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## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To  
Shareholders, Officers and Administrators of  
**SANEAMENTO DE GOIÁS S.A**  
Goiânia - GO

### Opinion

We have examined the financial statements of Saneamento de Goiás S.A. ("Company" or "Saneago"), which comprise the balance sheet as of December 31, 2020 and the respective statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, as well such as the summary of the main accounting policies and the other explanatory notes.

In our opinion, the aforementioned financial statements adequately present, in all material respects, Saneamento de Goiás SA's equity and financial position as of December 31, 2020, the performance of its operations and its cash flows for the year ended on that date, in accordance with accounting practices adopted in Brazil and the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB).

### Basis for opinion

Our audit was conducted in accordance with Brazilian and international auditing standards. Our responsibilities, in accordance with such standards, are described in the following section, entitled "Auditor's responsibilities for auditing the financial statements". We are independent from the Company, in accordance with the relevant ethical principles set out in the Accountant's Code of Professional Ethics and in the professional standards issued by the Federal Accounting Council, and we comply with other ethical responsibilities in accordance with these standards. We believe that the audit evidence obtained is sufficient and appropriate to support our opinion.

### Emphasis

#### Operação Decantação

We draw attention to Explanatory Note 39, which discloses the events and measures taken by the Company arising from the operation "Decantation" of the Federal Police and the Federal Prosecutor's Office, as well as the accounting adjustments contained in the financial statements resulting from the conclusion of the audit report. forensics, hired for this purpose. The judicial process is in progress, and is in the process of receiving the complaint offered by the MPF [Federal Prosecutor's Office]. Our opinion does not contain any changes related to this matter.

### Main audit matters

Main audit matters are those that, in our professional judgment, were the most significant in our audit for the current year. These matters were dealt with in the context of our audit of the financial statements, as a whole and in forming our opinion on these financial statements, and therefore we do not express a separate opinion on these matters.

### **Recognition of revenue and information technology environment**

According to note 2.5, the revenues from water supply and sewage treatment and activities associated with the service, being recognized there is the fulfillment of performance obligations with the consumer through the supply of water. The revenue recognition process is relevant to the Company's performance and to the achievement of performance targets on the base date of the financial statements, which inherently adds components of risk of fraud. It is also observed that the transactions for water supply and sewage treatment are substantially processed through automated routines and controls. In view of the risk of fraud on the revenue recognition process and the high systemic dependence and the potential effects on the accounting record of revenue from accounts receivable, the technology environment, including the information system, as well as the controls on accessing and managing changes to its systems, we consider this a significant issue for our audit.

#### **Audit response to the matter**

Our audit procedures included, among others, carrying out tests through sampling and with the assistance of our information technology specialists, to assess the design, implementation and operational effectiveness of the key internal controls on changes, alterations and appropriate access to water supply operations systems. We also analyzed, also with the help of our information technology specialists, the interface and the integrity of the information between the main

systems used to record revenue from water supply and the respective generation of financial information.

For the Company's water supply transactions, we analyze the reconciliation of revenue with accounting balances. Our procedures also included the correlation between cash inflows and revenues recorded by the Company during the year in order to assess the recognition of revenue, in addition to the analysis of the subsequent settlement of the outstanding accounts receivable balance on the audit base date.

We carried out analytical procedures on the year's revenue, comparing the amounts recognized with the water consumption information and the number of consumer units of the Company during the year, as well as analyzing whether the revenue growth is in accordance with the tariff readjustments approved by the Regulatory Agency (Goiania Regulatory Agency - AGR).

We conducted tests to obtain reasonable assurance about the "cut" of the Company's revenue made at the end of the year, which recognizes in the accounting records, measurements not yet invoiced due to the reading period of the Company's consumers' meters. We also evaluated the appropriate disclosure in explanatory notes.

Based on the audit procedures summarized above, we consider that the Company's revenue recognition policies are appropriate to support the judgments, estimates and information included in the financial statements taken as a whole.



#### **Estimated allowance for doubtful accounts**

As mentioned in Note 7 to the financial statements, the Company has an estimated allowance for doubtful accounts that involves a high level of judgment by Management. This judgment involves the evaluation of several assumptions and internal and external factors, including default level, renegotiation and installment policy and current and prospective economic scenario with respect to Covid.

This judgment considers several assumptions in determining the provisions. The allowance for doubtful accounts are set up taking into account Management's expectations and are based on the Company's internal policy.

#### **Audit response to the matter**

Our audit procedures included the assessment of the estimate defined by Management to set up a allowance for doubtful accounts, carrying out a mathematical recalculation of said provision and challenging Management's judgment due to the defined estimate where we total all credits, regardless of whether they are due, from consumers with invoices recorded as allowance for doubtful accounts ("drag effect"). We assessed this total as part of our assessment of the risk of material misstatements in the financial statements. As well as the review of the appropriate disclosure of the explanatory notes.

Based on the evidence obtained through the procedures summarized above, we believe that the estimate of the allowance for doubtful accounts is acceptable, as well as the disclosures in the explanatory note.

<u>Intangible</u>	<u>Assets</u>	<u>Audit response to the matter</u>
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As mentioned in Note 18 to the financial statements, there are several types of transactions that affect the item of intangible assets, such as signing new concession contracts, evaluating the framework of existing contracts in the accounting standard for concessions, adding new infrastructures, and amortization of the assets that make up the balance of built infrastructure. Due to the relevance of the balances recorded in this item, the potential financial impact resulting from the signing or breaking of current concession contracts, construction of new infrastructure and amortization of current balances, we believe that this area is relevant and had special attention during our audit.

Our audit procedures included assessing the design, implementation and effectiveness of existing key internal controls related to new infrastructure additions, amortization of intangible assets, administration and management of new and existing concession contracts, and validating the construction margin used by the Company in order to guarantee the integrity, existence, accuracy and valuation of the balances rated as intangible assets. We carry out procedures through samples to check the supporting documentation for the new additions and their eligibility for capitalization. Among the verified documentation included invoices, contracts, measurements and payments for additions occurred during the year 2020 and previous years. We recalculated the amortizations recognized during the year 2020 and previous years and compare them with the balances recorded in the accounting, involving experts to assist us in the assessment of the assumptions used to define the depreciation rates, we evaluate the transfer of assets under construction to operation, we carried out procedures to recalculate the construction margin and made a technical assessment to conclude on the adherence of the concession contracts to the respective accounting standard. We assess the sufficiency and appropriateness of the disclosures made in explanatory notes regarding the requirements described in the relevant accounting standards for this topic.

Based on the result of the above procedures, we consider that the balances classified as intangible assets and their respective disclosures are acceptable, in the context of the financial statements taken as a whole for the year ended December 31, 2020.

### **Post Employment Benefits Recognition**

As mentioned in Note 27 to the financial statements, the Company has post-employment benefits in which the obligation is calculated based on the estimated future benefit that employees will receive as a return for the services provided. Due to the complexity and subjectivity in the estimate resulting from the actuarial valuation of health and benefit plans, as required by CPC 33 - Post-employment benefit, the Company is at risk regarding the proper measurement and accounting of assets and liabilities arising from post-employment benefits, in addition to the high degree of judgment associated with the measurement process of the Company's actuarial obligation, which includes the use of highly subjective and complex assumptions such as long-term interest rates, rates of return on plan assets, rate of salary increase, turnover, mortality, discount rates and inflation. Variations in these assumptions may have a material impact on the amounts recognized in the financial statements.

### **Audit response to the matter**

Our audit procedures included, among others, the involvement of experts in the actuarial area to assist us in the assessment of assumptions used in the calculation of post-employment benefit plan actuarial liabilities, comparing them with comparable market data and benchmarks developed internally from independent calculations performed as part of our procedures. In addition, our specialists assisted us in assessing the adequacy of the disclosures made by the Company in relation to the subject. In relation to the Plan's assets, our audit procedures included tests to confirm the existence and valuation together with specialists on the valuation carried out of these assets. As well as the review of the appropriate disclosure in the explanatory notes.

Based on the result of the audit procedures summarized above, we consider the judgments, estimates and disclosures prepared by Management included in the notes to be appropriate.

**Realization of Income Tax and  
Deferred Social Contribution Assets Audit response to the matter**

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According to Note 14, the Company recorded deferred income tax and social contribution assets in the amounts of R\$ 200,589 as of December 31, 2020, arising from tax losses and negative bases, as well as on temporarily non-deductible and / or taxable differences. Management assesses at least annually the risk of impairment of this asset, based on the discounted cash flow financial model of future taxable profits, which requires Management to adopt certain assumptions based on information generated by its internal reports, in which it involves significant judgment on the future profits of the Company, so that any adjustment in the assumptions used may generate significant effects on the assessment and impacts on the Company's financial statements, taken as a whole, so we understand that this area is relevant and had special attention during our audit.

Our audit procedures included the following procedures: Inquiry about the future cash flow forecasts prepared by Management and the process used in their preparation, including comparison with their most recent business plans; Inquiry about the main assumptions and criteria adopted by Management in relation to the long-term growth rates in the forecasts, through comparison with economic and sector forecasts and the discount rate; Evaluation of the reasonableness of the cost of capital used in the projections; Assessment of the extent of changes in the assumptions that would be required individually or collectively, to result in impairment losses on this asset.

Based on the result of the audit procedures summarized above, we consider the judgments, estimates and disclosures prepared by Management included in the notes to be appropriate.



## **Another subjects**

### **The statements of added value**

The statements of added value (DVA) for the year ended December 31, 2020, prepared under the responsibility of the Company's management, and presented as supplementary information for IFRS purposes, were submitted to audit procedures carried out in conjunction with the audit of the Company's financial statements. To form our opinion, we assessed whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - Statement of Added Value. In our opinion, these statements of added value have been properly prepared, in all material respects, in accordance with the criteria defined in this Technical Pronouncement and are consistent with the financial statements taken as a whole.

### **Other information accompanying the financial statements and the auditor's report**

The Company's Management is responsible for this other information, which comprises the Management Report.

Our opinion on the financial statements does not cover the Management Report and we do not express any form of audit conclusion on this report.

In connection with the auditing of the financial statements, our responsibility is to read the Management Report and, in doing so, consider whether that report is materially inconsistent with the financial statements or with our knowledge obtained from the audit or, otherwise, it appears to be significantly distorted. If, based on the work performed, we conclude that there is a material misstatement in the Management Report, we are required to report this fact. We have nothing to report in this regard.

### **Management and governance responsibilities for financial statements**

Management is responsible for the preparation and adequate presentation of the financial statements, in accordance with accounting practices adopted in Brazil and with the international financial reporting standards (IFRS), issued by the International Accounting Standards Board (IASB) and for the internal controls that it has determined as necessary to enable the preparation of financial statements free of material misstatement, whether due to fraud or error.

In the preparation of the financial statements, management is responsible for assessing the Company's ability to continue operating, disclosing, when applicable, matters related to its operational continuity and the use of this accounting basis in the preparation of the financial statements, unless management intends to liquidate the Company and its subsidiaries or cease its operations, or has no realistic alternative to avoid closing operations.

Those responsible for the Company's governance are those responsible for supervising the process of preparing the financial statements.

Our objectives are to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error, and to issue an audit report containing our opinion. Reasonable security is a high level of security, but not a guarantee that the audit carried out in accordance with Brazilian and international auditing standards always detects any relevant existing distortions. Misstatements may be due to fraud or error and are considered relevant when, individually or jointly, they may influence, within a reasonable perspective, the economic decisions of users made based on said financial statements.

As part of the audit carried out in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement in the financial statements, whether due to fraud or error, planned and performed audit procedures in response to such risks, and obtain sufficient and appropriate audit evidence to support our opinion. The risk of not detecting material misstatement resulting from fraud is greater than that arising from error, since fraud can involve the act of circumventing internal controls, collusion, forgery, omission or intentional misrepresentation.
- We obtained an understanding of the internal controls relevant to the audit in order to plan audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and its subsidiaries.
- We assessed the adequacy of the accounting policies used and the reasonableness of the accounting estimates and respective disclosures made by management.
- We concluded about the adequacy of the use, by management, of the accounting basis for operational continuity and, based on the audit evidence obtained, whether there is significant uncertainty in relation to events or conditions that may raise significant doubts in relation to the Company's operational continuity capacity. and its subsidiaries. If we conclude that there is material uncertainty, we must draw attention in our audit report to the respective disclosures in the financial statements, or include changes in our opinion, if the disclosures are inappropriate. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company and its subsidiaries to no longer continue as a going concern.
- We evaluated the general presentation, structure and content of the financial statements, including the disclosures and whether the financial statements, represent the corresponding transactions and events in a manner consistent with the purpose of proper presentation.

We communicated with those charged with governance regarding, among other things, the planned scope, timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identified during our work.

We also provided those charged with governance with a statement that we have complied with the relevant ethical requirements, including applicable independence requirements, and communicate any possible relationships or issues that could significantly affect our independence, including, where applicable, the respective safeguards.





Of the matters that were the subject of communication with those charged with governance, we determined those that were considered most significant in the audit of the financial statements for the current year and, therefore, constitute the main audit matters. We described these matters in our audit report, unless the law or regulation has prohibited public disclosure of the matter, or when, in extremely rare circumstances, we determine that the matter should not be reported in our report because the adverse consequences of such communication may, within a reasonable perspective, overcome the benefits of communication to the public interest.

Goiânia, March 11, 2021.



BDO RCS Auditores Independentes SS

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