25 to 3.37 m³/s;
- expansion of the Betim Sewage Treatment Plant (Central Betim ETE);
- decontamination of the Rio Paraopeba Basin. With resources financed by KfW Bank, amounting to € 100 million, investments will be made in construction of sewage systems, sewage treatment plants and sanitary and environmental education;
- by 2015, funds will be invested to contribute to improving the water quality of Rio das Velhas.



DIMENSÃO AMBIENTAL





ENVIRONMENTAL DIMENSION

Walking sensibly means taking every step thinking of the positive transformations and marks we left where we've been to and to those we related with. It means making sure changes are for better. It means investing on quality, seeking good results. It means committing ourselves to leave a positive legacy where we've been to. Just as Ponto de Partida group tries to make its performances enchanting and inspiring, COPASA also endeavors to leave marks compatible to its desire to contribute to a better future.

Manifest of Nh Terra (Regina Bertola)

One shall care wells and water which feeds man's dwelling. One shall care for fishes and rivers, nests and forests, seeds and fruits, flights and births, tiny beings and the ocean. One shall take hold of the energy offered by the sun and the winds. Nothing can become waste. All has to be recycled, recomposed, reinvented. One shall plant trees for long and protect the air so it is suitable for butterflies and boys.

Do you promise to fulfill the requests from Nh Terra?

ENVIRONMENTAL RESPONSIBILITY

In order to ensure quality sanitation to over 13 million Minas Gerais citizens, the Company is expanding its investments in preserving water resources in the State of Minas Gerais. COPASA preserves more than 24 thousand hectares of water stream preservation areas, ensuring continuity of public water supply with quality, and survival of hundreds of native fauna and flora species.

In addition to water resources preservation actions, the Company prioritizes sewage treatment works in the cities where it operates, and undertakes decontamination actions by installing sewage systems – collection lines, interceptors, sewage pumping and treatment stations – in order to gradually reduce environmental impact from its operations. The Company promotes environmental education actions to make more conscious citizens, with relevant initiatives to combine economic development with respect to the environment and sustainability.

In 2011, COPASA invested in the implementation of programs for environmental awareness, preservation and development, in payments related to usage of water resources, in processes of environmental licensing, used water source monitoring, among others, and as well projects and actions with focus on preserving the State of Minas Gerais water sources and on environmental sustainable practices.

Not only essential to the future of mankind and the planet, care with natural resources is essential to COPASA, as they are critical to ensure the services under its responsibility have competitive and sustainable basis. Therefore, the Company continuously reassesses its work process, making its corporate activities compatible to the environment care and preservation.

ENVIRONMENTAL POLICY

In June 2005, COPASA implemented its Environmental Policy, of which the principles are:

- comply with environmental legislation and rules related to the environment preservation, and develop consistent work for its improvement;
- develop procedures to assess the environmental performance of its production systems, seeking continuous improvement of its processes;
- reduce environmental impacts and prevent pollution in all its process, products and services;
- promote the implementation and sustainment of an Environmental Management System at the Company;
- act together with the community and federal, state and municipal institutions, in the Company's interest drainage basins, seeking reinstatement and preservation of water sources;
- promote communication between the Company, shareholders, vendors, customers, government authorities and the community, in order to motivate and spread responsible actions towards the environment conservation and defense;
- promote and maintain, on a consistent basis, educational programs aiming to proper behavior with respect to the environment.
- document and implement its Environmental Policy, disclosing it to all society segments, assessing, revising and updating its goals and targets periodically.

ENVIRONMENTAL MANAGEMENT

The Company's strategic planning entails an Environmental Management Policy and its guidelines. In 2005 the Company's Administrative Council approved the implementation of an Environmental Management System in order to enable its fulfillment of the environmental policy and ensure its commitment with the environment. Since then, the system has allowed better cost control (specially waste of raw material, fuels and energy), and reduction of accidents, as well as facilitated the Company's relationship with environmental agencies and financial institutions.

The system for environmental aspects management from COPASA projects enables as well the identification of improvement opportunities, exceeding local requirements and focusing actions on plans which contribute to prevent impacts.

Environmental Management Policy Guidelines

1. Contribute for quality preservation and reinstatement of natural resources connected to the Company's business.
2. Treat collected sewage and waste generated from operations.
3. Contribute for the promotion of individual and collective environmental awareness, with actions towards environmental and sanitation education.
4. Assess the environmental performance of productive systems, seeking continuous improvement aiming to prevent pollution and environmental degradation.
5. Act proactively at collegiate bodies responsible for environmental management of water resources.
6. Seek socio-environmental sustainability for its systems.

ENVIRONMENTAL LICENSING

Previous environmental licensing is a requisite for the construction, installation, expansion and operation of sanitation works which use environmental resources and are considered ef-

fective or potentially polluting or prone to causing environmental degradation. The state legal basis for environmental licensing is Act 7772/80, under State Decree No. 39424/98.

In the State of Minas Gerais, the agency responsible for environmental licensing and Environmental Operating Permit (AAF) is COPAM, State Council for Environmental Policies, through Regional Collegiate Units (URCs), Regional Environment and Sustainable Development Superintendence Offices (SUPRAMs), the State Foundation for the Environment (FEAM), the Water Management Institute from Minas Gerais (IGAM) and the State Forest Institute (IEF).

For the environmental regularization, the classification of projects is considered under the terms from Normative Resolution COPAM 74/04, which defines sizes of sanitation projects in its Annex I – listing E-03, according to the table hereunder:

Class 1	Small size and small or medium pollution potential
Class 2	Medium size and small pollution potential
Class 3	Small size and great pollution potential or medium size and medium pollution potential
Class 4	Large size and small pollution potential
Class 5	Large size and medium pollution potential or medium size and great pollution potential
Class 6	Large size and large pollution potential

Source: www.siam.mg.gov.br

For class 1 and 2 projects regarded as non-significant environmental impact, it is compulsory to obtain the Environmental Operating Permit (AAF).

For the other classes (3 to 6), the path to environmental regularization is the licensing process, with the requests for Previous License (LP), Installation License (LI) and Operational License (LO).

Following are the environmental regularizations implemented by the Company in 2011:

Environmental Regularization Modalities	Quantity
Environmental Operating Permit	15
Previous Licenses – LP	01
Operational License – LO	03
Installation License – LI	04
Previous License + Operational License	05
Installation License + Operational License	01
Certificates of Waived Licenses – CDL	249
TOTAL	278

WATER RESOURCES

COPASA has as its commitment and fundamental principle the respect and preservation of the environment and water resources, as established in its organizational principles and its Code of Ethical Conduct.

National Policy of Water Resources

The National Policy of Water Resources was established under Act 9433/97, which also cre-

ated the National System for Water Resource Management. According to this legislation, the regime of granting rights to use water resources aims to ensure quantitative and qualitative control of water usage, and effective exercise of rights of access to water.

The National Agency for Waters (ANA) is responsible to regulate its effectiveness, and ANA can delegate the power to grant rights of usage of federal water resources to states.

Besides, Act 9433/97 acknowledges water as an economic asset, and so it aims to create conditions for balance between offer and demand, and to define billing for its use. However, for a billing to take place, it is necessary: to have in each drainage basin a Basin Committee installed and operating; to have a Basin Agency created and installed; to have an economic-financial feasibility study; that the Committee develops a Basin Plan, aiming to base and guide the implementation of programs and projects.

State Policy of Water Resources

State Act 13199/99 deals with the State Policy for water resources in the State of Minas Gerais and establishes right of access to water resources to everyone, with priority to public supply and maintenance of ecosystems, and participation of the government, users and communities in water resource management.

The structure for billing of usage of water resource of state property is like federal billing. Its steps consist of installation and operation, in each drainage basin of a Basin Committee, creation and installation of a Basin Agency; performing an economic-financial feasibility study by the committee, and a Basin Plan aiming to base and guide the implementation of programs and projects. (Source: www.igam.mg.gov.br)

Water Intake

The state of Minas Gerais, where COPASA is located, has plenty quality water resources. This availability of resources plus the Environmental Preservation Policy and the incentive to conscious consumption supported by the Company's Tariff Policy makes water rationing policies unnecessary in the State.

In its main water intake activities, COPASA has authorization granted to use surface water sources (rivers, lakes or dams) or underground water. These authorizations are granted by the Water Management Institute from Minas Gerais (IGAM), for state-owned water sources, and by ANA for federal water sources.

COPASA owns or has right to use land in intake areas from its water production systems. On December 31st, 2011, COPASA's situation with respect to the right of using waters was:

Federal and state authorizations	Quantity	Volume authorized for utilization
Surface intake	650	48.23 m ³ /water/second
Underground intake	1.205	11.2 m ³ /water/second
Total Authorized	1.855	59.43 m³/water/second

Note: on December 31st, 2011, there were 292 intake points of which the authorizations had already been requested or were under preliminary studies at the Company. (GRI EN8)

Potable water supply at the metropolitan area of Belo Horizonte is under the Sistema Integrado (Integrated System) responsibility. This system consists of seven large sources, namely: Das Velhas River, Manso River, Serra Azul, Várzea das Flores, Morro Redondo, Ibirité and

Catarina. Das Velhas river system is the largest individual water production system from COPASA, with an authorized flow rate of 8.77 l/s, which represents approximately 40% of the water supply thought the metropolitan area of Belo Horizonte.

Payment for Utilization of Water Resources

Billing for the water resource usage is a water management economic instrument considered in the National Policy of Water Resources and in the State Policy of Water Resources from Minas Gerais. This billing refers to using water resources subject to granted authorization, and aims to encourage rational water usage and to generate financial resources for investments in reinstatement and preservation of basin sources. The Company charges the users and passes on the amounts to the respective Basin Committees.

Federal Basins

Grantor	Drainage Basin	Amount in 2011 – BRL	Beginning of billing
ANA	Paraíba do Sul	179.205,47	2002
ANA	Piracicaba, Capivari and Jundiá (PCJ) Rivers	42.581,00	2006
ANA	São Francisco River	376.836,36	2010
Total		598.622,83	

State Basins

Grantor	Drainage Basin	Amount BRL	Billed as of
IGAM	Piracicaba and Jaguari	50.885,16	2010
IGAM	Araguari River	373.031,58	2010
IGAM	Das Velhas River	4.711.078,84	2010
Total		5.134.995,58	

Drainage Basin Management Committees

The National Policy of Water Resources defines a drainage basin as a planning territorial area for management of water resources, proposing that management be shared by Drainage Basin Committees, formed by representatives from the municipal and state governments, water users and the organized civil society. The Basin Agencies are responsible for the technical, financial and administrative execution of decisions taken by the Committees.

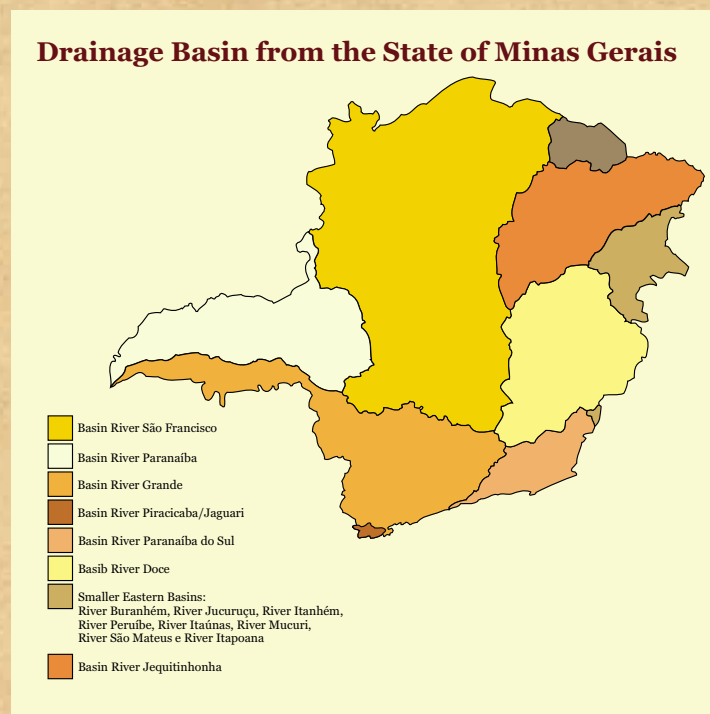
The Drainage Basin Committees are deciding and rule-making bodies, in their operating territories, which aim to promote, with respect to water resource management, technical and economic-financial feasibility for the investment program and consolidation of urban and regional structure policies, seeking the basin sustainable development.

The Basin Committees duties include, but are not limited to:

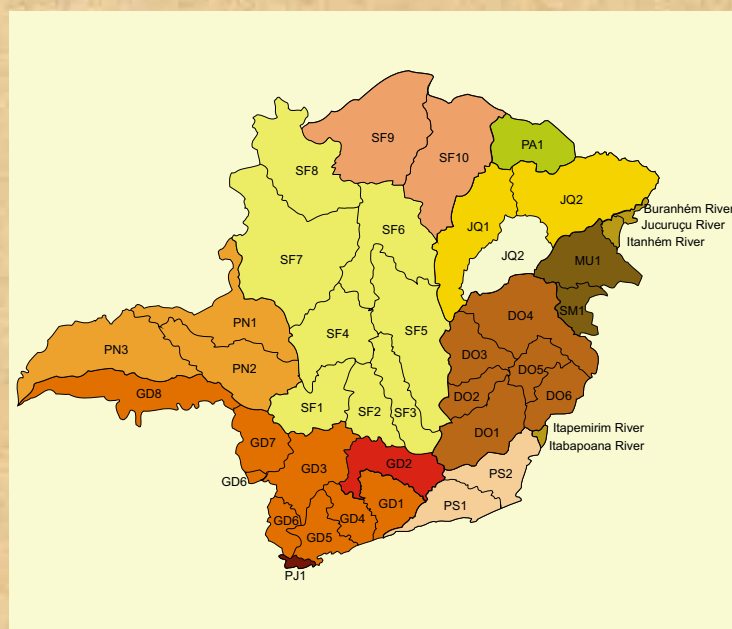
- deciding, as a first administrative court, disputes related to water resources;
- approve the Water Resource Master Plan and its respective budget, to be part of the State Plan for Water Resources, as amended;

- approve plans to apply the resources obtained from billing the use of water resources (including transferring money to lost funds), as well as the values proposed for billing, establishing criteria and rules for such;
- approve grants of rights of using water resources for major projects with potential pollution.

Creation of Basin Committees in the State of Minas Gerais must be made in accordance with Act 13199/99, which deals with the State Policy of Water Resources and with the state water division. It must be based on Water Resource Management and Planning units defined by the State Council of Water Resources.



Water Resource Management and Planning Units from the State of Minas Gerais



COPASA has representatives in 34 out of the 36 existing state Committees in the state of Minas Gerais and in four federal drainage basin Committees, and has been developing works in order to be represented in all of them. Its performance is based on the purpose of ensuring actions to promote reinstatement and preservation of the State water resources, making sure the Company has the conditions necessary to guarantee to the population from its authorized areas the access to good quality water at accessible prices. (GRI 4.13)

In addition to the Committees, two basin agencies were settled in the state of Minas Gerais: Peixe Vivo and Multisector Association of Water Resource Users from Araguari River Drainage Basin (ABHA). These agencies are decentralized executive units which support their Drainage Basin Committees, with the purpose to give administrative, economic and technical support. ABHA is responsible to support the Araguari Committee (UPGRH PN2) and Peixe Vivo is responsible to support the Drainage Basins from Das Velhas River (UPGRH SF5), those surrounding Três Marias Dam (UPGRH SF4), from Pará River (UPGRH SF2) from Alto São Francisco branches (UPGRH SF1) and from Jequitaí and Pacuí rivers (UPGRH SF6).

Decontamination of Das Velhas River – 2014 Target

(GRI SO5) One of the structure projects from the Government of the State of Minas Gerais undertaken by COPASA is Meta 2014 (2014 Target). Created in 2004 by Project Manuelzão, from the Federal University of Minas Gerais (UFMG), this project considers the reinstatement of Das Velhas River, by means of actions towards domestic and industrial sewage, reinstatement of riparian vegetation, and treatment of urban solid waste. In 2007, the Target has become one of the State's structure projects.

At first conceived as Target 2010, the commitment established was: navigate, fish and swim in Das Velhas River at the metropolitan area of Belo Horizonte (RMBH) in 2010. In August 2010, the Government of the State of Minas Gerais launched the project Meta 2014, which considers continuing actions from Structure Project Meta 2010, for the reinstatement of Das Velhas river drainage basin and its purpose is to get fish and swimming back to the metropolitan area of Belo Horizonte in 2014. The main actions are: selective collection and treatment of solid waste; collection, interception and treatment of domestic and industrial sewage in all municipalities from the RMBH and reinstatement of Pampulha lagoon.

Getting fish back is the greatest indicator that the water quality has substantially changed. The Federal University of Minas Gerais (UFMG) found that in 2000 the fish would go only 250 km up river, and in 2007, they were identified at 470 km up river. The survey made in 2011 found fish at 714 km, which is upstream from the City of Belo Horizonte.

In the period from 2004 to 2010, COPASA contracted more than 170 projects in the approximate amount of BRL 1.3 billion, with focus to modernization of the Arrudas Water Treatment Plant (ETE) and implementation of secondary treatment at Onça ETE, located in Belo Horizonte. The installations of ETEs head offices in São José da Lapa, and ETE Jardim Canadá, in the City of Nova Lima were completed; the ETE from 5P Basin, in Belo Horizonte; the ETEs from Pedro Leopoldo and Raposos; Veneza and Justinópolis, in the City of Ribeirão das Neves; the Central ETE, in the City of Santa Luzia; the ETE from Jaboticatubas; and the ETE Inácia de Carvalho, in São José da Lapa are under construction; plus improvements in ETE Sede, in Lagoa Santa.

Besides, ETEs Pinhões, Casa Branca and ETE Tenente, in the city of Santa Luzia, and as well ETE Sede in Ribeirão das Neves, have engineering projects completed. After making the financial resources available, the works will be procured, and ETE Tenente will be procured in the first quarter of 2012.

Another highlight is the works for removed of domestic sewage from Pampulha Lagoon, in Belo Horizonte, aiming at its decontamination by the World Soccer Cup of 2014. Another im-

portant job is the expansion of ETE Arrudas, of which the capacity of treatment will raise from 2.25 m³/s to 3,375 m³/s.

SEWAGE COLLECTION AND TREATMENT (GRI EN26)

COPASA has been investing in sanitation infrastructure over the years, and in tune with the Government of the state of Minas Gerais it is performing the largest basic sanitation program ever made in the State. The Company has been seeking expansion of its coverage, with collection, interception of sewage and construction of new sewage treatment plants.

ETE Areias: expected to start up in 2012, it is the largest ETE from Ribeirão das Neves, responsible for the treatment of sewage from approximately 240 thousand residents from the region of Justinópolis, or 60% of the population from the town of Ribeirão das Neves. Its operation will guarantee decontamination of various streams which run through this town and are part of Ribeirão da Mata basin, a branch from Das Velhas river.

ETE Funilândia: expected to start up in 2012, ETE Funilândia will benefit 90% of the local population with sewage treatment. The project considers also the construction of 3.5 km of sewer lines and 480 building sewer tie-ins. With an estimated treatment flow rate of 6 l/s, the ETE will contribute with decontamination of Cabeceiras and Feijão streams, branches from Das Velhas river.

ETE Guarda Mor: investments at the Company for the Development of São Francisco and Parnaíba Valleys (CODEVASF), which will contribute to decontamination of Ribeirão Guarda-Mor. This plant will be capable to treat 15.22 l/s, with 4,516 meters of sewer, to serve 4,006 residents.

ETE Jaboticatubas: COPASA will take over in 2012 the operation of this town sewage collection and treatment, where a treatment plant is being constructed.

ETE João Pinheiro: this plant will contribute to decontamination of Extrema stream and will be capable to treat 49.67 l/s, with 22,841 meters of sewer and 11,849 meters of interceptors, to serve a population of 32,980 residents.

ETE Luizlândia do Oeste: job performed by the town of João Pinheiro. This plant will be capable to treat 14 l/s, with 16,558 meters of sewer, to serve 2482 residents.

ETE Novo Retiro: this project covers sewer and interception lines, and is expected to serve 30% of the population from Esmeraldas, located in the region of Novo Retiro. With a flow rate of 50 l/s, this ETE operation will guarantee decontamination of Córrego Meloso, which is part of Paraopeba river basin.

ETE Onça: with the startup of the second stage from Onça ETE, Belo Horizonte has become the first capital of the country capable to treat all its sewage at a secondary level. In 2011, ETE Onça flow rate grew 20%, specially due to treatment efficiency and implementation of works from Caça Esgoto Program.

ETE Prudente de Moraes: Agreement with Company for the Development of São Francisco and Parnaíba Valleys (CODEVASF) signed at the end of 2011. Design completed, under procurement phase, works will be started in 2012, expected to be completed in 18 months.

ETE Raposos: within the expansion project for the city sewer, the construction work for the interception line and for a treatment plant is in progress and is expected to be completed in 2012.

ETE Santa Luzia: with the construction of ETE Santa Luzia and the expansion of the system interception line, and works expected to be completed in 2012, this city, which hosts the third largest industrial center of Minas Gerais, will now have a system capable to handle collection and treatment of almost all the sewage from town. The construction of two more ETEs is expected for 2012, which will supplement the system and enable treatment of 100% of potential sewage.

ETE Sede Esmeraldas: expected to start up in 2012, it will benefit, with sewage treatment services, the populations from the main neighborhoods around the City, which represent 15% of the total population. It will make all sewage be collected and treated before being returned to Nenêgo, João Paulo, Felipão and Raiz streams. .

ETE Veneza: this project will benefit about 80 thousand residents from Veneza region, and will contribute for decontamination of Ribeirão da Mata and therefore Das Velhas river. The works were stopped in 2011, awaiting new procurement.

Some actions implemented in the metropolitan area of Belo Horizonte:

Monitoring Program of Receiving Bodies

Aims to measure efficiency of environmental actions performed by COPASA. This program identifies the most polluted streams and rivers, and defines solutions to execute correction works for undue discharge of sewage; the quality of water is analyzed before and after the construction of the ETEs, as a way to measure its operational efficiency and the water increase from receiving bodies.

Caça-Esgoto Program

Aims to identify and correct undue sewage discharge, tying them to the existing sewer system. The Caça-Esgoto program already installed 406 projects, correcting more than 1,600 undue sewage discharges in the metropolitan area of Belo Horizonte and the basins of Arrudas and Onça streams.

In 2011, the Caça-Esgoto Program completed the following works:

- Basin from Ribeirão Arrudas: 39 corrected discharges.
- Basin from Ribeirão Arrudas: 61 corrected discharges.

Program of Non-domestic Effluent Receiving and Control (PRECEND)

PRECEND provides actions together with businessmen from Minas Gerais, seeking proper destination for sewage of its organizations. This program, with its control mechanisms, enables COPASA to receive non-domestic sewage in its sewer system, and send it safely to treatment plants. The program purposes are:

- prevent introduction of pollutants which can interfere in the operation of ETEs and in the

waste landfill, as well as pollutants which go through ETEs, continuing to pollute the water bodies.

- regulate the site at the environmental agency (reporting);
- ensure compliance with legal standards related to characteristics of the final effluent and silt produced at the ETEs;
- ensure integrity of piping, protecting the collection system against corrosion, incrustation, obstruction, explosion, flammability and toxic vapors;
- reduce risks related to the health of workers dealing with the sewer system;
- enable industrial reuse of the final effluent from ETEs.

PRECEND has been growing skywards since its creation in 2003. In the beginning, 32 industries engaged, now there are more than 2,000 companies registered. In average, 40 technical projects are analyzed on a monthly basis.

Out of the companies which completed the process, nearly 900 have a contractual obligation to submit to COPASA a report on how they self-monitor their effluents, as a way to verify compliance with the rule on effluent discharge at the public sewer system. The frequency in which the self-monitoring report is submitted is defined by COPASA, in accordance with the site size, its polluting potential, and risk at receiving its effluents. PRECEND receives an average of 270 self-monitoring reports a month.

ENVIRONMENTAL EDUCATION

COPASA promotes environmental education, with the purpose to make individuals and the communities aware of how important water is for life. In this sense, the Company works towards recognition of all preservation areas under its responsibility as an everyone's asset, making the population see its value and engage defense and protection actions towards its environmental integrity.

Environmental Education Centers (CEAM)

The Environmental Education Centers (CEAM) are part of COPASA's philosophy to include Minas Gerais citizens in environmental education activities, in order to generate respect, knowledge and protection for all preserved areas. Located in areas preserved by the Company, the CEAMs receive neighboring communities and students of elementary, high and tertiary school. Visitors have direct contact with nature and know particulars of the region fauna and flora.

CEAM Barreiro (GRI EN12)

The oldest COPASA's CEAM is located in Barreiro reserve, one of the first and most important water intake and treatment areas of the City of Belo Horizonte. It is 880 hectares of rain forest preserved area, providing shelter and protection for several native species of fauna and flora. CEAM Barreiro is located in a special protection area for environmental preservation (State Decree 22091/82).

The socio-environmental actions performed are meant to make visitors see how important the area preservation is, by engaging them in environmental workshops and fun activities, and part of these activities is performed in direct contact with nature. An interpreting track is walked along the river side and part of the vegetation around the area. CEAM Barreiro is inserted in Project Sala Verde, from the Ministry of Environment, which aims to outline and develop educational activities towards the environment and to have a space defined and adapted for this purpose inside institutions.

In 2011, CEAM Barreiro received around 4,800 visitors among students and teachers from 51 schools.

CEAM ETE Arrudas

Due to its importance to the environment reinstatement, ETE Arrudas also gained an Environmental Education Center so that the community knows how an ETE works. With that goal we promote tours accompanied by technicians from the Company.

The tour highlight is the biomonitoring system, an aquarium fed only by approximately 10 thousand liters of the liquid resulting from the plant sewage treatment. As it presents organic matter content much less than those determined by the environmental law, which proves the treatment quality and efficiency, it enables that different fishes found in Das Velhas river survive in this environment. There are also lectures about the environment, meant to promote environmental awareness.

An exclusive channel of communication is made available for the ETE Arrudas neighboring community to inform any perception of odor to the plant operators. In addition, meetings are held with the community, for clarification about operational actions meant to minimize/eliminate bad odors.

Around 1,300 people visited ETE Arrudas in 2001.

Environmental Education Programs

Water consumption education lecture

Presented in industries, schools, hospitals, condominiums, public agencies and businesses. On that occasion, we address issues related to the Company's overall performance in relation to water supply systems, sewage collection and treatment and environmental education. The information presented aims to raise public awareness of the need for environmental protection, fighting water waste, as well as tips for detecting leaks and cleaning the water tank. In 2011, 136 lectures were held, reaching a public of about 12,220 people.

Program Chuá for Sanitary and Environmental Education

Studying the water, the treatment process, basics of hygiene and cleaning, and diseases communicated through water are subjects directly or indirectly connected to sanitation, and they are part of the learning content of all elementary schools.

Through the Program Chuá for Sanitary and Environmental Education, COPASA maintains a relationship with educational institutes and the school public. The Program is held in hundreds of towns from Minas Gerais, operating for 25 years, has served over a million children and teenagers, contributing for the education of citizens more conscious and sensitive to environmental issues.

The Program was developed with support from Regional Education Superintendence Offices, in order to serve the students and the community in a general manner. It offers learning material for teachers, students and representatives from other community segments, monitored tours at COPASA's environmental reserves, water treatment plants, sewage treatment plants and environmental education centers. In addition to visits, there are lectures, and technicians from the Company teach basics about water and sewage treatment, conscious consumption, care with the environment, monitoring process for water treated by the Company in

its laboratories, care with preservation areas, and others. In 2011, around 257 thousand people participated in the Program.

Program of Tours of the Manso River System

This is another program maintained by the Company, which aims to show the various steps from the production process, as intake, treatment and distribution of water, and particularly make the population aware of how important it is to conserve water sources and rationally use water resources. The program is open to public in general, including institutions of any nature and companies, but it is directed in a special manner to school communities, as a way to arise in students the conscience about the environmental preservation importance in every respect. In 2011, around 1,406 students of secondary, high and tertiary school had the chance.

Project Vida Nova (New Life)

Developed in the towns of Cláudio and Pará de Minas, this project represents an important work of socio-environmental advertising and awareness, with respect to correct utilization of the sewer system, and it highlights the importance of the ETEs installed by COPASA in those towns. Approaches are made by radio spots, newspaper ads, banners, brochures, learning material and lectures in schools, neighborhood associations and population concentrations.

ENVIRONMENTAL PRESERVATION (GRI EN12; EN13; EN26)

In order to preserve the Environment and ensure availability and quality of water resources, there are environmental preservation initiatives.

State Park of Rola Moça

The State Park of Rola Moça, with 3,941 hectares, covers the municipalities of Belo Horizonte, Nova Lima, Ibirité and Brumadinho, being considered one of the main green preserved areas from the metropolitan area of Belo Horizonte.

Formed by a diversified vegetation, which includes transition vegetation of Rain Forest and Cerrado, in addition to unique ferrous fields, Rola Moça is managed by the State Forest Institute (IEF), together with COPASA, which also integrates the Council from this conservation unit.

Environmental Reserves

COPASA maintains 15 environmental reserves in the state of Minas Gerais, in a total of 24,297 hectares of preserved areas, under permanent security surveillance, with the purpose to avoid intruders (fishermen, hunters), risks of fire, degradation of native fauna and flora, and risks to water sources therein. The Company's fire brigades are specially qualified to prevent and fight small fire, acting also in neighboring areas, avoiding fire to propagate and enter its reserves. Making and maintaining hand and machine made firebreaks in the areas of the main water sources from the metropolitan area of Belo Horizonte enables quick fire fight by brigadiers and firemen.

By preserving the environmental reserve areas, COPASA promotes flood control, mild climate in addition to biological and genetic balance. All of this ensures survival of all original fauna and flora. All the areas preserved by the Company have biological diversity, which shows its preservation level, hosting also threatened species.

The table below shows the environmental reserves and their respective areas: (GRI EN11)

Name	Municipality	Area (ha)
Bálsamo	Ibirité	391
Barreiro	Belo Horizonte	880
Catarina	Brumadinho	387
Cercadinho	Belo Horizonte	151
Fechos	Nova Lima	1.074
Juramento	Juramento	3.180
Medina	Medina	569
Mutuca	Nova Lima	1.250
Pau de Fruta	Diamantina	1.700
Pedra Azul	Pedra Azul	1.156
Rio Manso	Rio Manso, Bonfim, Brumadinho, Crucilândia, Itatiaiuçu	9.000
Rola-Moça	Ibirité	112
Serra Azul	Mateus Leme, Igarapé, Itaúna, Juatuba	3.200
Taboões	Ibirité, Sarzedo	247
Todos os Santos	Teófilo Otoni	1.000
TOTAL		24.297

In addition to the State Park of Rola Moça, COPASA also participates of the consultative councils of Serra Verde and Lapa Grande State Parks, and the South and Carste lagoa Santa Environmental Preservation Areas.

Protection of Water Sources

COPASA adopts as a priority protection of water sources used in its public water supply systems. The main actions towards it are quantitative and qualitative monitoring of water sources and implementation of a program for protection and reinstatement of water sources.

Water Source Protection Program

Developed by COPASA since 1989, its target is to promote compatibility between the activities performed at the drainage basin, fulfillment of public water supply demand and environment preservation. The program is developed with the effective contribution of segments acting in the basin: users, farmers and federal, state and municipal bodies, in addition no civil entities and organizations engaged in environmental issues.

The Program aims to act gradually in all municipalities, at the sub-drainage basin upstream of COPASA intake, with the following environmental actions:

- planting seedlings of native species, to recover vegetation in riparian zones;
- fencing river sources, to protect water courses and their origin;
- construction of absorbing ditches;
- construction of small dams;
- environmental education workshops.

Through this Program, COPASA reinstates degraded areas by preventing erosion, eliminating pollution sources, recovering riparian vegetation and protecting river sources, that is, all actions favoring higher water availability during drought period and improvement of its quality.

The program actions are developed and monitored by COPASA, and submitted for approval by farm owners, aiming particularly to establish commitment with the continuity of activities. With the approval, the Company's technicians perform a verification of the property situation, in order to identify needs for environmental actions to be taken.

In 2011, the Program operated in farms from 30 towns.

Monitoring Water Sources

The first hydrological and hydrogeological studies of the water sources by COPASA for supply purposes were performed in the 70's. Since then, COPASA has been continuously updating these studies, as it incorporates new water sources to its intake systems. The Company maintains an inventory of information which allows it to receive authorization and use surface and underground water sources in a sustainable manner, planned to preserve the water resources.

COPASA monitors its surface and underground water sources – about 1,500 sources in the cities operated by the company throughout the state of Minas Gerais. The data collected is stored in specific databases and is made available for reference in order to determine the hydrogeological and hydroclimatic characteristics from the various regions of Minas Gerais.

River Measurement Station – 354	Flow measurement of surface water sources – partnership with IGAM
Rain Measurement Station – 534	Measurement of rain volume – 19,500 measurements in 2011
Control Station of Deep Wells	Measurement of aquifer variations
Estação de Qualidade de Água Bruta	Measurement of intake water quality

ENERGY CONSUMPTION AND ENERGY EFFICIENCY

COPASA follows up and controls electric energy to be purchased in private and free markets, from self-production and energy efficiency actions, including control and elimination of actual water loss, the main opportunity to reduce specific consumption of electric energy. With these activities, the Company has obtained gains in standardizing actions to reduce electric energy costs and water loss, and as well in using self-production opportunities from energy available in sewage treatment process and in water accumulation dams.

The energy efficiency projects aim to achieve less consumption of energy with lower costs, without prejudice to the excellent quality of services rendered to the society, by means of integrated and modern actions, with centralized and participative action, in perfect tune with the sector guidelines and with the international policies towards preservation of natural resources, quality of life improvement and environmental conditions.

COPASA maintains the Integrated Program for Reduction of Water Loss and Electricity Costs, the so-called Energy Efficiency Program (PEE), which introduced actions towards rationing electricity usage, with basis on concepts and guidelines from the National Program Against Water Waste (PNCDA), from the International Water Association (IWA), from resolutions by National Agency of Electric Energy (ANEEL) and from the National Program for Conservation of Electric Energy in the Sanitation Sector (PROCEL SANEAR).

The electric power consumption by COPASA in 2011 was 802,778,591 kWh.

The indicator Energy Not Converted into Results (ENCR) expresses the quantity of energy added to the water volume not converted into revenue, as established by the Energy Efficiency Program (PEE), and shows the result from energy efficiency actions towards reduction of water loss.

Evolution of Electric Energy Use in COPASA (invoicing data) (GRI EN3)

Year	KWh	BRL	Energy Cost BRL/MWh
2009	751.280.337	213.423.138	284,08
2010	775.850.851	215.793.134	278,14
2011	802.778.591	221.147.746	275,48

Sustainable Energy

COPASA walks the path of sustainable energy investing in a thermoelectric plant, capable to transform high polluting methane gas from sewage treatment into energy. In 2011, the Company started the experimental operation of thermoelectric plant at the ETE from Ribeirão Arrudas basin. The power from this thermoelectric plant is 2.4 MW. The heat resulting from electric power production in the turbines also heats the silt used in the anaerobic reaction and increases the efficiency of biodigestors, which accelerates work and increased the current ETE capacity.

Besides, COPASA performed a Clean Development Mechanism (MDL) related to reduction of greenhouse gas emission resulting from the thermo plant installation. The steps of public consulting and project validation were taken, which considers reduction of 26,237 tCO₂e (equivalent carbonic gas tons) for the certification period.

INCENTIVE TO CONSCIOUS CONSUMPTION AND REUSE OF MATERIALS (GRI EN2)

With an eye on the destination of waste generated in its facilities, COPASA has implemented the concept and culture of selective collection among employees over the years. This process started with paper collection by installing customized bins in organizational units located in the city of Belo Horizonte. Then, the procedure has expanded to other company's units. There are individual and group bins for paper, metal, glass, plastic and non-recyclable waste, in addition to battery bins.

In Belo Horizonte, the materials collected are donated to the Association of Paper, Cardboard and Reusable Material Collectors (ASMARE), and the approximate monthly volume is 5 tons. COPASA also contracts companies specialized in collection, transportation and decontamination of burnt out, fluorescent and multi-vapor light bulbs, aiming at the ecologically correct destination. Besides, it maintains a partnership with philanthropic institutions for recyclable material collection, like: paper, cardboard, magazines, newspapers, aluminum cans, plastic bottles, etc.

The Company implemented a technological solution which allows rationalization and modernization of document management, the Electronic Documents Management (GED). The system, in addition to transforming hard files in electronic files, provides quick access, safety and reduction of costs with inputs like paper, ink, mail, transportation, and others. With a search system, a registered user can access and consult documents without need to print them.

CLIMATE CHANGES

Inventory of Greenhouse Gases

In the state of Minas Gerais, actions to fight climatic changes and management of Greenhouse Gas (GHG) Emission are made in accordance with the Program for Volunteered Registration of Annual Emission of GHG from sites in the state, instituted by Decree Law 45229/09.

COPASA does the inventory of GHG emissions generated in its activities, with the purpose to identify and quantify the main sources of GHG emissions in the Company. Results have shown that over 90% of COPASA emissions are a result from raw sewage discharge into the environment. The transportation of products, goods, materials and workers has shown as accountable for less than 3% of emissions. (GRI EN29)

The increase in the treated sewage portion in relation to the total sewage collected and the increase of the treated sewage portion in composite and aerobic plants causes a reduction of GHG emissions, therefore the tendency is that those emissions have a gradual reduction over the next years.

The results from this study were stated in the Program for Volunteered Registration of Annual Emission of GHG from sites in the state of Minas Gerais, and in the *Carbon Disclosure Project*.



INTERNAL
SOCIAL
DIMENSION



INTERNAL SOCIAL DIMENSION

Along the path, we found people going in our same direction, and others in the opposite direction. We learned from all of them, but there are those who walk beside us, at our pace, with similar goals; these are essential. The better the companion is, the more enjoyable and productive a long walk can be. A good performance is not made on its own; it is the result of a collective and integrated process. For all of that, commitment is a key word for Ponto de Partida group and COPASA.

COPASA AND ITS EMPLOYEES (GRI LA1)

COPASA's Human Resource Management Policy considers just, ethical, equal and democratic treatment to its employees, seeking to match their and the Company's expectations and interests.

The Company seeks to know the expectations and needs from employees by means of a biannual Organizational Atmosphere Survey, which enables management of the Organizational Atmosphere Performance (CLOG) indicator. The outcome analysis supports planning of actions aiming to maintain quality and harmony at the work environment, seeking a better quality of life and performance for all employees.

The survey made by sampling in 2010 showed a favor rate of 76% over the market average, which is 69.7%, found in a survey made with 20 medium and major companies from Minas Gerais.

COPASA finished 2011 with 11,535 employees.

Staff	2011	2010	2009
Employees	11.535	11.436	11.442
Number of hires	479	243	510

EMPLOYEES PER CATEGORY						
Categories	2011		2010		2009	
	Number	%	Number	%	Number	%
Graduate	1.002	8,7	995	8,7	1.002	8,8
Technical (Operational or Administrative)	2.207	19,1	2.166	18,9	2.135	18,7
Operacional	7.369	63,9	7.314	64,0	7.351	64,2
Administrative Support	957	8,3	961	8,4	954	8,3
Total	11.535	100	11.436	100	11.442	100,0

With respect to space distribution, 42%, that is, 4,894 employees work at the metropolitan area of Belo Horizonte, from which 33% at central management and 67% in the operation of systems served in this area.

Units	2011		2010		2009	
	Number	%	Number	%	Number	%
Operational Management	9.754	84,6	9.630	84,2	9.629	84,1
Management and Administration Units	1.781	15,4	1.806	15,8	1.813	15,9
Total	11.535	100,0	11.436	100,0	11.442	100,0

EMPLOYEES PER EDUCATION LEVEL AND GENDER

Education Level	Female	Male	Total
4 th grade incomplete	01	355	356
4 th grade complete	06	627	633
5 th to 8th grade incomplete	06	306	312
5 th to 8th grade complete	09	1.086	1.095
High school incomplete	09	203	212
High school complete	493	6.123	6.616
Graduation incomplete	34	191	225
Graduation/Post graduation complete	626	1.460	2.086
Total	1.184	10.351	11.535

EMPLOYEES PER AGE

Age	2011	2010	2009
18 to 35 years old	2.799	2.772	2.948
36 to 45 years old	3.683	3.598	3.857
46 to 60 years old	4.694	4.598	4.364
Above 60 years old	359	468	273
Total	11.535	11.436	11.442

VALUING DIVERSITY

At COPASA, people are hired, screened and contracted in accordance with criteria set in public competition rules and internal letters, both broadly advertised. In order to guarantee equal opportunities, impartiality and justice, the Company encourages inclusive practices, like the internal selective process for trust offices, which considers, in case of equal results in the final score, preference for female applicants and Afro-descendant female applicants, in this order.

The public competition rules include 10% of vacancies for the handicapped, and the Company has been seeking to adjust its facilities with special elevators, access ramps and restrooms fitted for people on wheelchairs.

The Company promotes respect to religious diversity, allowing catholic masses, protestant meetings and other events in its internal spaces. The celebration of International Women's Day is a very significant event in COPASA's calendar, promoted with the presence of the Executive Board and support from the Association of COPASA Employees, its subsidiaries and sponsored

companies (AECO). On this day, a diversified cultural and artistic program is offered to female employees. In 2011, this program reinforced the importance and reasons of woman's ascension in modern society.

Since 2003, homosexual employees can include their partners of same sex as dependents in the Association for Health Assistance to COPASA Employees (Copasa Saúde). With this action, the Company has anticipated the implementation of Normative Docket 12/10, signed by the Collegiate Board of National Supplementary Health Agency (ANS).

REMUNERATION PER GENDER				
Salary range	Female		Male	
	Number	%	Number	%
From 3 to 4 MS*	212	18,0	6.465	62,5
From 5 to 9 MS*	618	52,2	2.957	28,6
From 10 to 14 MS*	208	17,5	428	4,1
From 15 to 19 MS*	61	5,1	129	1,2
From 20 to 24 MS*	32	2,7	114	1,1
25 MS* or more	53	4,5	258	2,5
Total	1.184	100,0	10.351	100,0

*Brazilian Minimum Salary in force in December 2011 (GRI LA14)

In 2011, the average salary range in COPASA showed a raise in comparison to 2010, due to variation of the National Index of Prices to Consumers (INPC) in salaries and a raise in the base of Institutional Performance Gratification (GDI) from 12% to 13.5%.

MANAGEMENT POSITIONS PER GENDER			
Positions	Female	Male	Total
Assistants	2	19	21
General Auditor	-	1	1
Head of Office	-	1	1
Head of Department	1	13	14
Coordinator	2	7	9
Division Manager	30	77	106
District Manager	2	38	40
Attorney-in-law	-	1	1
Superintendents	6	18	24
Subtotal	43	175	218
Directors	1	10	11
Grand Total	44	180	224

(GRI LA13)

HIRES PER GENDER						
Gender	2011		2010		2009	
	Number	%	Number	%	Number	%
Female	40	8,4	20	8,2	12	2,4
Male	439	91,6	223	91,8	498	97,6
Total	479	100,0	243	100,0	510	100,0

NUMBER OF EMPLOYEES PER RACE*									
Race	2011			2010			2009		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
White	852	5.944	6.796	857	6.002	6.835	870	6.002	6.872
Yellow-skin	4	35	39	3	31	32	4	31	35
Tan-skinned (**)	285	3.476	3.761	280	3.352	3.650	275	3.352	3.627
Black	43	896	939	41	867	919	41	867	908
Total	1.184	10.351	11.535	1.181	10.252	11.436	1.190	10.252	11.442

(GRI LA13)

(*) The classification of employees per race is made by self-declaration.

(**) Although tan-skinned is not classified as a race, we used this term to expand the understanding about the composition of COPASA's staff.

REMUNERATION PER GENDER							
Salary range	Black		Tan-skinned		Other races		TOTAL EMPLOYEES
	Number	%	Number	%	Number	%	
01 to 04 MS*	647	5,6	2.376	20,6	3.654	31,7	6.677
05 to 09 MS*	249	2,2	1.173	10,2	2.153	18,7	3.575
10 to 14 MS*	28	0,2	130	1,1	478	4,1	636
15 to 19 MS*	4	0,0	28	0,2	158	1,4	190
20 to 24 MS*	7	0,1	20	0,2	119	1,0	146
25 MS* or more	4	0,0	34	0,3	273	2,4	311
All	939	8,1	3.761	32,6	6.835	59,3	11.535

*Brazilian Minimum Salary in force in December 2011

In 2011, the lowest salary at COPASA achieved, as of the category base date (May), an amount 13.72% higher than the Brazilian minimum salary. Only 0.87% of employees receive the lesser salary. (GRI EC5)

OPPORTUNITIES FOR ALL

The human resources management provides initiatives with the target to enable professional development of applicants and employees, such as:

Absorption of Personnel: when taking over operating systems, by means of a Program Agreement executed with municipal governments, there might be absorption of personnel from these institutions, as long as employees are working in basic sanitation activities, have been approved in public competitions and fulfill the Company's requirements. Absorption must occur for the maximum period of six months after start up. In 2011, 27 employees from municipal governments were absorbed, under the law in force. (GRI EC7)

Master Analyst and Specialist Technician: in order to settle organizational learning, COPASA maintains this specialty of specialized professionals, who are a reference of technical excellence, great knowledge and acknowledged technical capacity to propose solutions related to the policies and guidelines of corporate and operational management.

Public Competition: screening process performed in accordance with the Federal Constitution, by means of which the Company screens and hires people, with the main purpose to fulfill manpower needs and generate stand-by staff to fill in vacancies.

Hiring Apprentices: COPASA hires apprentices, under the law in force, granting them financial support of half a minimum salary, in addition to charge the FGTS and INSS and bus vouchers. In 2011, by means of a partnership made with the National Service for Industrial Learning (SENAI), COPASA hired 238 young apprentices aged between 16 and 24 years old, 155 female and 83 males. They are provided with learning courses in administrative proceedings, electric installation in buildings and plumbing system installation.

Career and Salary Plan (PCCS): with basis on individual performance assessments applied from the moment when an employee enters a specialty which requires a learning period to achieve maturity, experience and the required individual and functional skills. According to the result obtained, the employee may ascend to an immediately upper level, until he/she reaches the full wages in the same specialty. In 2011, there were 3,485 professional growth assessments, 6,455 assessments by skills and 81 for holders of trust offices. (GRI LA12)

Plano de Carreiras, Cargos e Salários (PCCS): instrument which guides actions for career and salary management. In 2011, the PCCS has undergone a revision, supported by the result obtained from an opinion poll involving all COPASA's employees and related labor unions. During this poll, carried out in 2010, 74% of employees sent suggestions, as well as the Union of Workers in Industries of Purification and Distribution of Water and in Sewer Services in the State of Minas Gerais (SINDÁGUA), and the Union of Engineers from the state of Minas Gerais (SENGE). The revision enabled more dynamics in career moves, enhancing the structure of careers, and the conditions and criteria to fill positions.

Internal Selective Process for Trust Offices: performed twice a year, it is the process through which the Company identifies employees with potential leadership to fill vacant trust positions. The new Company managers, at all hierarchy levels – except for president, director and some other strategic positions – are selected by means of technical and behavioral assessments, in accordance with rules established in a specific regulation available to employees. In order to renew its management staff and maintain internal competitiveness, managers completing six years at their position should also participate of the selection process, if they are interested in remaining at their position.

In 2011, 105 employees engaged this selection process. As a result, 20 new managers were selected. These new leaderships are supported by the New Manager Follow-up and Development Program, which promotes adaptation and development of employees selected to take management positions. For such, it provides: guidance about performance in the selection

process, feedback meeting with his/her principal, construction of Individual Development Plan (PDI), development groups, lecture cycles about the internal process related to new managers, follow-up interview for the first six-month period in the position, meetings for guidance and feedback to principals. In 2011, the program benefited 14 new managers.

Internship Program: in 2011, 135 internship vacancies were offered for university students and high-school-graduated technicians, who had an internship at the company, which also offers opportunities on internship for student employees. In 2011, 113 employees had their internship at the Company.

Trainee Program: selects, on an yearly basis, in accordance with rules from a specific regulation, professionals with greater potential of attainment and learning. In 2011, 14 employees approved in selection processes had the opportunity to expand the systemic vision of COPASA's organizational processes and its management model, in addition to developing guiding skills for the business and expanding the corporate focus. Since it was created, 70 employees engaged, and now 16 of them occupy management positions.

Functional Progress: functional promotion of the employee to an activity of more value, in order to fill a vacant position, provided he/she fulfills the requirements and the criteria set in the Regulation of Career and Salary Plan (PCCS).

Internal Selection for Effective Positions: process through which COPASA screens and hires, among the employees who fulfill the established criteria, those who have the best conditions to fulfill a certain vacant position. In 2011, 60 selection regulation documents were published, related to 80 vacancies, with 993 applicants enrolled.

QUALIFICATION AND DEVELOPMENT (GRI LA11)

The principles from corporate education in COPASA aim to foster development of individual skills required to consolidate the corporate excellence culture and to sustain the Company's competitive advantage. In 2011, BRL 1.1 million was invested in actions towards qualification and development of employees, offering 44,984 training opportunities and 418 thousand hours of activities performed. These actions towards corporate education were turned to the Company's business. In this case, they were performed through events with internal instructors, what resulted in lower expenses with enrollments and instructors.

Year	Investment in professional development (thousand BRL)	Number of participants (unit)	Number of professional development hours (h)	Average hours per employee
2011	1.096.808,09	44.984	418.144	36,2
2010	1.439.644,00	41.507	434.281	34,9

(GRI LA10)

Needs for qualification and development of employees are identified by means of Training Need Verification, which is a process carried out on an yearly basis, at all organizational units, and it is the input for the preparation of the Corporate Education Program, which aims to ensure continuity of the knowledge generation, maintenance and multiplication process at COPASA.

Another initiative to foster professional growth is expanding employees' skills and their participation in technical professional courses for sanitation agents with financial support ranging from 50% to 90% and specialization courses for sanitation analysts.

REMUNERATION FOR RESULTS

The variable remuneration mechanisms seek to promote, value and enhance employees' potentials, by motivating them to achieve better results.

In this sense, COPASA uses variable compensation models which award a collective effort to achieve targets defined in the strategic planning:

Performance Gratification for System Foreman: instituted in 2011, it is awarded to employees holding the position of system foreman, as a result from the operational performance found in the locality under his/her responsibility.

Management Performance Gratification: assessment system which awards on a monthly basis employees holding trust offices, as a result from their unit performance in relation to established targets, under an audit of practices launched in the Management Support and Development System.

Institutional Performance Gratification: quarterly assessment system directly related to the Company's strategic goals, which awards employees on a monthly basis, in accordance with the results obtained in their unit. In 2011, the percentage of this gratification was raised from 12% to 13.5%.

Profit Share: consists of distribution of part of the annual net earnings of the Company to employees, in accordance with the labor law. It is calculated in a linear manner, and the value is the same for all employees, regardless of an employees' salary level.

OCCUPATIONAL HEALTH AND SAFETY

(GRI LA6; LA9) Actions related to occupational health and safety in COPASA are regulated by the law in force and by a specific article on occupational medicine, health and safety from a Collective Labor Bargaining Agreement executed between the Company and the Union of Workers in Industries of Purification and Distribution of Water and in Sewer Services in the state of Minas Gerais (SINDÁGUA), the Union of Business Managers in the state of Minas Gerais (SAEMG) and the Union of Engineers from the state of Minas Gerais (SENGE-MG).

The basis for occupation health and safety actions from employees is the Environmental Risk Prevention Program (PPRA) and the Occupational Health Medical Control Program (PCMSO). The first one enables the identification and proposes solutions for labor situations which can result in harm to employees' health. The second one enables follow-up of employees' health by means of hire, periodic, dismissal and other examinations.

(GRI LA8) Other actions supplement the occupational health and safety maintenance strategy at COPASA:

Internal Commission for Accident Prevention (CIPA): professionals of medicine and safety, with support from the 68 existing CIPAS, identify and treat risks related to occupational

health, safety and ergonomics, in compliance with standard NR-9 from Administrative Rule 3214/78 by the Ministry of Labor (MTE).

Ergonomics Work Group: renders services of technical consulting to the units with respect to prevention of occupational diseases and accidents at work, in order to provide employees with most health, comfort, safety and efficient performance, in addition to developing ergonomics projects and supporting legal survey demands. In 2011, UM cycle of lectures was introduced to employees occupying administrative positions, with respect to correct utilization of computer work stations.

Special Assistance Program: meant for handicapped employees and dependents, it offers refund for expenses with specific health treatments and school services. In 2011, 310 people were benefited, 75 employees and 244 dependents.

Program for Attention to Health and AIDS Prevention (APA): acts in a preventive and educational manner, and assists bearers of HIV (*Human Immunodeficiency Virus*) and AIDS (Acquired Immune Deficiency Syndrome). Prevention works include lectures, distribution of educational material, and condoms in annual campaigns, among other activities. The supporting works aim to provide HIV bearers with treatment, which includes laboratory examinations, psychological services, dentist and specific medications, in addition to guidance and assistance to family. The program has 133 “multipliers” participating.

In 2011, the APA Campaign Project for Carnival 2011 was carried out, which performed 95 educational interventions about health and AIDS prevention, and had participation of 2175 employees who also received condoms. Each event had a lecture held by a psychologist specialized in this matter, where the following subjects were approached: vulnerability, social control, prevention, self and mutual care, treatment and living with HIV/AIDS. In Belo Horizonte and in its metropolitan area, in partnership with COPASA Theater, the Company had performances of theater roadshows.

Another event was the Internal Forum for AIDS Prevention, on April 27th and 28th, 2011, in the auditorium at COPASA’s main office, with the subject “Practices to develop a healthy work environment.” The purpose was to qualify participants of Health and AIDS Information “Multipliers” (MSI). There was also the II Seminar for Health Promotion, carried out on October 26th and 27th, in which the MSIs met with health care professionals, who contributed to expand the APA work outlook, like incorporating information about viral hepatitis and syphilis.

Labor Gymnastic Program: implemented in 2011, there are three daily sessions at the Company’s office, held by a physiotherapist, in different times and places, in order to enable most employees to participate. The program was expanded to three units, located in the towns of Montes Claros, Corinto and Leopoldina.

Program of Prevention and Assistance to Individuals with Respect to Alcohol and Drug Abuse (PASA): aims to reduce disease related to chemical addiction, absenteeism and labor-related accidents; lectures are held for internal and external audiences, about prevention of alcohol, tobacco and other drug addictions. It entails follow-up of treatments: diagnosis, individual therapeutic treatment, meetings with therapeutic groups (hosting, abstinence maintenance, strengthening and anti-tobacco addiction), guidance and support to family of participants and emergency services. It has the support of 69 “multipliers”.

It includes tobacco addiction treatment, with strengthening plus medication, and hiring psychologists by means of agreement between COPASA and Copass Saúde. In 2011, there was a lecture about tobacco addiction, held by a health care professional, with the purpose to explain

noxious effects from tobacco toxic substances to health of smokers and passive smokers.

On an yearly basis, there is an “Annual Event for the Program of Prevention and Assistance to Individuals with Respect to Alcohol and Drug Abuse” which is one more therapeutic resource from the Program, as it renews commitment of participants with sobriety, and it also renews hope of health care professionals, families and other employees, by perceiving the possibility of overcoming and winning substance addiction. The results obtained by PASA Program have effects on integral health, habits and behavior of employees, leading them to a positive attitude towards work, family and life in society.

Professional Rehab Program: in partnership with the National Institute of Social Security (INSS), it enables a position transfer for employees who have some handicap to perform their original job, due to some health problem. On December 31st, 2011, 59 rehab proceedings were ongoing. Employees under rehabilitation are followed up by physicians and social workers, and relocated in new position, in which it is possible to use their labor potential.

Some figures score the results from COPASA’s occupational health and safety:

- the recovery rate of employees followed up by PASA in alcohol and other drugs abuse treatment, in the last three years was 61.3%;
- 1,384 employees were trained on information about STD/AIDS prevention in 2011;
- 3,316 employees participating at training on accident prevention, including courses about standards NR-10 and NR33, CIPA, Fire Fight, Driving Vehicles with Hazardous Material, Safety at Work, and others;
- reduction of percentage for labor-related accidents with lost work days in 2011, in comparison to 2010.

INDICATOR	2011	2010	2009
Percentage of accidents with lost work days	1,26	2,92	3,54
Percentage of accidents with permanent disability	0,38	0,29	0,42
Percentage of accidents resulting in death	0,02	-	0,01
Labor-related accident frequency rate	21,69	18,88	20,42
Labor-related accident severity rate	814,91	64,79	372,75

(GRI LA7)

In 2011 the labor-related accident severity rate increased due to two car accidents resulting in death.

Other actions performed:

Fight against Dengue Fever: in support to efforts from the Government of the state of Minas Gerais, COPASA expanded its Internal Campaign of Fight against Dengue Fever. With State Decree 45494/10, the Government created the permanent commissions against sources of dengue mosquitoes at all agencies and state entities from the state of Minas Gerais. COPASA created the Permanent Committee of Fight against Dengue Fever, composed by 52 internal commissions connected to the Company’s organizational unit.

After training 503 Dengue Fight Coordinators and Agents, these commissions started mapping places of risk at the Company units, eliminating possible sources of mosquitoes. This control is performed on a monthly basis, with monthly meetings and issued reports sent to the

state Government. COPASA made its own informative material for internal distribution, made on line primers available, participated at events with the community and performed plays with actors dressed like big mosquitoes, distributing leaflets in several events. The Company also makes employees sensitive to take the campaign to their families and friends, contributing to health care agencies in the fight against dengue fever.

In 2011, COPASA was awarded with the Health Merit Medal, granted by the Secretary of Health from the state of Minas Gerais. The price, instituted by Decree 41337/00, aims to pay homage to entities, people and companies which have stood out in the state of Minas Gerais with services supplied to public health. The Government of Patos de Minas also granted COPASA an acknowledgment certificate for the Company's important work supporting the Municipal Campaign of Fight Against Dengue Fever.

International Nurses Day: COPASA, by means of Program Keeping up with Health and Safety, promoted a series of lectures focusing employees' health, in order to celebrate the International Nurses Day. Employees were also provided with blood pressure measurement services at the Company's office, with the internal nursing team and partners from São Marcos Laboratory and Hospital de Olhos (Eye Hospital).

National Health and Nutrition Day: in order to celebrate the National Health and Nutrition Day, in March 31st, COPASA has made available in its medical station, located in the Company's headquarters, services to measure Body Mass Index (BMI) and other nutritional guidance provided by students from the nutrition course of Pontifícia Universidade Católica de Minas Gerais (PUC Minas).

Training for Brigadiers: COPASA, in partnership with the First Unit of Military Firemen from Minas Gerais, held a qualification training of brigadiers to 127 employees in 2011. Forming the Fire Brigade is compulsory and included in Ministry of Labor Rule 3214/78, and its standard No. 23.

BENEFITS WITH RESPONSIBILITY AND QUALITY OF LIFE (GRI EC3)

COPASA's Benefit Program is ensure in a Collective Bargaining Agreement, and has been regarded as one of the best programs among similar companies in the market, from the granted benefits stand point. The Organizational Atmosphere Survey made by sampling in 2010 showed employees' satisfaction with health programs and benefits, with a favor rate of 85% in a specific issue about this matter.

COPASA promotes improvement of employees' life quality, seeking to fulfill needs related to health, leisure, social and financial assistance.

For such, one initiative are the benefits offered to its employees, irrespective of the labor agreement type (permanent or temporary) or work hours: medical and dental assistance; special assistance, collective life insurance; educational support; special educational support; funeral support; bus vouchers; meal vouchers; food staples; Christmas hampers; standard snacks; support for day care centers and housing. (GRI LA3)

Psychosocial Monitoring: aims to contribute to the improvement of the employees' personal well-being and work performance. Monitoring demand may be submitted by the employee's manager, the employee himself, a family member or coworker. The process begins with a functional historical analysis, followed by an interview with the employee done by psychologists and/or social workers, at which point the nature of demand it identified. Depending on each case, the psychosocial care can result in orientation to the employee, management, fami-

ly members, referral to one the Company's specific programs or to a professional within the insurance network.

COPASA, its Subsidiaries and Sponsored Companies Employee Association (AECO): provides benefits to its members, reaching about 30 thousand people, including employees and their dependents. In 2011, it issued the magnetic card throughout Minas Gerais, extending the benefit to all its members. For the second consecutive year, all associated member dependents between 6 and 14 years old, received a school kit, benefiting a total of 4,700 children. A Writing Contest involved 500 children and awarded the three best entries in three distinct categories, defined according to age. The Association offered "loan to an associated member with a dream" benefiting 1659 members. Other 75 members received the SOS Loan, for support in times of financial emergency. The Association also promotes well-being of the employee and his/her family. In addition to commemorative events such as Labor Day, June Festival and Children's Day, the Association holds educational lectures on breast cancer and oral health. AECO expanded its associated clubs network throughout the State, and made improvements to the club based in the Belo Horizonte Metropolitan Region. The practice of sports was encouraged by the systematization of the sponsoring system to members who excel in sports such as Kung-Fu, Judo, Taekwondo, Jiu-Jitsu, cycling and chess. The COPASA Choir and the Company's track team also received support from the Association.

Citizen Corporation: employees are allowed extending some legal absences (for example marriage and bereavement of immediate family members) and allowances that exceed the legal provisions, such as birthday and assistance to sick relative. The Company grants an additional 60 days on maternity leave, pursuant to Legislation No. 11770/08.

Family and Teenager Support Program (PAFA): developed for the employees' children, in partnership with the Teenager Health Service of the, Universidade Federal de Minas Gerais (UFMG) and the School Health Program, of the Minas Gerais School of Health. They provide services to teenagers within the family context, including health discussion of teenager-related topics. Service is rendered through the medical care and the promotion of educational activities such as workshops, lectures and parent-children meetings. In 2011, approximately 200 adolescents were included in the program.

Family Financial Planning Program: COPASA facilitates the access to credit lines to its employees, with lower interest rates than those charged in the market, according to agreements with financial institutions. In parallel, the company warns employees about the need to plan, save and effectively manage salary and expenses. Thus, it keeps the Family Financial Planning Program which lectures on the subject and gives individual guidance. The COPASA Theatre Group presents a play that highlights the everyday situations involving family budget issues. In 2011, 318 people participated in this Program, including employees and dependents.

Retirement Planning Program: its goal is to prepare the employee for retirement. In 2011, six workshops were held with participation of 90 employees and 56 guests. (GRI LA11)

Another factor that ensures the employee's peace of mind is the Fundação de Seguridade do Estado de Minas Gerais [Minas Gerais Social Security Foundation] (PREVIMINAS), supplementary pension entity that provides supplemental retirement benefits granted by the INSS [National Social Security Institute].

COPASA maintains the Programa de Desligamento Voluntário de Empregados Aposentados e/ou em Condições de se Aposentar [Voluntary Termination Program for Retired and/or Eligible for Retirement Employees] (PDV), which guarantees all rights to employees terminating the employment contract by dismissal without cause, and provides the employee choice

to make use of the health and group life insurance plans for their lifetime at no cost to the Company. There were 186 such employment terminations in 2011.

Sou + COPASA [I am more COPASA] Program: aims to encourage good practices and promote improvements in the categories of Segurança, Organização e Urbanização [Safety, Organization and Urbanization] (SOU) of the operating units, focusing on the welfare of employees and enhancing the Company image. Each year, units that distinguished themselves in their zeal for conservation are awarded according to the evaluation of the items mentioned and the results of performance indicators that make up the strategic map.

UNION RELATIONSHIPS

The Company recognizes union representations and ensures compliance with collective agreements. The Collective Work Agreement currently in force covers 100% of employees, granting them all the benefits offered by the Company. (GRI LA4)

Around COPASA's base date, each year of a committee is formed with representatives from all departments to participate in the discussion with the unions and negotiate the list of demands presented. To deal with routine matters presented by the unions throughout the year, the Company maintains an ongoing dialogue with trade union representatives, ensuring the effective communication with the employees' representative entities.

The main trade unions with which COPASA maintains relationships are: Sindicato dos Trabalhadores nas Indústrias de Purificação e Distribuição de Água e em Serviços de Esgotos do Estado de Minas Gerais [Purification and Distribution of Water and Sewerage Services Industry Workers Union of Minas Gerais] (SINDÁGUA); the Sindicato de Engenheiros no Estado de Minas Gerais [Minas Gerais Engineers Union] (SENGE-MG); and the Sindicato dos Administradores no Estado de Minas Gerais [Minas Gerais Administrators Union] (SAEMG).

CITIZENSHIP

Every year, COPASA employees mobilize in social responsibility actions and the promotion of citizenship that are founded on the solidarity and interest in contributing to building a more just, compassionate and inclusive society.

Donations

In 2011, the Company promoted the Senior Citizen Christmas campaign, where more than 11,000 adult diapers and about 1,000 other personal care products were collected and donated to various institutions. Contagem employees participated in the campaign collecting personal hygiene and cleaning materials, donated to the Lar do Idoso Recanto dos Amigos Home for the Elderly. In Divinópolis, employees donated adult diapers and personal hygiene and cleaning items to the Asilo Frederick Ozanan, a nursing home. Needy children from Santos Dumont received toys collected in the Solidarity Action Christmas Campaign.

In Almenara, a Solidarity Christmas Campaign was held in partnership with other companies and institutions in the city by collecting food baskets to be donated to charities. In Diamantina, the campaign aided the Casa Lar entity and students from Extração, where gifts and snacks were distributed. In Alfenas, money donations and food baskets were given to the Casa da Criança de Campestre Children's Home, which houses 85 underprivileged children.

In Patos de Minas, a Christmas Campaign was held with donations of sporting goods (balls) targeted to needy children in the city. This practice was developed by adopting letters written

by children of the Centro de Apoio e Integração da Criança [Children's Center for Integration and Support] (CAIC), which serves about 250 children. Betim employees, in partnership with the Associação de Proteção à Maternidade, Infância e Velhice [Association for the Protection of Motherhood, Childhood and Old Age] (APROMIV), hold the Toy Campaign and Winter Clothing Campaign, which in 2011 collected 2,800 pieces of clothing and 1253 toys. In Ribeirão das Neves, toys were donated for children of the Creche Semeando Vida daycare center, benefiting approximately 50 children.

The Winter Clothing Campaign promoted in Corinto, Curvelo, Pompéu and Três Marias, collected about 13,000 items, including clothes, shoes and blankets, which were distributed among the following charities: Asilo da Velhice Desamparada, Servas dos Pobres Sagrada Família, a nursing home (Bela Vista and Downtown); Centro de Acolhida e Promoção Social [Welcoming and Social Promotion Center] (CEAPS); Assistência Social Bom Pastor and Casa de Acolhida de Menores children's home in Curvelo; the Santo Antônio com Cristo Church Rectory in Corinto; the Health Unit of Ipiranga in Três Marias; and the Associação de Pais e Amigos dos Excepcionais [Association of Parents and Friends of Exceptional Children] (APAE) in Alfenas.

In the cities of Curvelo, Pouso Alegre and Santa Luzia, employees conduct monthly donations of food baskets to needy families. In Curvelo, 276 families were benefited. In Salinas, Bom Despacho and Brumadinho, every year food baskets and clothing collected at the New Year's Eve party are donated to needy families in the region.

In Varginha, over 100 liters of milk were collected and donated to cancer patients of the Children's Cancer Hospital in the city. Also, adult diapers were donated to the Nossa Senhora do Rosário Parish, and cleaning materials were donated to the Animal Protection Association. Another important employee initiative is in partnership with the Post Office in the Letters to Santa Claus Adoption Campaign. In São Sebastião do Paraíso, there were campaigns to donate food baskets to needy families, toys to entities assisting needy children and adult diapers for people with physical disabilities. In Itajubá, donations were made to the nursing home and the Instituição Viva Vida, which assists cancer patients.

Recycling of materials

Some COPASA units perform selective garbage collection and promote the recycling of various materials. In addition to environmental awareness and preservation, this action promotes social inclusion through partnerships with recyclable collectors associations and charities.

In Frutal, the materials collected are sent to the *Casa da Criança e do Adolescente*, an orphanage and the Asilo São Vicente de Paula, a nursing home. For the Associação Patense de Reciclagem [Patense Recycling Association] (APARE) in Patos de Minas, recycling of materials is a source of income for more than 20 families. For public schools of Frutal and Patos de Minas, there is a donation of plastic canisters destined for garbage collection (recyclable and regular), just as they are also reused in some areas of the company. In Patos de Minas the Company formed a partnership the Empresa Recóleo for the collection and recycling of vegetable oil. In 2011, 240 collectors were provided for the program.

In Curvelo, the *Projeto Reciclar* [Recycling Project] promotes the transfer of approximately 40 kg of recyclable materials to the Associação de Catadores de Materiais Recicláveis Recyclable Materials Collectors Association]. In Santa Luzia the program recycles 200 kg of paper every month. The NGO Sol Crescente, located in the City of Dores do Indaiá, has benefited with disposable materials.

Ribeirão das Neves hosts the "DTRN Ambientalmente Educado" environment program, whose goal is to gather recyclable material for donation and propose change of habits in relation to the environment. The materials are sent to the Cooperativa de Materiais Recicláveis de Ribeirão das Neves [Ribeirão das Neves Recycling Cooperation] (COMARRIN).

The Rio Manso production systems in Brumadinho and Ibirité have a partnership with the Associação dos Catadores do Vale do Paraopeba [Vale do Paraopeba Recyclable Collectors Association] (ASCAVAP), aiming at the proper disposal of recyclable waste generated on their premises. The Production Divisions of Rio das Velhas and Morro Redondo maintain partnerships with selective garbage collection cooperatives in the cities of Nova Lima and Raposos.

Mobilization

In Patos de Minas, employees engaged in the *5ml de Esperança* [5 ml of Hope] Campaign, whose goal is to promote bone marrow donation, and advertise the campaign on the water/sewer bills of 20 locations, covering approximately 70,000 properties. They also promoted a lecture given by a Hemominas representative. Employees also participated in the blood drive to register donors in the database.

In Contagem, COPASA supports the *Grupo de Artesanato Flores do Ipê* [Flores do Ipê Crafts Group], assisting members in developing their products and helping them in the marketing process. The group consists of women from a region of high social vulnerability.

EDUCATING AND CONNECTING WITH ART

A COPASA promove e incentiva a expressão artística de seus empregados, apoiando diversas atividades de cunho social e cultural:

Storytellers: consisting of employees who specialize in the art of storytelling. The group contributes to COPASA's relationship with society and the workforce. In 2011, the group made 21 presentations at internal and external events, to an audience of approximately 3,600 people.

COPASA Choir: it consists of 32 members, including employees and family members. The group participates in social and cultural events in Minas Gerais. In 2011, the COPASA Choir made 20 presentations, highlighting the 30th Anniversary Celebration and Christmas Concerts in the cities of Desterro do Melo and São Francisco, benefiting an audience of approximately 9,000 people. In the Christmas festivities, the COPASA Choir presented a concert held in the Company's courtyard for the employees and invited residents of the surrounding community.

Encontro Mercado [Scheduled Meeting]: it is an initiative designed to stimulate the integration between employees and develop their artistic gifts, providing moments of relaxation, which helps to improve morale within the organizational. Nine meetings took place in 2011.

COPASA Theatre Group: it consists of eight employees, and its goal is to enhance the internal talent and use the playful language of theater to disseminate strategic themes for the Company and its stakeholders. Among the topics discussed by the group are job security; health promotion; disease prevention such as STDs/AIDS, cholera and tetanus; alcoholism, tobacco use and other drugs; accident prevention; ergonomics; customer service; quality; financial planning; and management excellence.

Initiatives for the Promotion of Culture, Sports and Health

Origami Class: In 2011, the Storytelling Group, in partnership with the *Associação dos Empregados da COPASA, de suas Subsidiárias e Patrocinadas COPASA* [COPASA's Subsid-

aries and Sponsored Company's Employee Association] (AECO), held an origami workshop for COPASA employees, called Transformando papel em arte [Turning paper into art].

25th Anniversary: annually, COPASA honors employees who complete 25 years of service to the Company. In 2011, there were 182 associates who for 25 years have contributed to improve the quality of life of millions of Minas Gerais residents.

Promoting New Talent: with COPASA's support, the *Show Musical Som Maior 10 – O Método e a Conquista*, a musical show was presented. The show was attended by 105 Som Maior Cursos Populares students, COPASA employees and their families. The school coordinator and some teachers are also employed by COPASA. The students' show uncovers great new talent and encourages socio-cultural development.

Promoting Sports: in 2011, three young swimmers, children of COPASA employees, were approved in the selection process for the *Instituto Talentos Esportivos/Gota D'Água* team base, a sports institution. The initiative is a partnership between COPASA and the institution and has resources from the Lei de Incentivo ao Esporte [Sport Encouragement Legislation]. Thirteen athletes, children of COPASA employees participated in the selection process. Of those, three were selected and will be part of the team base, consisting of young swimmers from 8 to 11 years old.

In partnership with the Mackenzie Sports Club, there was a selection process for the formation of high performance volleyball and basketball teams. The project, which has resources from the *Lei de Incentivo ao Esporte* [Sport Encouragement Legislation], will include 190 athletes between 11 and 19 years old its goal is to provide infrastructure for the development of young sports talents. The selection for basketball and volleyball teams was attended by 24 children of COPASA employees. Nine athletes have been selected and will have the opportunity to be part of the club's team base.



EXTERNAL SOCIAL DIMENSION



EXTERNAL SOCIAL DIMENSION

COPASA follows the steps of its customers, suppliers and the community. The diversity of the public with whom the company relates makes this walk a joint learning experience, in search of a better and healthier society and a better world to live. The presence of the Meninos de Araçuaí Children of Araçuaí] at the shows from the Ponto de Partida [Starting Point] Group promotes a dialogue between generations and values these young talents from the Vale do Jequitinhonha. Social inclusion enables individuals and companies to grow together. People with different dreams and expectations, but with the same desire to always move forward.

COPASA believes all who are part of its business are partners, especially suppliers, customers and the community. As basic sanitation is a social development condition, COPASA contributes significantly to economic growth and development of institutional entities with which it relates.

With a philosophy of partnership and cooperation, the Company maintains a number of social programs and carries out important investments geared towards the development of communities under the influence of its activities, and with which it interacts on an ongoing basis.

COPASA AND ITS CLIENTS

The good relationship with its customers is a priority for COPASA, as set out in its strategic objective *Increase Customer Satisfaction*. The basis of good relationships is the guarantee of a quality service combined with constant dialogue opportunities.

Service Agencies

COPASA has 762 customer service agencies in the State of Minas Gerais, and at least one agency in each location it operates. Of these, 18 agencies are served by the *Sistema Integrado para Gestão de Atendimento* [Integrated System for Customer Service Management] (SIGA), which ensures greater control over customer service activities. In addition to monitoring service quality and speed, the system generates a database that helps identify deviations. In 12 agencies there are self-service terminals that allow customers perform services such as issuing a copy of the invoice, debt liquidation certificate, consumption history and verification of paid invoices with greater ease and speed.

Evaluation of Water Supply Service and COPASA Image

This assessment is used to objectively measure the degree of satisfaction among customers as to the Company's services (continuity of supply, water quality, maintenance and repair of leaks in streets, service, costs), and to compare COPASA's services to other companies' providing public services in a particular city.

The evaluation of the water supply service and COPASA image, through the support of the advertising agency and research institute, aims to:

- identify and assess needs and their degree of relative importance;
- assess customer levels of knowledge, satisfaction and reliability related to the company's products and services;

- evaluate brand awareness and COPASA's reputation;
- broaden and deepen market knowledge.

In 2011, the survey was conducted in the cities of Itajubá, San Francisco and Sete Lagoas.

The evaluation of customer satisfaction also occurs by other means, such as the Loyalty Program, a tool used for monitoring transactions with special and contracted customers from the industrial and commercial categories, and includes visits to customers, in order to strengthen the relationship, establish reliable dialogue, identify difficulties, disputes and/or bottlenecks of a commercial, administrative or operating standpoint in the existing contract.

Customer Service Center

The Customer Service in Belo Horizonte offers three channels to record the customers' demands. By calling 115, we serve the cities of Belo Horizonte, Contagem, Betim, Ribeirão das Neves and the other cities of the Belo Horizonte metropolitan region, in addition to Montes Claros, Coronel Fabriciano, Timóteo, Conselheiro Lafaiete, Ipatinga and Santana do Paraíso, within the State. In 2011, a new options menu was made available, adopting a simpler and more interactive connection with customers. This new configuration offered customers who call the Belo Horizonte Center, the option of requesting services automatically, safely and quickly.

Another communication channel is the Chat. The demands are received by Customer Service representatives, who use standard answers to make the service more efficient. Another option is to record demands is the e-mail, which is posted on the website, in the *Contact Us* option. These demands are evaluated and solved by Customer Service experts.

The Customer Service Center goal is to perform the actions related to virtual and telephone relationships with customers, providing information, receiving and forwarding services to the Company's operational and commercial departments. These services include maintenance of water and sewage networks; verification of service interruptions, reconnection request and information regarding new water and sewer connections; debt verification, consumption analysis and requesting a copy of the invoice.

We developed a project to centralize all telephone customer service in Belo Horizonte. It will be available free of cost, 24 hours a day, to all locations operated by COPASA and COPANOR. This project will be implemented in three stages and, by the end of 2012, all locations will be integrated into the Center. The first stage will take place in January 2012, where 40% of the population will be covered. The second stage will take place in August 2012 to 17% of the population, and in December, another 43% will be covered, with the implementation of the third phase.

Internet

An important relationship channel COPASA has with customers is the Company website: www.copasa.com.br, which contains the *Online Chat* and the *Contact Us* used for sending requests by e-mail. In the Virtual Agency, the client can make appointments and access services such as name and address change, analysis and simulated invoice calculation, private network of banks and other agents authorized to receive payments, issuance debt liquidation certificate, consumption history query, paid invoices, online invoice payments, change in the account due date, service execution time, reconnection of water services, issuing copy of the invoice and requesting water and sewage leakage repairs.

In addition, COPASA uses social network sites such as twitter and blog to provide information regarding service interruptions, repairs and maintenance of the networks.

Ombudsman

Acting as an additional communication channel between the company and society, COPASA Ombudsman receives complaints that have not been satisfactorily addressed or resolved through the conventional service channels (Contact Us, Virtual Agency, Telephone 115 and Service Stations). The Ombudsman receives environmental demands and complaints regarding accounting and auditing matters.

The Ombudsman can be reached via the Internet; access channel used by 92% of callers, letter or fax, and interacts with other organizational units seeking effective solutions. Since its establishment in 2007, 7,396 requests were recorded, all of them answered within 15 days from the request.

In 2011, 2,253 requests were received and analyzed. Request responses are available on the Internet and are accessed by the caller through a password, ensuring information speed and confidentiality.

The Ombudsman provides a monthly report on the intranet containing statistical data and ideas based on recurrent customer complaints of, enabling the units involved to identify opportunities for improvement through report analysis, improving service quality.

In order to ascertain the situation of the unit and to identify factors that affect customer service quality, since April 2011, the Ombudsman staff visits the operational units responsible for meeting most demands received. From these visits, reports are prepared in order to disclose to Company directors the situation of those operational units, which might compromise operational management.

Besides being a channel of communication with the citizen-client, the Ombudsman manages the proceedings initiated by the Ombudsman of the *Agência Reguladora de Serviços de Abastecimento de Água e Esgotamento Sanitário de Minas Gerais* [Regulatory Agency for Water Supply and Sanitation of Minas Gerais] (Arsae/MG), following the demands concerning COPASA and its subsidiary COPANOR.

“Give your Opinion” Survey

The *Give your Opinion* survey, which uses feedback deposited in the suggestion boxes, evaluates the quality of services provided to customers at all COPASA service points, such as agencies and offices. Feedback forms are collected and requests, suggestions or complaints are analyzed by the relevant departments, which forward the answers to the clients.

Post-sale Survey

This survey is applied by the more distant districts and by the Customer Service Center in the Metropolitan Region of Belo Horizonte, after the implementation of new water and sewage connections. This survey aims to verify compliance with the deadlines, placement of signs at work sites, relationship of the employee/service provider with the customer and service quality.

PRODUCT RESPONSIBILITY

(GRI PR1; PR3) The *Sistema de Gestão da Qualidade* [Quality Management System] (SGQ), located at the Central Laboratory in Belo Horizonte, is ISO 9001:2008 certified, audited by the British Standards Institution (BSI).

COPASA's Central Laboratory, which holds ISO 9001:2000 certification since 2000, and has been revalidating it every six months. Currently it holds the ISO 9001:2008 version, and

the latest certification was obtained in December 2011. In addition to this certification, also in December 2011, the Instituto Nacional de Metrologia, Normalização e Qualidade Industrial [National Metrology, Standardization and Industrial Quality Institute] (INMETRO) conducted an audit review, whose purpose was to verify the adherence to technical procedures and management system adopted by the Central Laboratory with the requirements established by the ABNT NBR ISO/IEC 17025:2005 regulation. This evaluation is part of the ongoing maintenance of initial accreditation obtained by the Laboratory from INMETRO on January 28th, 2010, which granted Accreditation Certificate CRL 0474. This Accreditation is the formal recognition of technical competence to carry out tests in water and sewerage samples, given Normative Resolution 167/11 from the Conselho Estadual de Política Ambiental [State Council for Environmental Policy] (COPAM) and Ordinance 2914/11 from the Health Department, which replaced Ordinance 518/04.

In order for customers to evidence some of the results of this analysis process, water bills provide information, explanations and reference values regarding chlorine, color, fluoride, coliform, turbidity, pH and *escherichia coli*. In addition, the *Relatório Anual de Qualidade da Água* [Water Quality Annual Report] is available at COPASA's website.

The invoice keeps getting better

Since 2010, COPASA has delivered a new water and sewer invoice, with more information to customers. The purpose of this change is to demonstrate, even more transparently, the services provided by the Company.

COPASA implanted the use of Liters as a measure of water consumption, rate calculation and average daily consumption. More space was granted to publish photographs of missing people, with four photos, renewed periodically.

In 2011, new information was introduced in the account in order to make it even more explanatory, such as average monthly consumption of the property, a field for showing the number of units served in the social category, which complements the block that displays the remaining categories use, the user identifier code that represents a new cadastral attribute that binds the property to their charge, and a new space for bank authentication, which ensures compatibility with all collecting agents.

COPASA AND ITS SUPPLIERS

COPASA's organizational principle is to maintain a partnership relationship with its suppliers. The Company seeks to contribute to the supply chain development and ensure the quality of service and materials purchased, in addition to observing socioeconomic and environmental responsibility practices. According to the Company's Code of Ethics, relationships with suppliers of goods and services must be guided by technical and professional criteria, ethical principles, respect for current laws and regulations, seeking to meet the needs of the Organization.

The suppliers that make up COPASA's supply chain are selected and qualified by means of public tender notices based on Federal Law 8666/93, which establishes rules for bidding contracts from the Public Administration, Federal Law 10520/02 and State Law 14167/02, which establish the bidding process.

Material Acquisition and Logistics

Consumption and maintenance materials intended for the Company operation are automatically supplied by the logistical support unit to all COPASA units. In this system, the Company selected about 1,900 items of greatest importance and permanent consumption,

to conduct planning, purchasing and inventory management, based on defined parameters which are updated quarterly, when replacement locations are set and the average monthly consumption is calculated. For other materials consumed sporadically, purchase planning is done by the own unit. Starting in 2012, the material for the vegetative growth will also be acquired automatically, based on consumption parameters.

Obsolete materials, products and equipment are stored in the warehouse, which are selected for reuse or offered for sale. Starting in 2010, the Company has been demanding in its bidding and contracts documents that vendors remove from the warehouse, in the same quantity as supplied, used and scrap materials of unserviceable assets (i.e., tires), so that they be given proper destination, seeking to avoid environmental pollution. Since 2012, in order to implement this procedure, COPASA hires a cooperative to collect bulbs and collect other recyclable materials as paper, plastic pipes, metal pipes, batteries, electrical ballasts, etc.

In order to ensure the best quality of purchased materials, the Company initiated a program which verifies the production process, technical capacity, quality systems and the supplier's environmental protection, in order to approve their materials to that only those who are certified can participate in the Company's bidding processes.

COPASA also promotes control and inspection of reagents and chemicals used in its various laboratories, issuing monthly reports for monitoring and control by the Federal Police. As to electricity supply, COPASA maintains a periodic evaluation routine to compare prices on the open market and costs incurred on purchases in the captive market, called the equilibrium price of energy.

Qualification and Selection of Suppliers

The qualification of suppliers for inclusion on COPASA's supplier registration is done by reviewing and approving the documentation required by public procurement notices provided according to with current legislation.

Main criteria for qualification and selection of suppliers

Suppliers of materials, supplies and services: management of procedures for the qualification and selection of suppliers of materials, supplies and services take into account compliance with Federal Law 8666/93 and State Law 14167/02, and the criteria for price, technique and price or technique.

Main requirements: technical specifications and delivery time.

Engineering Services: in order to improve its selection, COPASA has included in the tender documentation criteria for financial analysis of companies and, since 2005, established criteria for technical qualification of suppliers through the document entitled Recommendations for the Preparation of Construction Certificates. Controlling this process is done the Court of Auditors of the State, which reviews reports issued monthly, containing in effected in the hiring period.

Main requirements: agility, quality, maintenance of the company's image, security and sustainable use of the environment.

Electricity suppliers: the supply of electricity, an important input to the operational units of the Company is regulated by the National Agency of Electrical Energy (ANEEL), which establishes the requirements that must be met by electrical power utility, according to Federal Law 9427/96. Resolution 414/10 of ANEEL, regulates the basic conditions for electricity supply, establishing forms of contracting between the consumer unit and electric power utilities.

Main requirements: availability.

Water sources (raw water): the springs are selected through the analysis of water availability and quality of raw water from springs, in the design phase for implementation, expansion or improvement of systems. After selecting the source, there is the provision of grants and environmental regularization of systems.

Main requirements: quality and availability.

The necessary information for suppliers to register, track their registration status and participate in the bidding is available at COPASA's website, the Supplier Booklet is also available, which presents to suppliers the ways of relationship with the Company, making it possible to easily fit the rules for bidding and purchasing.

The selection of suppliers is carried out by the bidding committees during the bidding process, by analyzing and verifying compliance with the conditions and criteria under the relevant laws and edicts. The most widely used method of bidding for the procurement of materials and services is the electronic trading system, which adds greater transparency, better negotiation conditions with suppliers, lower cost and greater flexibility in the realization of the proceedings. COPASA enables the monitoring of trading in real time via Internet, providing access to all information and stages of the process, a practice that brings transparency and reliability to the event.

COPASA does not adopt policies or practices in preference to local suppliers, since it cannot establish preferences, because its contracting follows the rules established in Law 8666/93. However, the Company observes in its bidding procedures, compliance with Supplementary Law 123/06, establishing the right of first refusal to micro and small businesses. (GRI EC6) The evaluation of suppliers is done by verifying compliance with the technical specifications contained in bids and contracts, and also through the testing for quality control of materials. For suppliers who have adequate performance in fulfilling the contract, COPASA issues certificate of technical capability, which enables their participation in other bidding procedures.

From January 2012, COPASA will evaluate its suppliers of materials and equipment at each delivery, based on two criteria: timeliness of delivery and approval in quality control. Thus, suppliers will be scored and, semiannually, data will be compiled, generating the final score of the supplier. With that, COPASA will measure the performance of its suppliers, encouraging the maintenance or increase in its standard of quality, as well as identifying opportunities for improvement.

Since 2002, monthly reports are sent to the State Court of Auditors (ECA) to inform the contracting carried out by the Company during the period, specifying values, suppliers, and material or services. Bidding and contracts are controlled by COPASA, through the Legal Department and the Internal Audit, under the control of the external auditing.

Commitments of Suppliers and Service Providers

COPASA requires suppliers to prove compliance with labor obligations and presentation of statement indicating that they do not employ people under 18 years old for night, dangerous or unhealthy work, and that they do not employ people less than 16 years old, unless under condition of apprentice and, in this case, people older than 14 years old. These and other documents are verified during the bidding process and the qualification phase by the committees of Bids and Proclaimers. (GRI HR2)

COPASA include in tenders and signed contracts, specific clauses which reflect its values and organizational principles, such as agility in service delivery, quality, maintenance of the Company's image, health and safety of employees, sustained use of the environment, social responsibility, among others, to ensure the involvement and commitment of suppliers with its organizational culture. The Company provides, along with the notices, the Company's strategic map, the Code of Ethical Behavior and the standard internal procedures for acquisition of materials, works and services. To ensure that these and other contractual conditions are met, COPASA submits suppliers and service providers to daily supervision by its supervisors and auditors. In addition, the safety technicians and members of Internal Commission for Accident Prevention (CIPA) conduct inspection visits in civil, expansion and growth of vegetation works, in order to see if matters relating to safety and health of service providers are being met. The adverse factors identified are reported to managers of contracts, for taking appropriate action.

COPASA AND THE COMMUNITY (GRI SO1)

Aiming to promote the population's access to water and sewer services, the Company develops policies that seek to improve health conditions in the State of Minas Gerais, besides acting in preserving and restoring water resources and the environment. To this end, it promotes the development and support to actions in education, social, artistic and environmental fields.

Sanitation, Development and Social Justice

(GRI EC8) For COPASA, directing programs and actions in order to ensure water and sewage services to the poorest segments of the population of Minas Gerais, means to invest in social inclusion and improving the quality of life.

Sponsorship: COPASA offers for free, to philanthropic organizations duly registered in the Action "Account on the People", the service of collecting monthly contributions from individuals and corporations through the accounts of water/sewage. The amounts collected are intended for payment of services provided by COPASA to the institutions. If there is surplus collected, it is credited to the bank accounts of the institutions.

By the end of 2011, the program accounted for the registration of 393 institutions in the following categories: shelters, hostels, Association of Parents and Friends of Exceptional Children (APAE), houses of transit, nursing homes, rehabilitation centers for drug addicts, day care centers, and *Instituições de Longa Permanência para Idosos* (ILPI) [Institutions for Long Term Elderly Care].

Progressive Discount Program: COPASA provides discounted rates for water and wastewater for municipalities (grantors), which are in default with the Company. The discount percentage is defined as a function of default time, so that local governments pay their bills by the due date receive discounts ranging from 10% to 50% in the value of their invoices.

With up to 6 months of timely payment, the discount is 10%. From 7 to 12 months, the discount is 20%. From 13 to 18 months, 30%. From 19 to 24 months, 40%, and above 24 months, 50%. By 2011, 391 municipalities have benefited, which represent 68.6% of total municipal grantors. Of these, 257 received discounts of 50% in the value of the accounts.

Solidariedágua Program: collects voluntary contributions from COPASA customers, directly to the water/sewer invoices, in order to settle overdue debts of philanthropic entities with the Company. In 2011, 10 institutions have benefited from this program.

Vale Água Program: established in 2006, it encourages residents of clusters of Belo Horizonte to exchange aluminum cans and plastic bottles for discounts in the water bills.

The exchange of recyclable material is made in the Outpost Service of COPASA, in the same cluster, through a simple procedure: the client goes to the post, weighs the material and receives their voucher. The discount is effective on the next bill. Any resident can join the program, regardless of the type of property (residential or commercial, churches, associations, etc.).

The objectives of COPASA with Vale Água are: benefit its low-income customers by promoting a reduction in the value of the water bill, ensure access to basic sanitation services to a growing population, create environmental awareness of recycling, reduce the volume of waste released into water courses and the environment and, consequently, reduce flooding and the incidence of waterborne diseases.

The program is present in six clusters of Belo Horizonte. In 2011, it received 3489.77 kg of aluminum cans and 38,902.57 kg of plastic bottles.

Subsidy to Philanthropic Entities: COPASA is a partner of the mining charities since 1979 through the subsidy granting program, for which COPASA intends up to 0.6% of its monthly billing.

In 2009, the subsidy program was adapted to suit the Action *Conta com a Gente*, held in conjunction with the Government of the State of Minas Gerais, through the Secretary of State for Social Assistance (SEDESE) and Voluntary Service of Social Assistance (SERVAS). Since then, COPASA maintains three types of benefits for philanthropic entities: Subsidy and Sponsorship, linked to the Action *Conta com a Gente* and the program *Solidariedade*.

In 2011, 750 philanthropic organizations have benefited from discounted rates for water and sewage up to the limit of the contracted demand. For entities registered in the Action *Conta com a Gente* the subsidy represents 25% discount on tariffs. For the philanthropic hospitals linked to the Program *Solidariedade*, the discount is 50%.

Social Tariff: The Social Tariff a reduced rate, established in 1994 exclusively for the residential category of customers who live in properties with building area of up to 44 m² and consuming up to 15 m³/month.

With Normative Resolution 004/2011 of ARSAE/MG, the “Social Tariff” has come to be regarded as a new category of customers called Social. Moreover, with the application of the rate increase in 2011, the Social Tariff now represents approximately 50% of the residential tariff.

In 2011, 320,085 households (average/month) have benefited from social tariff with water supply and 205,476 households (average/month) with sanitary sewage.

Rural Sanitation (GRI SO5)

COPASA performs, through covenants and/or agreements, government actions of the State of Minas Gerais for the service to small towns lacking health infrastructure, promoting a better quality of life and health of these populations, deploying water supply, sewage and solid waste treatment systems. There are several social programs in rural communities, municipal centers, agricultural settlement projects of the National Institute of Colonization and Agrarian Reform (INCRA MG) and state schools, performed by COPASA through external and internal fund raising, effected by of covenants and/or agreements.

Among the various initiatives there are:

- *Água nas Escolas* Program;
- *PróÁgua Nacional* Program;
- Sanitation program: *mais saúde para todos*;
- Sanitation in Inspection Stations of the Secretary of State for Finance.

Grants and Sponsorships

Resources released by the Company through Laws of Culture and Sports Incentive, and the Fundo da Infância e Adolescência [Fund for Childhood and Adolescence] (FIA)

YEAR	Rouanet Law (R\$)	Law of Sports Incentive (R\$)	Donations to FIA (R\$)	Total (R\$)
2011	3.000.000,00	750.000,00	750.000,00	4.500.000,00
2010	2.400.000,00	520.000,00	600.000,00	3.520.000,00
2009	3.000.000,00	750.000,00	600.000,00	4.350.000,00

The willingness to act in actions and activities that contribute to society and to reaffirm the commitment of COPASA with the people from Minas Gerais, the Company is present at the main events held in the State of Minas Gerais with sponsorship, support and institutional actions, in addition to distributing cups of water. Among the achievements of the year, it is worth to mention the World Water Day, held in March, and the World Environment Day, held in June.

Projects approved by Federal Law of Cultural Incentive (Rouanet Law) in 2011

The total amount allocated was R\$ 3,000,000.00:

PROJECT	PRONAC	PROPONENT
37th Campaign for the Popularization of Theatre and Dance of MG	10 5059	SINPARC/ Rômulo Duque de Azevedo
Benjamim: The story conductor	11 1881	Associação Desenvolvimento.Radiodifusão / Rede Minas
Public State Library Luiz de Bessa: Infrastructure Recovery	10 5972	Associação de Amigos de Biblioteca Luiz de Bessa
Arts and Craft Fair S. João Del Rei /Tiradentes	10 10388	João Felipe Braga de Carvalho
Lendas do Sertão – Culture and Art at the São Francisco River	08 9325	Ronaldo Fraga
Youth Orchestra of Contagem	10 1190	Renato Almeida
Theatrical Play Discovery of Brazil	07 8581	Kleber Junqueira
Ponto de Partida 2010	97 020	Associação Cultural Ponto de Partida
Award Estado de Minas de Artes Cênicas - CenaMinas - Edição .2011	09 8572	Inst. Cultural Sérgio Magnani
Project Palácio das Artes 2008 -Segmento Cultural:Música	07 12033	Inst. Cultural Sérgio Magnani
Project - Fundação Clóvis Salgado - Exposições 2011	11 0505	Inst. Cultural Sérgio Magnani
City Theater	94 182	Pedro Paulo Cava

Cena Minas

The State of Minas Award for Performing Arts (*Cena Minas*) is a project of the State of Minas Gerais, developed by the Secretary of State for Culture, in partnership with the Cultural Institute Sergio Magnani. The project aims to encourage and strengthen the scenic productions in the State of Minas Gerais in the areas of theater, dance and circus, ensuring the maintenance of open space, promoting public education and creating better working conditions. Thus, Cena Minas opens, for the mining population, growth opportunities and access to cultural information, and enhances the COPASA policy of promoting art, culture and citizenship.

In its latest editions, the prize included nearly 110 projects across the State of Minas Gerais. The award for the selected projects is R\$1.11 million divided into three categories:

- maintenance of open space for theater and dance groups: oriented toward the development of artistic groups, encouraging research in the field of performing arts and the creation of poles of artistic and cultural activities in the State;
- education of the public: with an aim of holding presentations of dance and theater for students and teachers in state public education network, in order to create the habit of attending shows, strengthening the link between culture and education;

- equipment and materials for circuses: toward the maintenance of equipment, tarps, and other costumes.

***Lendas do Sertão* – Culture and Art at the San Francisco River**

The stylist Ronaldo Fraga from Belo Horizonte, held the interactive exhibition *Lendas do Sertão* [Tales of the Wilderness], which depicts the popular culture of the riverside of São Francisco River. The cultural exhibition, considered “pioneer” of fashion, is the valorization of popular culture, in the preservation of memory and natural resources as instruments for valuing education and awareness about care for the environment, in the rescue of history and traditions present along the São Francisco River, and fashion as an instrument of culture.

The show is composed of plastic installations of contemporary art, divided into 13 environments where the visitor navigates the waters of the exhibition, from the mouth to the source, through the legends, religion, smells and flavors, music and customs of the riverside towns. The exhibition has been in the main capitals of the country, with an audience of approximately 80 thousand visitors at each location.

Youth Orchestra of Contagem

Founded 13 years ago, the Youth Orchestra of Contagem is the result of a project that uses art, culture and education to promote human development. The project aims at promoting citizenship and social inclusion of children, adolescents and youth of low-income from Contagem, exploring the potential for musical training, national and international cultural exchanges.

Held for the second consecutive year in Belo Horizonte, the 2nd Christmas Cantata of COPASA gathered thousands of people in Freedom Square, on December 22th, 2011. The Cantata also involved the participation of voices from the Child *Coral Gotas da Canção (Além dos Muros* [Beyond the Walls] Program) and the COPASA Coral.

Project FEMIART – 9th Arts and Craft Fair of São João del Rei and Tiradentes

This is an annual project of artistic, cultural and musical development, promoting integration between the mining towns and other states. The show stands out for its quality and diversity of marketed craft products. Over 300 exhibitors from the State of Minas Gerais participate in 150 booths. Other activities were cultural attractions, free craft workshops, Indian dances, music concerts, food and dishes, with the presence of 25 thousand people in approximately 4 days.

City Theater Project – *Morte e Vida Severina*

One of the biggest hits of Brazilian theater, the show is based on the work of João Cabral de Melo Neto, and features songs by Chico Buarque. The play tells the story of migrants who left the northeastern backlands and went to the southeast and south in search of decent life. The assembly has 15 artists on stage playing more than 50 characters in costumes inspired by the works of Portinari. The show was seen by over 10,000 spectators in 3 months of presentation.

Cultural Actions

From cultural projects that had the support or sponsorship in COPASA in 2011, there should be highlighted:

Concerts in the Park

Through the 6 years partnership existing between COPASA and Clovis Salgado Foundation – Palace of Arts, presentations are performed by the Symphonic Orchestra of Minas Gerais in public concerts in Renné Gianetti City Park, which has become a cultural tradition of the City of Belo Horizonte. Each concert has a diverse audience and more than 4000 people, from all over the state of Minas Gerais, frequented the Arts and Craft Fair of Afonso Pena Avenue and Belo Horizonte City Park. The participation of COPASA occurs with the supply and distribution of glasses of water, installation of toilet car, and calls during the interval between presentations, with messages aimed at preserving the environment.

Cooperatives and Art in the Parks

Promoted by the System of Union and Organization of Cooperatives of the State of Minas Gerais, this project seeks to integrate and enhance the cooperative philosophy through culture and leisure, with artistic performances in parks. The public is estimated at 2 thousand people per event, for which COPASA distributes treated water through coffee cups filled and large bottle.

Craftsman Exhibition

Since six years ago, COPASA supports the Craftsman Exhibition, celebrating the Day of the Craftsman, March 19th, which contributes to the rescue of the historical traditions of the State of Minas Gerais, highlighting the culture and crafts. An agreement between the Legislature of the State of Minas Gerais, the State Department of Economic Development, COPASA and the Brazilian Service to Support Micro and Small Enterprises (SEBRAE/MG) allowed the event realization. In 2011, the exhibition “The Risk of Embroidery,” brought embroidery produced by artisans from various regions of Minas Gerais, at various times, and rarities belonging to private collections.

COPASA Art Gallery

Installed in the lobby of the headquarters of COPASA, is a space designed to promote the new talents of visual arts and also to honor the great masters in the State of Minas Gerais, with a regular schedule of exhibitions, which are set by public competition through a notice. The average duration of exposure is 35 days. In 2011, there were five exhibitions, with an average benefited attendance of 3,000 people.

Program of Integration and Social Contribution Além dos Muros (Beyond the Walls)

Developed in partnership with villagers of Pedreira Prado Lopes, Senhor dos Passos and public and private institutions operating in this region of the City of Belo Horizonte. Together with the community of Vila Senhor dos Passos, the Program supports the activities of the Municipal Unit for Childhood Education (UMEI) connected to the Center for Family Support (NAF). It is Noteworthy the Project Gotas da Canção Child Coral Drops, singing group composed of 55 members, aged from 6 to 11 years, many belonging to poor families located in the neighborhoods of Lagoinha, Santo André and communities of Pedreira Prado Lopes and Vila Senhor dos Passos. In 2011, they participated in the following events: Mother’s Day/ Northern District of Belo Horizonte, 4 Cantos Coral of Development Bank of Minas Gerais (BDMG)/Assembly Square, FestiVelhas/Federal University of Minas Gerais (UFMG), Father

Day/Hospital Odilon Behrens, Feast of the Family/School M. Honorina de Barros, Day of the Director/Hotel Platinum, International Choir Festival/House of the Dance, Christmas Recital/Minas Shopping and Church of São Cristóvão and 2nd Christmas Cantata of COPASA/Liberty Square.

Let's go to the Museum?

This is a program of guided visits to museums and cultural centers with students of municipal and state network of Belo Horizonte and Nova Lima, in order to bring the participants (students and teachers) to the artistic and cultural heritage. The visits are led by trained educators and trainees on the exhibition themes chosen for the visitors, including guidance on the methodology to be applied. All visits are evaluated, and a visit in month is aimed at people in the community surrounding the schools participating in the project. The sponsorship provided by COPASA contemplated existing schools in the Jardim Canada neighborhood, in the municipality of Nova Lima.

Environmental Actions

In 2011, maintaining its policy of encouraging the preservation of the environment and water resources, COPASA focused its actions on the day commemorating the Water (March 22nd) and the Environment (June, 5th).

Caring for Water Courses

In 2011, the cleaning and removal of trash from the edge of Vargem das Flores Dam's lake was promoted. COPASA supported the team of scouts, students from local schools and City Hall with shirts, snacks and a boat for the day of collection. Located in Betim and Contagem, the Vargem da Flores System make up the Integrated System of Paraopeba River Basin, responsible for supplying 50% of the metropolitan region of Belo Horizonte population.

In the localities of Água Comprida, Veríssimo, Capinópolis e Frutal, permanent preservation areas were recovered. In Frutal, COPASA participated in cleaning the banks and Córrego Vertente Grande e Ribeirão Frutal springs. In Itapagipe and Planura, an event was held to raise awareness and removal of solid waste from the banks of Rio Grande.

World Environment Day

On World Environment Day, celebrated on June 5th, COPASA reinforced the campaign *Água da Gente*, highlighting the invitation oriented to the preservation of forests, recycling of organic and inorganic materials and improper disposal of oil into the sewage system and water courses. Accordingly, in the days and months of the environment, COPASA stimulated the care of water, especially as regards the disposal of cooking oil in the water courses. Workshops were planned for transformation of the oil used in household soap, in the entire state of Minas Gerais, working on training of trainers. Another event where the campaign was launched was the FestiVelhas Manuelzão 2011 – Art and Transformation, organized by the Manuelzão Project in partnership with COPASA. On the campus of Federal University of Minas Gerais (UFMG), Belo Horizonte, was performed the presentation of Gotas da Canção Children Choir (Além dos Muros Program), accompanied by various cultural activities, in order to deepen understanding and discussion of relationship between culture, society and environment.

An independent group of residents in the Neighborhood of Santo Antonio in the City of Belo Horizonte, where the headquarters of COPASA are located, proposed a work for recognition of the water way, in order to show the complexity of operating procedures relating to the

reorganization, from the river catchment, treatment, reservation and transportation to each residence. Similarly, the water used (sewage) is collected, transported, treated and returned to the river. The whole cycle was shown to the community, with a project that began in November 2010 and culminated in late June 2011, month of the environment. The *Água da Rua* Project has established important partnerships with schools, neighborhood associations, religious organizations, movements, environmental organizations, trade, public and private institutions in a wide range of activities: environmental education, art workshops, maintaining the blog, marking the roads and painting walls, distribution of stickers and cards, informative banner exhibition, culminating in the Cortejo da Água (Parade of Water) with around 400 people who marched to the sound of the *Tambor Mineiro* (Miner Drum).

COPASA, in partnership with the Municipality of Belo Horizonte, Vallourec & Mannesmann Tubes, State Park of Serra do Rola Moça/State Institute of Forestry and the Fire Department, organized a series of activities in order to raise awareness about environmental preservation during the celebrations of Water, Environment and Tree Days, performed by the Barreiro Center for Environmental Study: lectures, walking along the stream of Barreiro, games, Chuá Show, with distribution of shirts, caps and squeezes.

World Water Day

In 2011, based on the premise *Quem ama cuida* [those who love it, take care of it], the Company set off across the State of Minas Gerais, a campaign of love for the water, the project called *Água da Gente* [Our Water], with a special program for the week, with actions between March 19th and 27th, in all regions of the State of Minas Gerais, inviting people to reflect on the importance of water.

The official opening of the celebrations of World Water Day took place on March 20th, at Central Market in the city of Belo Horizonte, with the presentation of the Musical *Canção para as águas*, held by COPASA Choir. Furthermore, in order to encourage government, enterprises, institutions and citizens in relation to the conscious use of water, the company sponsored and supported discussions, lectures, fairs, exhibitions, educational blitz, shows, citizen movements, nature walks and joint efforts for cleaning waterways.

To that end, we created a hotsite to register and post gestures of love, through photographs, films and reports of changes in attitudes. The project had a membership of several professional associations, educational institutions, sports clubs, supermarkets and shopping malls to help spread this initiative. The goal of COPASA was to promote reflection on the need for conscious use of water resources, highlighting the impacts of urban growth and the events caused by climate change.

The material was used in institutional awareness events in several locations in the State of Minas Gerais, with the aim of involving all stakeholders, which were reached in subway stations, airports, schools, shops, public squares, on football games, etc.

In the city of Betim, COPASA celebrated World Water Day with the presentation of a seminar open to the academic community and society of Betim, done in partnership with the Municipal Department of Environment, the School of Biological Sciences of PUC Minas and the local forum of Agenda 21. More than 300 people, including students, teachers, COPASA technicians and Betim Prefecture, attended lectures on revitalizing the Betim River, sewage treatment plants in Betim, fisheries laws, registration and georeferencing of springs and monitoring of water resources, which were delivered by specialists of these issues.

In Mateus Leme, it was promoted the revitalization of the east basin of Ribeirão Serra Azul, in partnership with the Technical Assistance and Rural Extension of the State of Minas Gerais (Emater) and State Departments of Education and Environment. Under this initiative, seedlings of native species were planted by local school students.

Young UFMG

COPASA was present in the XII Young UFMG and in the V Youth Science Fair of Basic Education of Minas Gerais (FECEB-MG), conference for the presentation of technical and scientific papers from different educational institutions across the State of Minas Gerais. The event took place from October 19th to 21st, in the service plaza of the university. Students and teachers of basic education schools in the State of Minas Gerais attended the fair with the presentation of works in formats of shows, digital banners, workshops and cultural performances.

This year, the Young UFMG and FECEB-MG will show the breadth and interconnectedness of different fields, in view of the directive of the General Meeting of the United Nations for the International Year of Chemistry. COPASA, through the Chuá Program of Sanitary and Environmental Education, awarded the special prize Amigo das Águas, to the three best studies that linked the chemistry to sustainability, water resources and environmental preservation.

The winners received a set of teaching materials of Chuá Program, certificate, card honors and visited the thematic aquarium Rio São Francisco, of Fundação Zoobotânica of Belo Horizonte City Hall.

Sports Actions

COPASA seeks to encourage physical activity and improving the quality of life in communities where it operates. In 2011, the Company participated in major competitions held in the State of Minas Gerais, contributing to the release of funds by the Law for Encouragement of Sport, with institutional sponsorship, donations of water cups and the installation of cooling tunnels for the athletes and the present public.

Sponsorships granted with funds from the Federal Act for the Encouragement of Sport in 2011:

The total amount allocated was R\$ 750,000.00:

PROJECTO	PROPONENT
Excellence in Sports	Olympic Club
Training Athletes	Minas Tennis Club
Paralympic Swimming	São Rafael Institute
Tennis for All – Wheelchair users	NGO Tennis for All

II International Half Marathon in Belo Horizonte

Held in the region of Pampulha, with 21-km and 5-km routes, this initiative was attended by approximately 2,000 athletes, being 23 the runners of COPASA's team. COPASA helped the performance of all athletes, with the distribution of 70,000 cups of water and with the installation of two steam generator tunnels, to hydrate and refresh the contestants along the routes of 21 km and 5 km. The second edition of the Half Marathon was decorated with the main sights of the capital of Minas Gerais, as the Church of St. Francis of Assisi, Casa do Baile, the Yacht Tennis Club, the Guanabara Park, the Art Museum and Zoo, which was part of the 21 km tests.

4th Half Marathon of Linha Verde

In 2011, COPASA was one of the supporters of the 4th Half Marathon of Linha Verde, which brought together the top stars of the Brazilian athletics and put the state capital in the international sporting calendar, with 21 km and 5 km races. COPASA was responsible for the hydration of the 7,000 competitors and the public present at the event, through the provision of 140 thousand cups of water.

13th International Tour of Pampulha

COPASA supported the traditional race held in December, with the distribution of 124,000 cups of bottled water for 12,000 athletes participating in the race. A tent and a tunnel bar refreshing the athletes on arrival, and distribution of bottled water for fans attending the event, were installed at various points in the race.

Water Circuit

Performed in four steps, the circuit covers the four elements of nature, which are water, earth, fire and air. The race was supported by COPASA with the distribution of 48 thousand glasses of bottled water for the athletes, and a total audience of over a thousand people who left the shore of the lake in the municipality of Lagoa Santa.

***Energia Vital* (Vital Energy) Race**

Energia Vital Race has three modes and involved around 3,000 participants. COPASA released 25 thousand glasses of water, setting the refreshing tunnel on the finish line and hydration places for athletes, and the bar tent for the people in New Square Pampulha point of departure and arrival.

Training Athletes through Integration of Sports Sciences

Sponsored by COPASA for the 4th time, the project *Formação de Atletas por Meio da Integração das Ciências do Esporte* [Training of Athletes by Means of Integrating the Science of Sports], of the Minas Tennis Club, aims at promoting young sporting talent. The project provides the necessary infrastructure for the sports and human development of young people, such as schools, housing, food, health care, adequate facilities for training, material and technical expertise, physical fitness and participation in major local, national and international championships.

The project's target audience is about 1,000 children, youth and adult athletes ranging in age from 6 to 19 years old, members of the Club and members of state and national sports community, with appropriate technical skills for the development of basketball and futsal, gymnastics, trampoline gymnastics, judo, tennis, swimming and male and female volleyball modalities.

Paralympic Swimming

The project provides the practice of Paralympic swimming for visually impaired athletes. It provides opportunities for training, competition and psychological, nutritional and physical therapy, allowing participation in national and international events.

NGO Tennis For All

It is an institution whose purpose is the integral development of children, adolescents and persons with disabilities or reduced mobility, through the practice of the Olympic and Paralympic tennis. The main objective of this action is to promote social inclusion and citizenship. The entity is considered a reference in Brazil in the development of tennis in a wheelchair and preparing athletes for high yield competition. The NGO carries out activities in villages, schools, universities, totaling about 800 athletes.

Social Activities

COPASA was present in several events of social support, especially those relating to social inclusion, citizenship, quality of life and health.

To support victims of tragedies, COPASA sent in January 2011, 39,000 glasses of bottled water to victims of the rains in Nova Friburgo, State of Rio de Janeiro. To support the mining town's victims of the rains in late October to December 2011, more than 140,000 cups of bottled water were sent to the State Civil Defense Coordinator (CEDEC-MG).

Fund for Childhood and Adolescence (FIA) 2011

The total amount allocated was R\$ 750,000.00:

Benefited Project/entity
Association Providence Project
Servas – Values of Minas
Project Youth Orchestra of Contagem
AURA
Meeting Room – Betim

PROMOTING CITIZENSHIP

Centers for Citizenship

The Centers for Citizenship is a program of research and extension of the Law Faculty of the Federal University of Minas Gerais (UFMG) toward the realization of human rights. Established in 1995, the program works for the construction of citizenship and seeks the empowerment of communities. The program, through Project Center for Mediation and Citizenship, promotes the formation and training of public spaces endowed with human, methodological and logistical resources in order to enable the citizen of low-income communities, with the access to justice through non-judicial mediation. From the everyday practice, of effective participation of community members in this mediation and prevention of problems and conflicts, the program seeks as final product to strengthen a culture based on the ideals of full and everyday democracy.

COPASA supports the Centers for Citizenship program, contributing financially to the maintenance and operation of the Center for Mediation and Citizenship in the Sierra and Santa Lucia cluster, located in the City of Belo Horizonte.

TRUST IN 6% Program

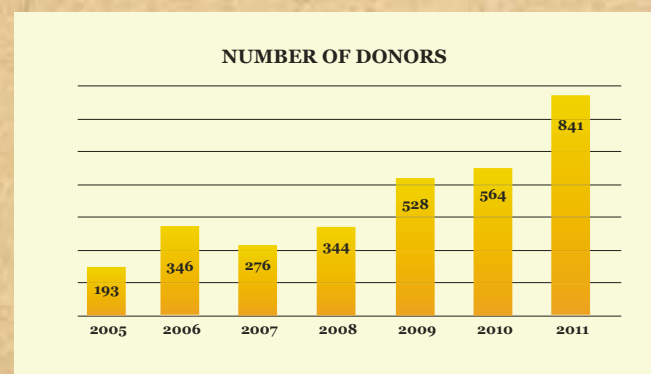
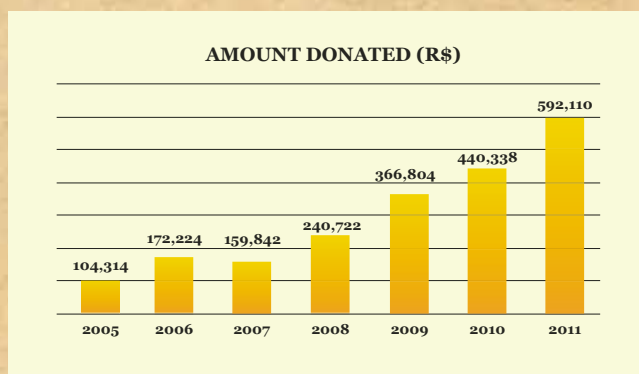
The TRUST IN 6% is a program that encourages COPASA's employees to allocate part of their income tax owed to the Fund for Childhood and Adolescence (FIA), which is one of the principal means for enabling policies serving the juvenile population recommended by the Child and Adolescent Statute (ECA).

The funds raised in the 2011 campaign will benefit children and adolescents from 40 Minas Gerais municipalities, these donations totaled R\$592,110, representing an increase of 34% compared to revenues of the previous year. Whereas the 2010 edition, the number of donors increased 49%, totaling 841 employees.

COPASA has won public recognition because of its actions in the field of social development and practices qualifying it as a citizen and socially responsible company. This recognition is translated in several ways, as indicated by the thanks and honors to the Company according to the allocation of part of employees and business income tax, to the Funds for Children and Adolescents, contributing to the funding of projects of assistance for children and youth and helping to provide a better life and future for children and teenagers throughout the state of Minas Gerais. The honors received by the Company include:

- “Enterprise Development” Certificate, of the Municipal Council for the Rights of Children and Adolescents of Patos de Minas;
- tribute from the Association of Human Promotion Divine Providence, of Belo Horizonte;
- tribute of the Association of Parents and Friends of Exceptional Children (APAE) of São Domingos do Prata, given at the ceremony commemorating 15 years of the entity, including a plaque of thanks (posted on the sports court) to COPASA employees who contributed their donations;
- tribute of the City Council for Rights of Children and Adolescents and the City of São Francisco, giving the company the title of “Child Friendly Company”;
- the “Corporate Friend of the Hospital da Baleia” seal from Belo Horizonte, granted to COPASA for the second consecutive year.

The performance of the program, since its inception, is represented in the following charts:



Councils for the Rights of Children and Adolescents included in 2011:

Councils for the Rights of Children and Adolescents	Entities
State Council for the Rights of Children and Adolescents	Benjamin Guimarães Foundation (Hospital da Baleia) Social Welfare Voluntary Service (SERVAS)
Alfenas	Dias Melhores (Better Days) Association
Almenara	Pro-Disabled Association of Vale do Jequitinhonha (APRODEVAJ)
Alvinópolis	Beneficência Popular (People Charity) Association
Andradas	Association of Parents and Friends of Special People Andradas (APAE)
Araçuaí	Santo Antônio Social Action
Araxá	Program for Children and Adolescents (PCA)
Belo Horizonte	Brazilian Association of Tuberous Sclerosis (ABET) Association of Parents and Friends of Special People Belo Horizonte (APAE) Providence Project Association – Taquaril Unit Professor Estêvão Pinto Education (CEPEP) Down Family Methodist Foundation of Social and Cultural Action Nossa Senhora das Neves Institute of Education and Assistance (IEDUCAN) Don Orione Home for Boys Caminhos para Jesus Healthcare Core Vinha de Luz Center for Human Promotion Carmelite Province of St. Elias
Braúnas	Transfer to the City Council for the Rights of Children and Adolescents
Cambuquira	Association of Parents and Friends of Special People of Cambuquira (APAE)
Caratinga	Association of Parents and Friends of Special Caratinga (APAE) Institute of the Missionary Sisters of Our Lady of Fatima (Girls Home)
Contagem	Transfer to the City Council for the Rights of Children and Adolescents
Corinto	Transfer to the City Council for the Rights of Children and Adolescents
Cristais	Association of Parents and Friends of Special People of Cristais (APAE)
Crucilândia	Association of Parents and Friends of Special People of Crucilândia (APAE)
Cuvelo	Association of Parents and Friends of Special People of Curvelo (APAE)

Diamantina	Transfer to the City Council for the Rights of Children and Adolescents
Divinópolis	Community of Servants of the Cross of San Damiano
Frutal	Social Welfare of Pius XII – Children’s House of St. Anthony of Padua Association of Parents and Friends of Special People of Frutal (APAE)
Jaboticatubas	Sister Maria Dolores Community Nursery
Janaúba	Association for Guidance of Children and Adolescents Adolescents Citizens of Janaúba and Nova Porteirinha Project Association (APACIJAN)
Januária	O Pequeno Davi Community Association
Jordânia	Nossa Senhora das Famílias de Jordânia Community Day Care Association
Leopoldina	Association for the Assistance and Protection of Children (AAPI) Association of Parents and Friends of Special People of Leopoldina (APAE)
Liberdade	Association of Parents and Friends of Special People of Leopoldina (APAE)
Montes Claros	Northern Mining Association for Support to Autistic People (ANDA) Paula Elizabete Association Sara Albuquerque Costa Foundation Nossa Senhora do Perpétuo Socorro Home
Paracatu	Mother Teresa of Calcutta Association of Protection and Support of Children and Adolescents of Paracatu
Patos de Minas	Transfer to the City Council for the Rights of Children and Adolescents
Pouso Alegre	Transfer to the City Council for the Rights of Children and Adolescents
Resende Costa	Transfer to the City Council for the Rights of Children and Adolescents
Ribeirão das Neves	Association of Human Promotion Divine Providence – St. Vincent de Paul Boys Town
Sabará	Geraldo José Gonçalves Institute – Home of Mary Nursery
Salinas	Association of Parents and Friends of Exceptional Children of Salinas (APAE)
Santos Dumont	Futuro Brasil Foundation for Children and Adolescents
São Domingos do Prata	Association of Parents and Friends of Special People of São Domingos do Prata (APAE) Esperanza Brazil Association (AEB) Monique Leclercq Foundation

São Francisco	Transfer to the City Council for the Rights of Children and Adolescents
São João Del Rei	Transfer to the City Council for the Rights of Children and Adolescents
Teófilo Otoni	Support for Women, Child and Adolescent (AMCA) Bela Vista Community Association Association of Parents and Friends of Special People of Teófilo Otoni (APAE) Cantinho da Solidariedade Lar da Criança Nursery
Timóteo	Transfer to the City Council for the Rights of Children and Adolescents
Ubá	Catholic Benevolent Association – Casa do Guri Association of Parents and Friends of Special People of Ubá (APAE)
Varginha	Association Our Lady of the Rosary – Recanto da Criança Feliz Varginha’s Foundation for Exceptional People Assistance (FUVAE)

***Fica Vivo!* (Stay Alive!) Program**

Fica Vivo!, the Program for Control of Homicides was created in 2003 by the State of Minas Gerais, in order to intervene in social reality before the crime happens. Starting from actions combining qualified enforcement and social inclusion, *Fica Vivo!* managed to reduce by 50% homicide rates in the served regions.

Among other actions, the Program makes specialized treatment and offers various cultural workshops, sports, vocational and leisure activities for young people from 12 to 24 years old in social risk and residents in areas that concentrate high indicators of homicide. COPASA is a partner of this initiative through an agreement signed with the State Department of Social Defense (SEDS-MG) and hires each year, 20 apprentices indicated by the Secretariat and by the National Service of Industrial Learning (SENAI MG).

Reintegration of Sheltered People to the Society

In partnership with the Judicial Branch, COPASA contributes to the recovery of inmates sheltered, giving them the opportunity to rejoin society and start a new life. The Company’s participation is performed through the hiring of these individuals to work in its operations. At work, they receive safety equipment and, after training under the guidance of an employee of COPASA, develop activities such as painting, weeding, loading and unloading, cleaning of tank, yards and warehouses, operational and gardening services, among others. The sheltered people are accompanied by the responsible of operating systems and meet the local business hours, the frequency being controlled by means of reports in the timesheet. The remuneration consists of a minimum wage.





IBASE AND GRI INDEXES

IBASE AND GRI INDEXES

ANNUAL AND SUSTAINABILITY REPORT 2011 (GRI 3.3; 4.17)

Since 2005, COPASA publishes its economic, social and environmental results – integrated into a single document, allowing to meet the demands for information of diverse audiences, in a more broadly, objective and responsive way. Thus meeting the expectations of stakeholders, depicting the Company's performance during the year ended.

The Company is constantly improving the process of drafting their reports. After an interval of two years, in 2010 the Annual and Sustainability Report returned to follow the methodology of the Global Reporting Initiative (GRI). In 2011, for the second consecutive year, the Company applies the B level of GRI guidelines. (GRI 3.1; 3.2; 3.11)

The Annual and Sustainability Report 2011 gathers information and data collected by the Company in all its units in the State of Minas Gerais, and includes the actions taken and the business and social results achieved over the considered period. In some sections of the report, specific cases of separate units were detailed, because of their relevance to the location or the involved audience. (GRI 3.7; 3.8)

In addition, the following principles were considered: (GRI 3.5)

Inclusion of stakeholders: there have been identified as key stakeholders of COPASA the customers; communities and society in general; Company employees; the Government of the State of Minas Gerais; suppliers and service providers; the capital market and investors. (GRI 4.15)

Scope: there were studied and reported the issues, information and indicators considered important for evaluating the performance and strategies of COPASA, as unitary company, in the economic, environmental and social dimensions. Additional information on subsidiaries of COPASA was assimilated in some cases, and was indicated in the text. (GRI 3.6)

Materiality: in 2011, COPASA introduced a formal analysis of materiality in order to identify the most relevant sustainability issues for its business and stakeholders. During the process, issues were raised which could interfere in the decisions of public interest, seeking to understand their perspectives on priority issues for the company.

The materiality analysis script identified the main issues in the internal and external perspectives, as outlined below:

Issues of materiality in the strategic perspective for COPASA

- Financial impact;
- targets disclosed in the Annual and Sustainability Report 2010;
- undertaken formal policies or public commitments (terms of behavior adjustment, mitigation and compensatory measures in licensing procedures, codes and commitments to social responsibility).

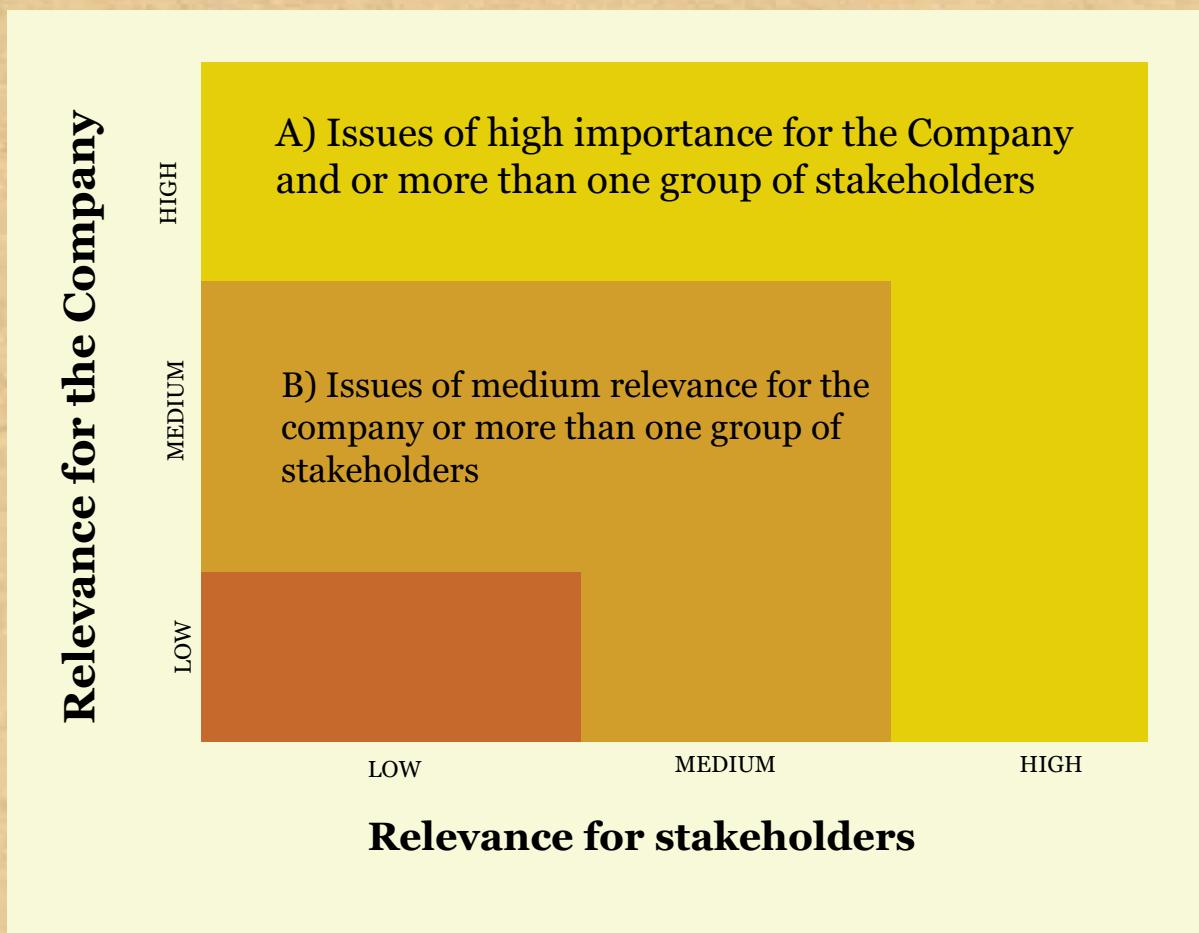
Questions of materiality for stakeholders

- Issues that other organizations in the sanitation sector, domestic and foreign, consider as of material nature;
- themes considered as relevant for key stakeholders.

Stakeholders and their information sources used to support the analysis of the substantive issues were:

Stakeholders	Source of Information
Shareholders	Reference Form
Consumers	Reports of the Ombudsman
Employees	Interviews with internal managers <i>Organizational Atmosphere Survey</i> <i>Internal Public Engagement Workshop – Sustainability Report</i>
State of Minas Gerais	Mining Integrated Development Plan
Lenders and other capital providers	Business Sustainability Index (ISE BM&F (ISE BM&FBOVESPA) Principles of the International Finance Corporation (IFC)
Regulation entities	Legislation, resolutions and technical notes
Corporation	Market research

The analysis results showed the material issues for COPASA:



A-Issues of high importance for the company and for more than one group of stakeholders	B-Issues of medium relevance for the company or for more than one group of stakeholders
<ul style="list-style-type: none"> • Expansion of water and sewerage services; • compliance with legislation; • COPANOR's performance; • corporate governance; • operational innovation/management; • improving the quality of customer service; • preservation of water resources; • quality of life for employees and society; • rate adjustment; • renewal of maturing leases and expanding the customer base; • health and safety for employees and society; • universalization of basic sanitation services in its action area. 	<ul style="list-style-type: none"> • Expropriation of areas; • initiatives to encourage ethical behavior of employees; • climate change (the impact of droughts and floods); • products used in the treatment of water; • relationship with suppliers; • use of electricity; • valuing diversity.

Annual Social Report/2011

1 – Basis for Calculation	2011 Value (thousand Reais)	2010 Value (thousand Reais)
Water and sewer net revenue (NR) ¹	2.509.610	2.311.237
= Net Revenue:	3.210.866	3.226.745
Operating profit (RO)	648.871	948.845
Gross Payroll (GP)	821.946	741.848

2 – Internal Social Indicators	Amount (in thousands)	% Of GP	% Of NR	Amount (in thousands)	% Of GP	% Of NR
Meals	92.199	11,22%	3,67%	83.605	11,27%	3,62%
Compulsory social security	186.205	22,65%	7,42%	168.207	22,67%	7,28%
Private Pension Plan	33.655	4,09%	1,34%	34.183	4,61%	1,48%
Health	41.440	5,04%	1,65%	37.167	5,01%	1,61%
Occupational Health and Safety	5.572	0,68%	0,22%	3.798	0,51%	0,16%
Education	2.325	0,28%	0,09%	2.164	0,29%	0,09%
Culture	630	0,08%	0,03%	380	0,05%	0,02%
Training and professional development	1.097	0,13%	0,04%	1.440	0,19%	0,06%
Day care or day-care assistance	703	0,09%	0,03%	687	0,09%	0,03%
Profit/Results Sharing	28.317	3,45%	1,13%	27.132	3,66%	1,17%
³ Other	8.947	1,09%	0,36%	8.160	1,10%	0,35%
Total – Internal social indicators	401.090	48,80%	15,98%	366.923	49,46%	15,88%

3 – External Social Indicators	Amount (in thousands)	% Of RO	% Of NR	Amount (in thousands)	% Of RO	% Of NR
Education	920	0,14%	0,04%	869	0,09%	0,04%
Culture	3.932	0,61%	0,16%	2.753	0,29%	0,12%
Health and sanitation	152.913	23,57%	6,09%	88.219	9,30%	3,82%
Sports	1.063	0,16%	0,04%	592	0,06%	0,03%
Fighting hunger and food security	178	0,03%	0,01%	21	0,00%	0,00%
Other 4	875	0,13%	0,03%	1.160	0,12%	0,05%
Total of contributions to society	159.881	24,64%	6,37%	93.614	9,87%	4,05%
Taxes (excluding social charges)	335.601	51,72%	13,37%	442.792	46,67%	19,16%
Total – External social indicators	495.482	76,36%	19,74%	536.406	56,53%	23,21%

4 – Environmental Indicators	Amount (in thousands)	% Of RO	% Of NR	Amount (in thousands)	% Of RO	% Of NR
Investments related to production/operations of the company	171.735	26,47%	6,84%	211.736	22,32%	9,16%
Investments in programs and/or projects	6.336	1,32%	0,34%	3.495	0,37%	0,15%
Total investments in the environment	180.301	27,79%	7,18%	215.231	22,68%	9,31%
Regarding the establishment of “annual goals” to minimize waste, the consumption in production/operation and increase efficiency in the use of natural resources, the company	<input type="checkbox"/> Do not have goals <input type="checkbox"/> complies from 51 to 75% <input checked="" type="checkbox"/> meets 0 to 50% <input type="checkbox"/> meets 76 to 100%		<input type="checkbox"/> Do not have goals <input type="checkbox"/> complies from 51 to 75% <input checked="" type="checkbox"/> meets 0 to 50% <input type="checkbox"/> meets 76 to 100%			

5 – Workforce Indicators	2010	2011
Number of employees at the end of the period	11.535	11.436
Number of admissions during the period	479	250
Number of third party employees	686	684
Number of interns	94	113
Number of employees over 45 years old	5.053	4.889
Number of women working in the company	1.184	1.181
% of management positions held by women	19,64%	20,48%
Number of black people working in the company	4.698	4.569
% of management positions held by black people	13,84%	12,87%
Number of people with disabilities or special needs	395	403

6 – Information relating to the exercise of corporate citizenship	2011			2012 Goals		
Ratio between highest and lowest salary in the company	32,79			31,81		
Total number of accidents at work	344			327		
The social and environmental projects developed by the company were defined by:	<input type="checkbox"/> directors	<input checked="" type="checkbox"/> direction and management	<input type="checkbox"/> All employees	<input type="checkbox"/> directors	<input checked="" type="checkbox"/> direction and managements	<input type="checkbox"/> All employees

The standards of safety and cleanliness in the workplace were defined by:	<input type="checkbox"/> directors and managers	<input type="checkbox"/> All employees	<input checked="" type="checkbox"/> Everyone + Cipa	<input type="checkbox"/> directors and managers	<input type="checkbox"/> All employees	<input checked="" type="checkbox"/> Everyone + Cipa
Concerning freedom of association, the right to collective bargaining and internal representation of the employee(s), the company:	<input type="checkbox"/> Is not involved	<input checked="" type="checkbox"/> follows the OIT standards	<input type="checkbox"/> Encourages and follows the OIT	<input type="checkbox"/> Will not be involved	<input checked="" type="checkbox"/> follow OIT standards	<input type="checkbox"/> will continue to encourage the OIT
The pension plan covers:	<input type="checkbox"/> directors	<input type="checkbox"/> directors and managers	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> directors	<input type="checkbox"/> directors and managers	<input checked="" type="checkbox"/> all employees
The participation in profits or results includes:	<input type="checkbox"/> directors	<input type="checkbox"/> directors and managers	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> directors	<input type="checkbox"/> directors and managers	<input checked="" type="checkbox"/> all employees
In selecting suppliers, the same ethical and social responsibility standards adopted by the company:	<input type="checkbox"/> Are not considered	<input type="checkbox"/> Are suggested	<input checked="" type="checkbox"/> are required	<input type="checkbox"/> Will not be considered	<input type="checkbox"/> Are suggested	<input checked="" type="checkbox"/> will be required
Regarding the participation of employees in volunteer work, the company:	<input type="checkbox"/> Is not involved	<input checked="" type="checkbox"/> supports it	<input type="checkbox"/> Organizes and encourages	<input type="checkbox"/> Will not be involved	<input checked="" type="checkbox"/> will support it	<input type="checkbox"/> will organize and encourage it
Total number of consumer complaints and criticism:	at the Company. 820,284	in Procon 217	in Court 3,651	at the Company 794.373	at Procon: below 200	In Court 3,578
% of attended or solved complaints and criticisms:	within the Company 100%	in Procon 100%	in Court 30.24%	at the Company 100%	In Procon 100%	In Court 60%
Total added value to be distributed (in thousand R\$):	In 2011: 1,876,807			In 2010: 2,039,262		
Distribution of Added Value Added (VAD):	27,39% government 37,77% employees 8,16% shareholders 9,77% third parties 16,91% held			28,13% government 31,29% employees 10,99% shareholders 7,38% third parties 22,21% held		

7. Further Information

Taxpayer ID (CNPJ) No. 17.281.106/0001-03, sector: sanitation. Information on the data declared: Luciana Barbosa Silveira – (31) 3250.1560 – dvr@copasa.com.br

This company does not use child labor or slave labor and has no involvement 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. Social Report 2011 is considering the value of net revenue from the Company's main activities, or services of water supply and sanitation for the calculation of indicators. Thus, from 2011, there will no longer be considered the value of construction revenues resulting from the conversion to IFRS.
2. Net water and sewer Revenue + construction revenue.
3. Expenditure on employee benefits (insurance, transportation vouchers for employees, funeral), Program of Preparation for Retirement, Fellowship of the International Women's and Labor Day.
4. Sponsorship of various events and projects such as: Global Action, Fellowship of employees on Children's Day, World Day of Victims of Traffic.

TABLE OF CONTENTS OF GLOBAL REPORTING INITIATIVE (GRI 3.12)

INDICATOR		PAGE OR BACKGROUND
Strategy and Analysis		
1.1	Statement from the most senior decision-maker in the organization about the relevance of sustainability to the organization and its strategy	<ul style="list-style-type: none"> • Message from the CEO • Message from the Chairman of the Management Board
1.2	Description of key impacts, risks and opportunities	<ul style="list-style-type: none"> • Key Risks And Opportunities
Organizational Profile		
2.1	Name of organization	<ul style="list-style-type: none"> • The History Of Copasa
2.2	Primary brands, products and/or services	<ul style="list-style-type: none"> • The History Of Copasa • Subsidiaries
2.3	Operational structure	<ul style="list-style-type: none"> • Subsidiaries • Corporate Governance Structure
2.4	Location of headquarters	COPASA headquarters are located at Rua Mar de Espanha, 525, Santo Antonio neighborhood in the city of Belo Horizonte, Minas Gerais.
2.5	Number of countries where the organization operates	The role of COPASA focuses on municipalities in Minas Gerais, Brazil. Moreover, COPASA maintains technical cooperation agreement in Angola.
2.6	Type and legal nature	COPASA is a mixed capital company, by shares, of authorized capital stock under control of the State of Minas Gerais.
2.7	Served markets	<ul style="list-style-type: none"> • COPASA IN 2011 • Commercial And Operational Performance <p>The role of COPASA focuses on municipalities in Minas Gerais, in the management of sanitation and maintains technical cooperation agreement.</p>
2.8	Size of organization	<ul style="list-style-type: none"> • COPASA IN 2011 • Commercial And Operational Performance
2.9	Significant changes during the reporting period	<ul style="list-style-type: none"> • COPASA IN 2011 • Commercial And Operational Performance

2.10	Awards received during the period	<ul style="list-style-type: none"> • COPASA IN 2011 • 5th Brand of Greatest Prestige in Minas Gerais • A Brazilian Corporate Highlight in Sustainable Environment and Development • Companies that Best Communicate with Journalists • Health Medal of Honor • Minas Award – Corporate Performance – Common Market – 2010/2011 • 2011 National Quality Award in Sanitation • ADVB Socio-Environmental Top Award • Recertification of the Corporate Responsibility Seal
Parameters for the report		
Report Profile		
3.1	Reporting period	<ul style="list-style-type: none"> • Annual And Sustainability Report 2011 <p>The report refers to the year 2011.</p>
3.2	Date of previous report	<ul style="list-style-type: none"> • Annual And Sustainability Report 2011 <p>The previous annual and sustainability report was published in 2010 (available at: www.COPASA.com.br)</p>
3.3	Reporting cycle (annual, biennial, etc.).	<ul style="list-style-type: none"> • Annual And Sustainability Report 2011
3.4	Contact point for questions regarding the report or its contents	<ul style="list-style-type: none"> • Technical Information
Report scope and boundary		
3.5	Process for defining report content	<ul style="list-style-type: none"> • Annual And Sustainability Report 2011
3.6	Limit of report	<ul style="list-style-type: none"> • Annual And Sustainability Report 2011
3.7	State about any specific limitations on the scope or boundary of report	<ul style="list-style-type: none"> • Annual And Sustainability Report 2011
3.8	Basis for preparation of the report with regard to joint ventures, subsidiaries, leased facilities, outsourced operations and other organizations	<ul style="list-style-type: none"> • Annual And Sustainability Report 2011
3.9	Measurement techniques and data bases of calculations	The next presentation of values can be found throughout the report, where applicable.
3.10	Explanation of the effect of any restatements of information provided in earlier reports and the reasons for such restatements	<ul style="list-style-type: none"> • Key Indicators • Other Revenues
3.11	Significant changes compared to previous years with regard to scope, boundary or measurement methods applied in the report	<ul style="list-style-type: none"> • Annual And Sustainability Report 2011

GRI Content Index		
3.12	Table identifying the location of information in the report	• Table Of Contents Of Global Reporting Initiative
Verification		
3.13	Policy and current practice with regard to seeking external assurance for the report	• Independent Audit
GOVERNANCE, COMMITMENT AND ENGAGEMENT		
Governance		
4.1	Governance structure of the organization	• Corporate Governance Structure
4.2	Indicate whether the Chair of the highest level of governance is also an executive director	• Board of Directors
4.3	Statement about the number of independent or non-executives of the highest governance level	• Composition of the Audit Board on December 31st, 2011 • Composition of the Board of Directors on December 31st, 2011
4.4	Mechanism for shareholders and employees to provide recommendations or direction to the highest governance body	• Code Of Ethical Conduct
4.5	Relationship between compensation for members of the highest governance body, executive managers and other executives (including severance arrangements) and the organization's performance (including social and environmental performance)	• Board Of Directors
4.6	Processes in place for the highest governance body to ensure that conflicts of interest are avoided	• Board Of Directors
4.7	Process for determining the qualifications and expertise of members of the highest governance body, in order to define the organization's strategy for issues related to economic, environmental and social issues	• Board Of Directors
4.8	Statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance as well as the status of its implementation	• Company Presentation • Code Of Ethical Conduct • View, Mission, Principles, Beliefs and Values

4.9	Procedures of the highest governance body to oversee the identification and management by the organization of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles	<ul style="list-style-type: none"> •Communication tools with investors
Commitments to external initiatives		
4.11	Report on how the company considers the precautionary approach in its management	<ul style="list-style-type: none"> • The History Of Copasa •Key Strategies
4.12	Charters, principles or other initiatives externally developed of economic, environmental, and social nature, subscribed or endorsed by the organization	COPASA is not signatory to any such undertaking.
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations, in which the organization has positions in governance bodies; in projects or committees; contributes with funding beyond the basic rate as a member organization; considers its strategic role as member	<p>Water Resource Management and Planning Units from the State of Minas Gerais</p> <p>In addition to active participation in various committees in the environmental area, COPASA also participates in the following associations and organizations: American Chamber of Commerce (AMCHAM), the Commercial Association of Minas Gerais, the Brazilian Association of Sanitary and Environmental Engineering (ABES), State Association of Sanitation Companies (AESBE), Brazilian Association of Technical Standards (ABNT), Brazilian Association of Human Resources (ABRH) Brazilian Institute of Corporate Governance (IBGC), Brazilian Association of Groundwater (ABAS) and Brazilian Association of Ombudsmen (ABO).</p>
Stakeholder Engagement		
4.14	Relation of stakeholder groups engaged by the organization	<ul style="list-style-type: none"> • Relationship With Stakeholders
4.15	Basis for identification and selection of stakeholders with whom to engage	<ul style="list-style-type: none"> • Relationship With Stakeholders • Annual And Sustainability Report 2011
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	<ul style="list-style-type: none"> • Relationship With Investors • Relationship With Stakeholders

4.17	Key topics and concerns raised through stakeholder engagement and measures the organization has adopted to address them	• Annual And Sustainability Report 2011
Performance Indicators		PAGE
ECONOMIC PERFORMANCE		
Economic Performance		
EC1	Direct economic value generated and distributed	• Key Indicators
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	• Key Risks And Opportunities
EC3	Coverage of the pension plan liabilities of defined benefit offered by the organization	• Benefits With Responsibility And Quality Of Life
EC4	Significant financial assistance received from government	COPASA does not receive direct financial assistance from the government.
Market Presence		
EC5	Variation in the proportion of the lowest salary compared to local minimum wage in major operating units	• Valuing Diversity
EC6	Policies, practices and proportion of spending on local suppliers in major operating units.	• Copasa And Its Suppliers
EC7	Procedures for local hiring and proportion of senior management members hired from the local community in major operating units	• Opportunities For All
Indirect Economic Impacts		
EC8	Development and impact of investments in infrastructure and services provided primarily for public benefit, through commercial engagement, in kind or pro bono activities.	• Copasa And The Community
ENVIRONMENTAL PERFORMANCE		
Energy		
EN3	Direct energy consumption broken down by primary energy source	Environmental Preservation The electricity used at COPASA is purchased to Cemig and is essentially hydroelectric source.
EN4	Indirect energy consumption by primary source	The indirect energy of COPASA is irrelevant compared to the direct energy consumption.

Water		
EN8	Total water intake by source	<ul style="list-style-type: none"> • Key Indicators • Water Intake
Biodiversidade		
EN11	Location and size of land owned, leased, managed in protected areas, or adjacent to them, and areas of high biodiversity value outside protected areas	<ul style="list-style-type: none"> • Environmental Preservation
EN12	Description of significant impacts of activities, products and services in protected areas and in areas of high biodiversity value outside protected areas.	<ul style="list-style-type: none"> • Environmental Education • Environmental Preservation
EN13	Protected or restored habitats	<ul style="list-style-type: none"> • Environmental Preservation
Emissions, Effluents and Waste		
EN17	Other relevant indirect emissions of greenhouse gases, by weight	COPASA has not significant indirect emissions.
Products and Services		
EN26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation	<ul style="list-style-type: none"> • Sewage Collection And Treatment • Environmental Preservation
Transportation		
EN29	Significant environmental impacts of products and other goods transporting and materials used in the operations of the organization, as well as of transporting workers	<ul style="list-style-type: none"> • Climate changes
SOCIAL PERFORMANCE		
Labor Practices and Decent Work		
Employment		
LA1	Total workforce by employment type, employment contract and region	<ul style="list-style-type: none"> • Copasa And Its Employees
LA3	Benefits provided to full-time employees, which are not provided to temporary or part-time employees, by major operations	<ul style="list-style-type: none"> • Benefits With Responsibility And Quality Of Life
Relations between workers and governance		
LA4	Percentage of employees covered by collective bargaining agreements	<ul style="list-style-type: none"> • Union Relationships
Health and safety		
LA6	Percentage of workforce represented in formal health and safety committees, made up by managers and workers, who help to monitor and advise on health and safety programs	<ul style="list-style-type: none"> • Occupational Health And Safety

LA7	Injury, occupational diseases, lost days, absenteeism and work-related fatalities rates, by region.	• Occupational Health And Safety
LA8	Education, training, counseling, prevention and risk control programs, in place to assist employees, their family or community members regarding serious diseases	• Occupational Health And Safety
LA9	Issues relating to health and safety covered in formal agreements with unions	• Occupational Health And Safety
Training and education		
LA10	Average hours of training per year per employee, by role	• Qualification And Development
LA11	Programs for skills management and continuous learning that support the continued employability of employees and to manage career endings.	• Qualification And Development • Benefits With Responsibility And Quality Of Life
LA12	Percentage of employees receiving regular performance analysis and career development	• Opportunities For All • Professional Growth]
Diversity and equal opportunities		
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age, and other indicators of diversity	• Valuing Diversity • Composition of the Board of Directors on December 31st, 2011 • Composition of the Executive Board on December 31st, 2011
LA14	Ratio of basic salary between men and women, by employee category	• Valuing Diversity
HUMAN RIGHTS		
Investment practices and procurement processes		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone assessments on human rights	Not applicable.
HR2	Percentage of significant suppliers and contractors that have undergone assessments on human rights and the measures taken	• Copasa And Its Suppliers
Non-discrimination		
HR4	Total number of incidents of discrimination and actions taken	There were no cases of discrimination in COPASA in 2011.

Freedom of Association and Collective Bargaining		
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights	No operation was identified as having significant risk to the right to exercise freedom of association and collective bargaining.
Child Labor		
HR6	Operations identified as being of significant risk of occurrence of child labor and the measures taken to contribute to elimination of child labor	No operation was identified as having significant risk for incidents of child labor.
Forced or Slavery-inducing Labor		
HR7	Operations identified as being of significant risk of occurrence of forced or slavery-inducing labor and the measures taken to contribute for the elimination of forced or slavery-inducing labor	No operation was identified as having significant risk for incidents of forced or slavery-inducing labor.
Indigenous rights		
HR9	Total number of cases of violation of human rights of indigenous peoples and the actions taken	There were no cases of violation of rights of indigenous peoples by COPASA in 2011.
SOCIETY		
Community		
SO1	Nature, scope and effectiveness of any programs and practices that access and manage the impacts of operations on communities, including entering, operating, and exiting.	• Copasa And The Community
Corruption		
SO2	Percentage and total number of business units analyzed for risks related to corruption	• Internal Audit
SO3	Percentage of employees trained in anticorruption policies and procedures of the organization	• Code Of Ethical Conduct
SO4	Actions taken in response to corruption cases	• Internal Audit
Public Policies		
SO5	Public policy positions and participation in public policy development and lobbying	• Copasa And The Community

SO6	Total amount of financial and in kind contributions to political parties, politicians or related institutions, described by country	By law, COPASA is prohibited to make any financial and in kind contributions to political parties, politicians and related institutions.
Unfair competition		
SO7	Total number of lawsuits for unfair competition, anti-trust and monopoly practices and their results	There was no lawsuit against COPASA in 2011 for unfair competition, anti-trust and monopoly.
PRODUCT RESPONSIBILITY		
Health and safety of the customer		
PR1	Phases of the life cycle of products and services whereby impacts on health and safety are assessed for improvement and percentage of products and services subject to such procedures	• Product Responsibility
Labeling of products and services		
PR3	Type of information about products and services required by procedure, and percentage of products and services subject to such requirements	• Product Responsibility
PR4	Total number of cases of non-compliance with regulations and voluntary codes related to information and labeling of products and services, by type of result.	The services provided by COPASA and their products do not involve bottling and labeling procedures, therefore the Company does not adopt procedures for minimizing specific risks of labeling products and services. COPASA subsidiary Águas Minerais de Minas S.A.uses labels authorized by the competent bodies.
Marketing Communications		
PR6	Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	COPASA seeks to represent the diversity in advertising, and do not associate its image to religious elements, football teams, etc.

ACKNOWLEDGMENT

**“When you mix dream and work, even miracles become possible!”
(Regina Bertola - Director of the Ponto de Partida Group)**

In 2011, COPASA paths crossed with those of *Ponto de Partida* Group from Barbacena. Throughout this report, we learned with them that, more than walking just for the simple pleasure of moving forward, the important thing is to believe and invest in the changes, in the pursuit of continuous improvement, certain that with each step, new horizons will be discovered and new challenges will be overcome.

Along this path, we noticed that the starting point is often confused with the point of arrival, and it is an opportunity to continue and restart when necessary. In COPASA, we believe that this journey into the future becomes easier when more people join us in the challenge of sustainable growth, doing more for the people, Minas Gerais and Brazil.

Once again we report our journey together, we thank all that, with the peculiar COPASA-like commitment, contributed in the elaboration of this Report and the sustainable development of COPASA in 2011.

GLOSSARY

ADDUCTOR

Those are conduits destined to link the raw water supply sources to water treatment stations, located beyond the surroundings of these sources, or the conduits linking treatment stations located near these sources, to distant reservoirs that feed distribution networks.

ANA

National Water Agency, an autarchy under a special regime linked to the Environment Ministry – MMA, created through the Federal Law no. 9,984 of 17.07.2000, and is responsible for the implementation of the National Hydric Resource Policy and for the coordination of the National Hydric Resource Management System.

ARSAE-MG

Regulating Agency for Water Supply and Sanitary Sewage Services of the State of Minas Gerais, created in August 3rd, 2009, through Law 18,309 and that establishes the norms related to the water supply and sanitary sewage systems in Minas Gerais.

BASIC SANITATION

Predominantly, it is the use of hydric resources for meeting the basic hygiene and public health needs for population hubs, including uses in commercial, industrial and service-rendering endeavors. It is the part of sanitation linked to planning, project, construction, operation and maintenance of systems for capture, treatment, adduction and distribution of water, as well as the collection, removal, treatment and final disposition of sewage.

BILLING LOSS INDEX

Volume produced minus the volume billed, divided by the volume produced, multiplied by 100.

CHARGING FOR THE USE OF HYDRIC RESOURCES

Is one of the instruments for management of hydric resources, essential to create the equilibrium conditions between the forces of supply (water availability) and demand, thus promoting the harmony among competing users, at the same time in which it also promotes the redistribution of social costs, the improvement in the quality of effluents launched, besides stimulating the formation of financial funds for the works, programs and interventions of the field.

CODEMIG

Minas Gerais State Economic Development Company.

COPAM

State Environmental Policy Council. Maximum body at the State of Minas Gerais responsible for environmental management. With its specialized chambers (chambers for mining activity, industrial, farm/forest/shepherding, etc.), exerts a normative, authorization and deliberative role state-wide.

DISTRIBUTION NETWORK

The distribution network consists on the last stage of a water supply system, constituting a set of conduits settled in public networks or sidewalks, to which home branches are connected. As such, the function of the distribution network is to conduct the treated waters to the points of consumption, maintaining its characteristics according to the potability standards.

DIVERSITY

Presupposes the creation of equal opportunities and respect to the dignity of all people, regardless of their differences, allowing for full development of their potential and abilities.

DOMESTIC SEWAGE

Sewage formed by the use of water for domestic ends, such as washing of clothes, baths, etc.

EBITDA

Represents the net revenue of sales and/or services, deducting the costs of services rendered, expenses with sales, administrative expenses and other operational expenses, disregarding non-recurring expenses, plus the reversion of depreciations and amortizations. The EBITDA Margin is calculated on the Net Service Revenue.

EBITDA MARGIN

Represents the quotient between the EBITDA of the company and its net revenue of services (net operational revenue + other operational revenues).

ENVIRONMENTAL IMPACT

Is any change in physical, chemical and biological properties of the environment, caused by any form of matter or energy resulting from human activities, which, directly or indirectly, affect: the health, safety and well-being of the population; the social and economic activities; the biota; the aesthetic and sanitary conditions of the environment; and the quality of environmental resources.

ENVIRONMENTAL LICENSING

Is the administrative procedure by which the public power authorizes the installation, enlargement, modification and operation of activities or endeavors that use environmental resources considered to be effectively or potentially pollutant.

ETA (WATER TREATMENT STATION)

Represents the set of facilities and equipment destined to make the treatment of raw water.

ETE (SEWAGE TREATMENT STATION)

Represents the set of facilities and equipment destined to carry out the treatment of sewage.

FEDERAL DOMAIN WATERS

Are waters that belong to the Union for rivers (hence surface waters) when they go through more than one State and/or are borders with other states or countries or waters accumulated in dikes created by the Union.

FREE FLOAT

Stocks of a company that are available for free negotiation in the capital market. Those are all stocks of the company that are not committed to any of the following cases: titularity stocks of the controller shareholder, of their spouse, companion and dependants included in the yearly income tax report; stocks in treasuries; stocks of titularity of companies controlled by and linked to the company, and other societies with integrate a same group in fact or by law with any of those; stocks of the titularity of companies controlled by and linked to the controlling shareholder, as well as other societies with integrate a same group in fact or by law with any of those; preferential special-class stocks that have as their end to ensure differential political rights, whether non-transferrable or exclusive property.

GRANT

Is one of the management instruments for hydric resources, in which the user receives an authorization to make use of the water, through the use of a given output, of a hydric source, specific in a defined location, for a given use, during a given time period and that may ensure to it a right to the use of water.

GRANT CONTRACT

Contracts signed with Cities for the rendering of water supply and/or sanitary sewage services.

GRANTABLE VOLUME

Maximum volume that can be granted at a hydric body whose amount is made up by the sum of the volume already granted with the volume still available for granting.

GRANTS

Authorization for the rendering of water supply and/or sanitary sewage services.

GROSS PROFIT

Difference between the Net Revenue and the Cost of Services Rendered.

HYDROGRAPHIC BASIN

Is one of the instruments for management of hydric resources, essential to create the equilibrium conditions between the forces of supply (water availability) and demand, thus promoting the harmony among competing users, at the same time in which it also promotes the redistribution of social costs, the improvement in the quality of effluents launched, besides stimulating the formation of financial funds for the works, programs and interventions of the field.

HYDROGRAPHIC BASIN COMMITTEE

Is a collegiate body with normative, consultive and deliberative attributions and the main focus for knowledge, debate of issues, planning and making of decisions about the multiple uses of hydric resources in the scope of the hydrographic basin of its jurisdiction.

HYDROMEASUREMENT

Usage of equipment for the measurement of the water volume consumed by a building unit.

IBGE

Brazilian Geography and Statistics Institute.

IEF

State Forest Institute

IGAM

Minas Gerais Water Management Institute.

INDUSTRIAL SEWAGE

Sewage formed by the use of water in industrial processes.

INSTALLATION LICENSE(LI)

Authorizes the installation of the endeavor or activity as per the specifications present in the plans, programs and projects approved, including environmental control measures and other conditioners. Granted by COPAM and with a validity of up to 6 months.

INTERCEPTOR

Is the canalization to which several collectors are transversally linked with the end of capturing the discharge of dry weather, with or without a given amount of pluvial water from the combined or unitary sewage system.

IPO (Initial Public Offering)

First release of stocks to the public made by a company.

LINKAGE

Building ramification connected to the water distribution network or sewage collection network. Can be active or inactive.

LOSS REDUCTION PROGRAM

Program implemented by Copasa in 2006 with the goal of controlling the losses. Among the main actions in course of the “Loss Reduction Program”, the following can be mentioned:

adequation of networks, stratified analysis of the consumption, automation, commercial listing, network listing, communication, pressure control at the network, controlling of non-visible leaks and losses, adequation of operational teams, management of the infrastructure, supply intermittence, micro-measurement, pitometry, installation, maintenance and revitalizing of macro-measurers, maintenance of the micro-measurer park, measurement and quantification of volumes, research of commercial losses, research of leaks, speed and quality of repairs, administrative services, services at the building network, replacement of hydrometers and leaks at reservoirs.

NATIONAL SANITATION INFORMATION SYSTEM(SNIS)

System that gathers information and indicators about the rendering of services of water and sewage stemming from a sample of renderers that operate in Brazil.

NET MARGIN

Indicator used in the financial analysis of companies, which expresses the relation between the net profit of the company and its Net Operational Revenue. The net margin determines the percentage of each R\$ 1 of sale that remained after the deduction of all expenses, including income tax, and is calculated as being the quotient between the net profit and the Net Operational Revenue of the company.

NET OPERATIONAL REVENUE

Amount that the company effectively receives for the sales of its products, that is, the gross revenue minus the taxes on the sale (IPI, ISS, PIS, COFINS, among others) and discounts and rebates granted.

NET SERVICE REVENUE

Represents the net operational revenue plus other operational revenues.

NEW MARKET

Special BM&F Bovespa listing.

OPERATION LICENSE(LO)

Authorizes the operation of the activity or endeavor, after previous mandatory surveillance for verification of the effective fulfillment of what is present in the previous licenses, such as environmental control measures and conditioners that may be determined for the operation. It is granted with validity times of four or six years and is, thus, subject to periodic revalidation. The LO is cancellable, as long as the situation foreseen in the legal regulations is verified. It is granted by COPAM.

OUTPUT

Is the volume of water that goes through a given section of a conduit at a time unit. Usually given in liters per second (l/s), in cubic meters per second (m³/s) or in cubic meters per hour (m³/h).

PRESERVATION

Is making natural resources and the environment untouchable, preserving them for the enjoyment of future generations. Must not be mistaken for “protection” and “conservation”, which allow for the rational use and advantage.

PREVIMINAS

Minas Gerais Security Foundation, an entity that manages the complementary retirement plan of Copasa employees.

PREVIOUS GRANT

Modality of grant of a facultative nature that has as its goal to inform about the water availability for the implementation of any kind of endeavor, especially projects with a long implementation period, mandatory when dealing with the construction of dams/ reservoirs. The previous grant does not give to its title holder the right of use for hydric resources.

PREVIOUS LICENSE(LP)

Granted at the preliminary planning stage of the endeavor or activity, being approved through the mandatory previous surveillance to the place, the location and conception of the endeavor, as well as verifying the environmental viability and establishing the basic requirements and conditioners to be met at the next stages of its implementation. Granted by COPAM and with a validity of up to 4 years.

PRIMARY TREATMENT

Are the unitary processes employed to remove a high percentage of suspended solids and floating solids, but little to no percentage of colloidal or dissolved substances. Includes suppression, grating and primary decantation.

PROGRAM CONTRACT

Instrument through which must be constituted and regulated the obligations that an entity of the Federation, including its indirect administration has with other entity of the Federation, or with the public consortium, in the scope of the rendering of public services through federative cooperation.

PROGRAM CAÇA ESGOTO

Program developed in the Belo Horizonte Metropolitan Region. It has as its goals to identify and correct the undue dumping of sewage, linking them with the existing sanitary sewage system.

PUBLIC WATER SUPPLY SYSTEM

Is the set of works, facilities and services, destined to produce and distribute potable water to a community, in an amount and quality compatible with the needs of the population, for domestic consumption, public service, industrial consumption and other uses. Destined to improving the Public Health conditions, both physically, through the elimination of water-

borne diseases, and socially, through the improvement of the comfort conditions in obtaining and using water.

RAW WATER

Water in its natural form as available in rivers, creeks, lakes, lagoons, dikes or aquifers, that is, before going through any treatment process.

RESERVOIR

Location where the water is accumulated to serve the multiple human needs, generally formed by the construction of dams in the rivers or by the diversion of water to depressions in the terrain or built as part of water supply systems, before or after treatment stations (FEEMA, 1990).

RIGHT OF USE OF HYDRIC RESOURCES

Right that the law ensures to title-holders of the grant for the use of water as per its destination to be satisfied.

RIPARIAN VEGETATION

Is the vegetation that borders water courses or that goes around lakes, springs and dikes, located in humid or even soaked soils and subject to periodical flooding. Those are considered to be permanent preservation areas, allowing for the conservation of typical flora and fauna and that act in the regulation of water and sediment flows, in the maintenance of the water quality and, through the root system and through the top of all the plants, constitute the most efficient protection of the soils they coat.

SANITARY SEWAGE

Set of works and facilities destined to the collection, transportation, removal, treatment and final disposal of residual waters of the community, in a sanitarily adequate fashion.

SANITATION LAW

Law no. 11,445, of January 5th, 2007. A law that establishes the national directives for basic sanitation and for the federal basic sanitation policy.

SECONDARY TREATMENT

Are unitary processes destined to removing or reducing colloidal or dissolved substances, obtaining as the consequence the stabilizing of organic matter through biological oxidizing. "It is projected, mainly, to reduce suspended solids and DBO".

SEDRU

State Secretary for Development of Urban Policies of the State of Minas Gerais – It has as its main goal to reduce inequalities in regions and cities, through the execution of public policies and programs for territorial integration and regional and urban development. Government Secretary to which Copasa is linked.

SERVICE INDEX

Population serviced in relation to the population residing in the locations operated.

SLURRY

Solid part resulting from the sewage treatment process.

SOCIAL RESPONSIBILITY

Responsibility of an organization for the impacts of its decisions and activities on society and on the environment, through an ethical and transparent behavior that contributes for the sustainable development, including the health and well-being of the society; takes into account the expectations of the interested parties; is compliant with the applicable legislation and consistent with international behavior norms; is integrated in all of the organization and is practiced in its relations (ISO 26000).

SOLID RESIDUES

Are heterogeneous materials, resulting from human activities, denominated garbage, being organic, especially vegetable and animal residues, and inorganic such as glass,, papers, plastics, polymers, metals, etc., which may be partially reused, recycled or remanufactured, generating, among other aspects, protection to public health and economy of natural resources. The solid residues are almost fully transported to landfills and constitute a serious aesthetic, economic and, especially, sanitary problems, and there is always a risk of pollution of underground and surface hydric resources.

STATE DOMAIN WATERS

They belong to the State for surface waters that spring and debouch within the same state (at sea or as an affluent of a federal river)and for all underground waters.

STATIC SEWAGE SYSTEM

Sanitary sewage treatment system, individual, built so as to ensure the adequate final disposition of the waste, and that requires regular cleaning of the slurry so as not to deteriorate the quality of the effluent.

SUSTAINABILITY

Is the way companies decide to do business, taking into consideration people, profit and planet. Managing a company in a sustainable fashion ensures long-term business success, creates a healthy and productive internal environment, approximates and develops the community around it, contributes for a better society, intensifies relations with clients, providers and shareholders and preserves resources.

TERTIARY TREATMENT

Unitary operations that are developed after the secondary treatment, aiming at the improvement of the quality of the effluent, for instance, disinfection, removal of phosphates and other substances.

TOTAL OPERATIONAL COSTS AND EXPENSES

Costs of the Services Rendered + Administrative Expenses + Commercial Expenses + Other Operational Expenses.

TREATMENT OF THE SANITARY SEWAGE

Combination of physical, chemical and biological processes aiming at reducing the organic load existing in the sanitary sewage before releasing it in bodies of water, such as: biological filter; activated slurry; anaerobe reactor; oxidizing ditch; anaerobe lagoon; aerobe lagoon; airy lagoon; facultative lagoon; mixed lagoon; maturation lagoon; septic cesspool of the condominium system.

(National Basic Sanitation Research, 2000).

UNDERGROUND WATERS

Is water that infiltrates in the ground and penetrates, through gravity, deep layers of the underground reaching the saturation zone level, constituting an underground water (aquifer) reservoir, susceptible of extraction and usage. The saturated zone can be considered as being a single reservoir or a natural reservoir system whose capacity and total volume of pores or interstices are full of water.

USER ECONOMY OR UNIT

Estate or part of an estate that is the object of independent occupation or set of estates perfectly identifiable or in a situation that is liable to verification or common use areas that are the responsibility of the condominium, the administration or the proprietor, that, in an isolated or grouped fashion, uses public water supply and sanitary sewage services through single connections.

VOLUME GRANTED

Volume unavailable for new grants due to grants already made in the hydric body itself, or in others located upstream. They must always be equal to or under the grantable volume

WATER CAPTURE

Set of structures and devices built or set up by a spring, to provide for a public water supply system destined to human consumption.

WATER NOT CONVERTED INTO REVENUE(ANCR)

Difference between the volume distributed and the volume effectively consumed divided by the average amount of connections in the period.

FICHA TÉCNICA

Auditores Independentes – Demonstrações

Financeiras
Ernst & Young Terco

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Pablo Bertola e Júlia Medeiros

Ainda Bem não Cheguei
D.P. – Recolhido por Lira Marques e Frei Chico

**Esclarecimentos referentes ao relatório
(GRI 3.4)**

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Editoração

Legitimus Relações Governamentais
e Institucionais – GRI OS

Ipê Amarelo
Pablo Bertola e Lido Loschi

Consultoria Técnica

Now Consultoria e Projetos Ltda.

Fotos e Vídeos

Grupo Ponto de Partida

Coordenação Geral

Assessoria Especial da Presidência
Gabinete da Presidência

Músicas

Beira Mar
D.P. – Recolhido por Lira Marques e Frei Chico.
Adaptado por Ponto de Partida e Gilvan de Oliveira

Aviso Legal

Este documento pode conter considerações referentes às perspectivas do negócio da Copasa, que são projeções e baseiam-se nas expectativas em relação ao futuro do negócio. Essas estimativas estão sujeitas a riscos, incertezas e suposições, que incluem, entre outras: condições econômicas, políticas, financeiras e comerciais nos mercados onde a Companhia atua. Possíveis investidores são aqui alertados de que nenhuma dessas previsões é garantia de futuro desempenho, pois envolvem riscos e incertezas.

Girassol
Pablo Bertola e Lido Loschi

Boi Janeiro
D.P. – Recolhido e adaptado por Ponto de Partida e
Gilvan de Oliveira

FALE CONOSCO

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