Algar
Telecom

SUSTAINABILITY REPORT

2018

People serving People
CONNECTING INNOVATION AND SUSTAINABLE GROWTH

Algar Telecom

We closed 2018 with a significant growth in Algar Telecom, despite the instability scenario in the Brazilian economy. Net revenue totaled R$2,867.3 million, up 6% over 2017. Net profit reached R$316.1 million, up 38% year-over-year. These numbers prove the efficient implementation of the Company's strategy and the competitive advantages of our products and services.

The results reflect the ongoing geographical expansion, the new market possibilities and the resulting increase in our capillarity. In 2018, we have expanded our operations in the Brazilian South and Southeast regions and started operating in the Brazilian Northeast. This entire expansion was made possible by the deployment of the submarine cable Monet, connecting São Paulo to Florida, touching the Brazilian coast in Fortaleza. In the Northeast, we are in the main capitals, divided into 18 locations, throughout 6 new regional offices in the states of Alagoas, Sergipe, Paraíba, Rio Grande do Norte and Ceará, as well as Espírito Santo. With the purpose of speeding up the Company's expansion, we acquired Cemig Telecom's assets in the states of Bahia, Ceará, Pernambuco and Goiás through a bidding process.

In addition to keeping the growth of the customer base, especially corporate customers, we have expanded the offer of products and services to meet the integrated needs of these customers in Telecom and IT, with increasingly digital services. Specifically for B2C clients, we launched Algar Fibra, as part of the investments that have been made in Fiber to the Home (FTTH) to provide high speeds in data traffic.

Our purpose is to be amongst the first to bring digital transformation to our customer relations and to be a benchmark in technology management, providing the best possible experience for end users, more efficient processes and a good return on invested capital. To achieve this purpose, we are founding members of Brain, a private institute of science and technology. Since the second half of 2017, Brain has supported the creation of new products, services and business models in four main areas: Internet of Things (IoT), Cloud, Cyber Security and Digital, using agile methodologies and innovative processes. The first solutions developed in partnership with Brain were already included in our portfolio and are available to the market. Based on the same method, at the end of 2018, we launched Estação: a structure that brings together employees from different areas to enable the absorption of these disruptive solutions in an even more agile way.

The ongoing search for quality of service and closeness to our clients proved to be successful, according to the research we held in 2018, with the support of Expertise Institute, evidencing a satisfaction level of 94% of our corporate clients. Throughout the year, we were among the first in the IDA Performance Index, published monthly by the Brazilian Telecommunications Agency (Anatel), in fixed broadband services, landline and mobile, and TV. In this sense, we were once again recognized as a reference in service by the *ReclameAQUI* portal, with our relationship model standing out in the industry. These acknowledgements reinforce that all employees are in line with the corporate purpose

of *Gente Servindo Gente* (People Serving People), always working to deliver the best solutions to clients and to meet the goal of first-call resolution, factors that contribute to generate value at Algar Telecom.

In addition to advances in technology and innovation towards the best experience to our customers, sustainability also guides operations in both the Telecom and Tech - BPO/IT Management segments. In this sense, we were recognized by *Guia Exame de Sustentabilidade* (Exame Sustainability Guide), for the sixth consecutive year, showing that our approach to sustainability has been effective. We are signatories of the United Nations Global Compact Local Network in Brazil, one of the main initiatives to engage the private sector with sustainability. In 2018, we mapped and correlated the actions and initiatives promoted by Algar Telecom in accordance with their compliance to SDGs (Sustainable Development Goals), global goals of sustainable development established by the General Meeting of the United Nations.

The year was also very positive regarding the performance of the Tech - BPO/IT Management segment. We consolidated the operational efficiency initiatives and concluded a full overhaul of our service portfolio, providing a higher number of digital tools to achieve an improved operational productivity and better results for our customers. As a result, the segment recorded an EBITDA margin of 13% in 2018, over 7% in 2017; the best net profit in the entire history of this business segment.

Algar Tech also won first place in the "100+ Innovative in IT Use" award, in the Digital Industry - IT and the Telecom category and ranking in 10th. Throughout 2018, the company launched two more innovation spaces, one in the headquarter in Uberlândia and another in the São Paulo office. The first, named Digital Garage, is a 30-sqm area with all infrastructure required to hold design-thinking sessions with small groups, as well as inviting people to disruptive innovation. The other, located at República neighborhood, in São Paulo, is already the third *Innovation Lab* of the Company.

We were also recognized for our corporate information disclosure and governance practices, either through the publication of the annual report or through our other interactions with the market, receiving the Abrasca Awards and the Transparency (*Transparência*) Award granted, respectively, by the Brazilian Association of Publicly-Held Companies (Abrasca - *Associação Brasileira de Companhias Abertas*) and by the Brazilian Association of Finance, Management and Accounting Executives (Anefac - *Associação Nacional dos Executivos de Finanças, Administração e Contabilidade*).

In the financial area, we successfully concluded the seventh issue of debentures and the first issue of promissory notes, raising R$800.5 million, exceeding the initial expectations of R$300 million. These funds enabled the Company to improve its debt profile and, given the 24% EBITDA growth, we closed 2018 with a leverage level (net debt/EBITDA) slightly smaller over the previous year.

In 2019, we will continue to expand our operations and develop our business. We will continue to improve our customer service and satisfaction, the efficiency of our organization, the well-being of all employees and the generation of value to our shareholders, following the mission of integrating people and businesses in a sustainable way and in line with the corporate purpose of People Serving People.

Jean Carlos Borges
Chief Executive Officer, Algar Telecom

Luiz Alexandre Garcia
Chairman of the Board, Algar Telecom

The Company arrived at the Brazilian Northeast, in 18 locations, through new regional offices in the states of Alagoas, Ceará, Paraíba, Rio Grande do Norte and Sergipe, and expanded the operations in the Southeast region, arriving to Espírito Santo.

The Monet cable started operating with around 11,000 km of submarine optical cables, connecting the cities of Praia Grande (SP) and Fortaleza (CE) to Boca Raton (Florida, United States).

Cemig Telecom's assets in the states of Bahia, Ceará, Pernambuco and Goiás were acquired, increasing our network by around 1,200 km.

The Company's credit rating increased from "brAA-" to "brAAA" with a stable outlook by Standard & Poor's rating agency.

Corporate customers grew 24% and B2B gross revenue increased by 8%.

The number of B2C broadband customers with speeds higher than 10 Mbps reached 58% of the total.

EBITDA margin reached 42% in the Telecom segment and 13% in the Tech segment.

Algar Telecom won the 20th ABRASCA Award, in the category of Publicly Held Company with Net Revenue of less than R$3 billion, and the ANEFAC/FIPECAFI/SERASA Transparency Award in the category of Company with Net Revenue up to R$5 billion. Also, the Company was elected for the 6th consecutive year as the most sustainable company in the telecommunications industry by *Guia Exame de Sustentabilidade* (Exame Sustainability Guide).

Algar Tech, subsidiary responsible for the Tech/BPO segment - IT Management, was recognized as the 10th most innovative company in Brazil, the 1st in the Digital Industry - IT and Telecom category, in the ranking of the 100+ Innovative IT use by IT MEDIA and PWC.

B2B Operating Data (units)	2014*	2015	2016	2017	2018	Δ 2017/2018
Number of Customers	N/A	100,015	108,686	95,377	104,791	10%
Corporate	N/A	7,884	10,000	10,919	13,550	24%
Small and Micro Enterprises (SMEs)	N/A	92,131	98,686	84,458**	91,241	8%

*In 2014, the Company adopted different criteria for segmentation, which makes the direct comparison impossible.

**From 2016 to 2017, the decreased number of SME clients was due to the relocation of 23,724 clients in January 2017, which started to be supported by B2C. The purpose of this change was to provide a customer service channel that better met the needs of these customers.

Operational Data* (´000 units)	2014	2015	2016	2017	2018	Δ 2017/2018
Data	399	435	475	515	543	6%
Landlines	714	722	733	756	736	(3%)
Mobile	1,205	1,298	1,342	1,313	1,290	(2%)
Paid TV	88	76	97	98	83	(15%)

* Data published by Anatel. The information includes the concession area and cities operated in the H band. The data includes retail customers and B2B customers.

Consolidated Financial Indicators (R$ million)	2014	2015	2016	2017	2018	Δ 2017/2018
Gross Revenue	2,850	3,092	3,314	3,557	3,683	3%
Net Revenue	2,238	2,418	2,545	2,716	2,867	6%
Consolidated EBITDA	543	642	710	780	968	24%
Consolidated EBITDA Margin	24%	27%	28%	29%	34%	5p.p.
EBITDA Telecom Segment	450	537	634	717	846	18%
EBITDA Telecom Margin	30%	33%	36%	38%	42%	4p.p.
EBITDA Tech - BPO/IT Management Segment	93	105	76	63	122	93%
EBITDA Margin	12%	13%	9%	7%	13%	6p.p.
Net Profit	142	154	184	230	316	38%
Net Margin	6%	6%	7%	8%	11%	3p.p.
Investments*	572	501	508	542	733	35%
Net Debt**	1,118	1,182	1,263	1,401	1,547	10%
Net Debt/EBITDA (times)	2.1	1.8	1.8	1.8	1.7	-

*The amount of investments in the Tech - BPO/ IT Management Segment for 2016 has been restated.

**Net debt is calculated based on the following balances: R$7.1 million in 2015, R$7.6 million in 2016, R$5.9 million in 2017 and R$4.7 million in 2018, for the purchase of Optitel (posted in "Notes payable – current liabilities" and "Other obligations – non-current liabilities") and, in 2017, the balance of R$41.6 million and, in 2018, R$25.6 million posted in "Liability for purchase of a corporate interest".

Corporate Indicators	2014	2015	2016	2017	2018	Δ 2017/2018
Employees (Staff)	17,573	16,187	16,115	15,646	16,133	3%
Men	8,955	8,371	8,616	8,650	8,860	2%
Women	8,618	7,816	7,499	6,996	7,243	3%
Hours of Training (thousands)	690	865	1,045	838	2,402	187%
Average Number of Training Hours per Employee	39	53	65	54	149	176%

Environmental Indicators (tCO$_2$e)	2013	2014	2015	2016	2017	2018	Δ 2017/2018
Direct Greenhouse Gas Emissions - Scope 1	3,146	3,840	4,115	4,961*	5,930	5,565	(6%)
Indirect Greenhouse Gas Emissions - Scope 2	8,321	12,008	11,302	7,214*	8,061	6,484	(20%)
Total Biogenic Emissions	2,740	5,635	6,459	5,509*	5,430	6,148	13%

*Numbers corrected during an audit after the publication of the 2016 Sustainability Report.

**Refers to the following greenhouse gases (GHGs) regulated under the Kyoto Protocol: CO_2, CH_4, N_2O and the hydrofluorocarbons family (HFCs).

Purpose and Vision, Mission and Values

GRI 102-16

Purpose and Vision: People serving People

Mission: To serve and integrate people and businesses sustainably

Values: - Clients, our reason for existing*
- Acting with integrity
- Developing and recognizing talents
- Entrepreneurship
- Have a commitment to sustainability

* Literal quote from the Founder of the Algar Group, Comendador Alexandrino Garcia.

Corporate Profile
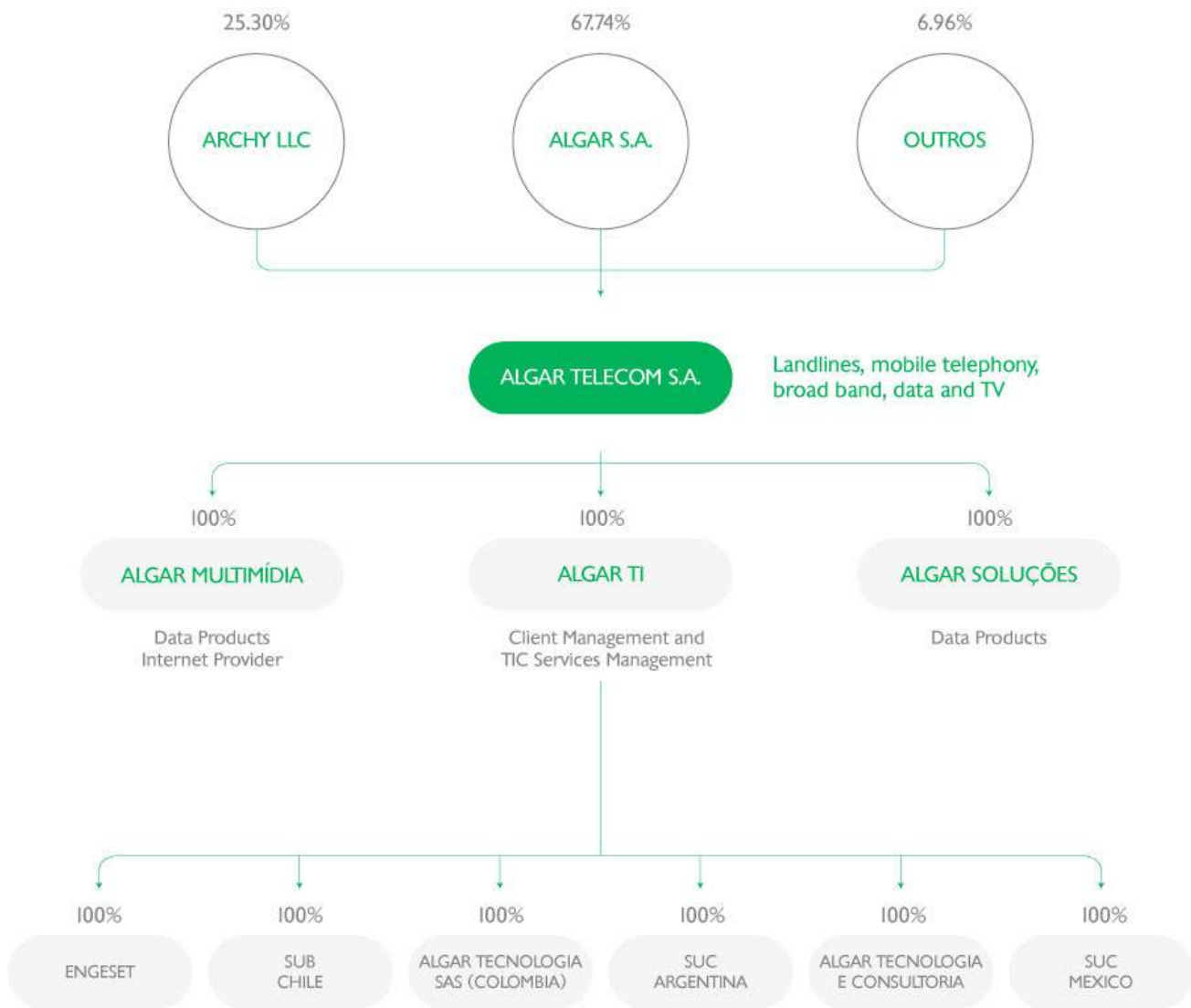
GRI 102-1, 102-2, 102-4, 102-5, 102-6, 102-10

Algar Telecom, an Algar Group company, has a comprehensive portfolio of solutions to meet the needs of corporate (B2B) and retail (B2C) customers in two segments: Telecom and Tech - BPO/ IT Management. We are an unlisted publicly held company based in Uberlândia (MG), operating throughout Brazil. For 65 years in the market, we have a modern infrastructure, supported by a network of around 61,000 km of fiber optics, currently present in 350 cities in 16 states - São Paulo, Minas Gerais, Rio de Janeiro, Espírito Santo, Goiás, Mato Grosso do Sul, Paraná, Santa Catarina, Rio Grande do Sul, Alagoas, Bahia, Ceará, Paraíba, Pernambuco, Rio Grande do Norte and Sergipe - and in the Federal District.

In the Telecom segment, we offer fixed and mobile broadband internet services, data communication, landlines and mobile telephony, paid TV and IT solutions to the business market. In addition, we offer services and solutions in BPO (Business Process Outsourcing) to the Technology segment, and technology support for corporate clients. The Telecom and Tech segments accounted for 73% and 27% of our gross revenue in 2018, respectively.

Share of consolidated gross revenue

Share of consolidated gross revenue

Tech 27%
Telecom 73%
Consolidated

B2B 57%
B2C 43%
Telecom
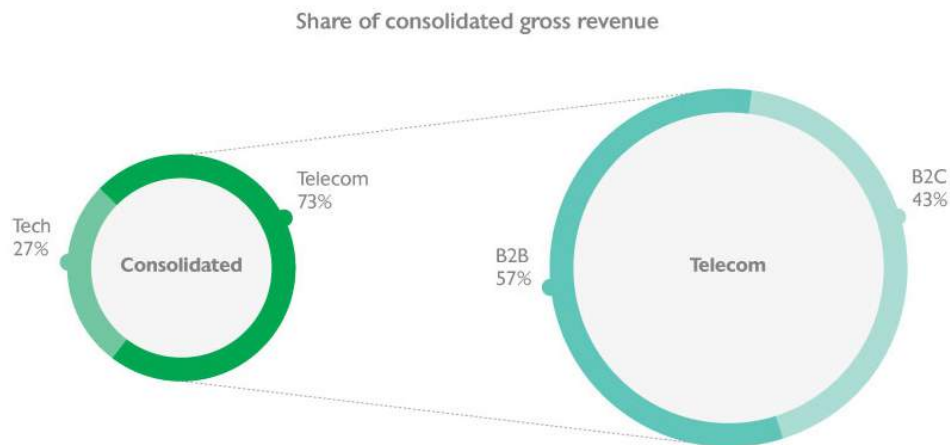
Our 16,133 employees - as the company's workers are called - are committed to keeping a close relationship with customers and delivering high-quality services with sustainable and innovative practices.

25.30%
ARCHY LLC

67.74%
ALGAR S.A.

6.96%
OUTROS

ALGAR TELECOM S.A. — Landlines, mobile telephony, broad band, data and TV

100%
ALGAR MULTIMÍDIA
Data Products Internet Provider

100%
ALGAR TI
Client Management and TIC Services Management

100%
ALGAR SOLUÇÕES
Data Products

100%
ENGESET

100%
SUB CHILE

100%
ALGAR TECNOLOGIA SAS (COLOMBIA)

100%
SUC ARGENTINA

100%
ALGAR TECNOLOGIA E CONSULTORIA

100%
SUC MEXICO

Our story started in 1954, when Alexandrino Garcia founded CTBC, now Algar Telecom. His idea was to facilitate communications for people living in regions considered remote at the time. As time went by, the Company grew, acquired municipal concessions in neighboring cities and eventually became a Telecom services provider, covering the whole country. Some more details on our story.

1954

- Our story began in 1954, in the city of Uberlândia, Minas Gerais, when Alexandrino Garcia founded CTBC, now Algar Telecom

1960-1969

- We expanded operations to 1,000 lines in Uberlândia (MG);
- We set up an intercity service, with 24 channels via radio;
- We incorporated the phone company of Patos de Minas (MG);
- We pioneered the use of a microwave system in the countryside of Brazil.

1970-1979

- We remained under private control at a time when most telephony companies were taken over by the Brazilian government.

1980-1989

- We expanded the range of our services in the countryside of Brazil.

1990-1999

- We built the first fiber optic network;
- We launched the mobile telephony in our operating segment;
- We began offering paid TV in Araguari (MG) and Uberlândia (MG);
- We invested in multimedia;
- We started the contact center operations in Uberlândia (MG).

2000-2009

- We added long-distance calls to our portfolio;

- We received an authorization to expand our landline services countrywide;

- We started providing internet access;

- We started offering data center services;

- We purchased a metropolitan network in the city of São Paulo (SP);

- We renewed our concession agreements for a further 20 years;

- We purchased a 3G license and started providing services;

- We became a listed company with our first public issue of debentures;

- We changed our name from CTBC to Algar Telecom.

2010-2014

- Algar Tech became international, expanding in Latin America;

- We launched satellite TV;

- We introduced the H Band (3G) into 19 more cities in Minas Gerais and expanded our retail operations;

- We acquired Synos and Asyst;

- We launched our Big Data offer;

- We purchased the 700 MHz frequency to provide 4G/LTE services;

2015

- We acquired Optitel, giving us coverage of 237 cities in the states of Paraná, Santa Catarina and Rio Grande do Sul;

- We have partnered with Nokia to expand the 4G mobile services offer at the frequency of 1800 MHz;

- We were the first company to have a data center in Latin America powered by photovoltaic solar energy.

2016

- We launched the 4G service (700 MHz frequency);

- We launched our prototype project *Cidades Conectadas* ("Connected Cities"), an initiative intended to foster ideas, solutions and innovations related to public services;

- We started BPO/IT operations in Mexico

2017

- We were a founding member of Brain, a private institute of science and technology;

- We joined the Global Compact, an initiative of the United Nations.

2018

- We welcomed GIC (Singapore Sovereign Fund) as shareholder of the Company;

- We began operations with a submarine cable, connecting Praia Grande (Brazil) to Boca Raton (USA), which we started to build in 2014;

- We started operating in the Brazilian Northeast and established a metropolitan network in Fortaleza (CE);

- We acquired Cemig Telecom's assets, contributing to the geographic expansion, mainly in the Northeast;

- We started the project 'Estação' to foster a faster development of disruptive solutions.

Operating Segments
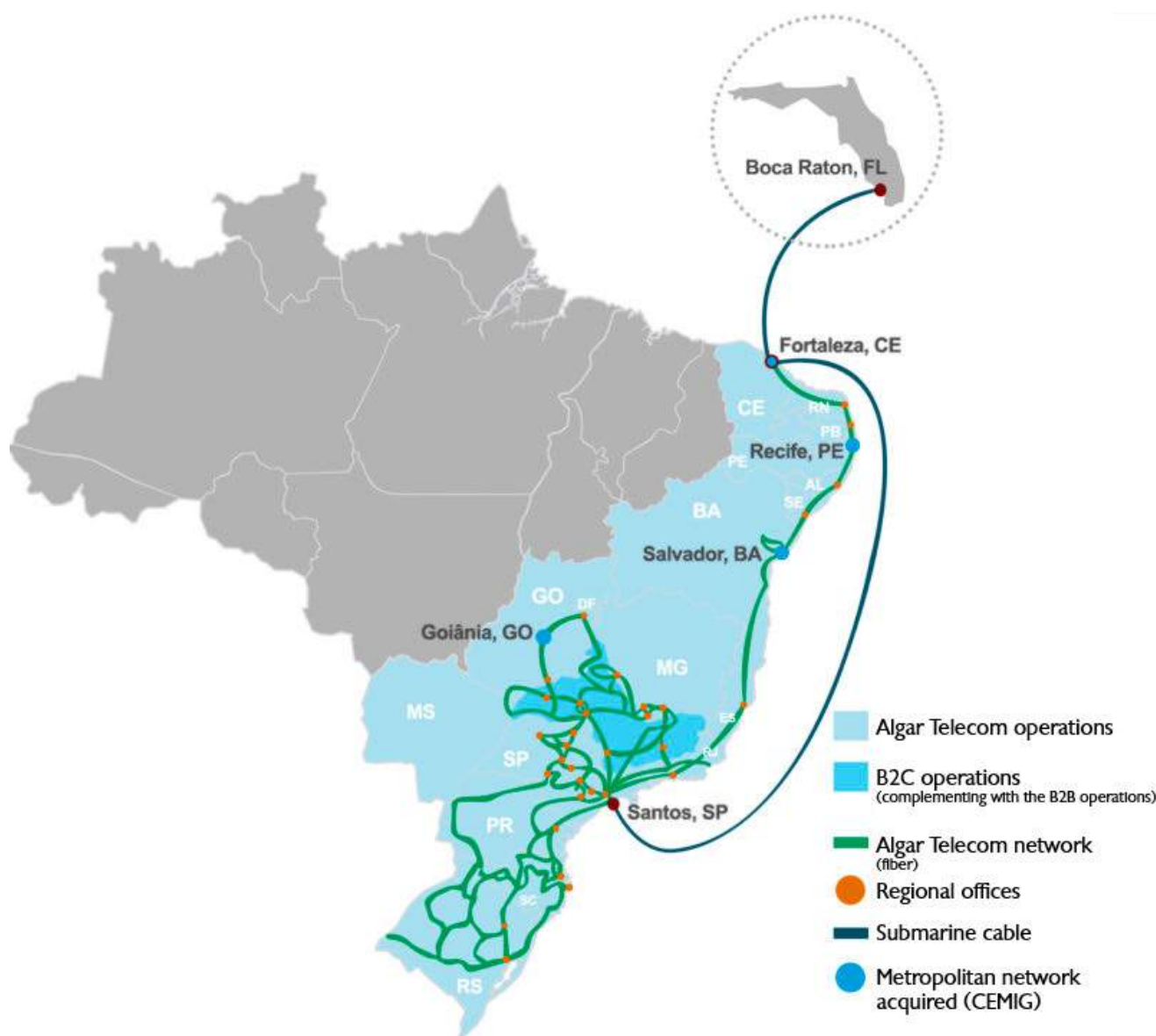GRI 102-4, 102-6

Telecom Segment
We are part of the everyday lives of individual consumers, small, micro and medium companies, large corporations and telecommunications industry in Brazil, providing safe, modern, robust and integrated solutions with backup always close at hand. Currently, we have a network of around 61,000 km of fiber optic in 16 states (São Paulo, Minas Gerais, Rio de Janeiro, Espírito Santo, Goiás, Mato Grosso do Sul, Paraná, Santa Catarina, Rio Grande do Sul, Alagoas, Bahia, Ceará, Paraíba, Pernambuco, Rio Grande do Norte and Sergipe), in addition to the Federal District, totaling 350 cities.

With our modern infrastructure and the quality of our service, we have achieved a high level of customer satisfaction. In corporate contracts, the renewal rate reached 89% in 2018. In addition, in a two-yearly survey carried out by Expertise's consultants showed that, in 2018, 94% of our large and medium-sized B2B customers were happy or very happy with our products and services. Our retail

business (B2C) shows similar results: ReclameAQUI's website (for consumer complaints) recognized us, for the third consecutive year, as the Best Company for Consumers in the Telecom Segment, among internet, landline and mobile services. Throughout 2018, we also ranked in first in the Service Performance Index (IDA), published monthly by the National Telecommunications Agency (Anatel), as a provider of telecommunications services with the best service in fixed broadband services, landlines and mobile telephony and paid TV.

Consolidated gross revenue of the Telecom segment reached R$2,698.4 million in 2018, representing 3% growth on 2017. The EBITDA margin reached 42%, up 4 p.p. year-over-year.

Performance Map

Legend:
- Algar Telecom operations
- B2C operations (complementing with the B2B operations)
- Algar Telecom network (fiber)
- Regional offices
- Submarine cable
- Metropolitan network acquired (CEMIG)

Corporate Customers (B2B)

We offer an extensive infrastructure, built with modern technology and supported by a network of around 61,000 km of fiber optics, where:

- 50,000 km, with capillarity and access in the Brazilian Southeast, South, Midwest and Northeast, including 26,514 km in metropolitan regions and connecting over 3,300 buildings (on-net buildings);

- 11,000 km of submarine cable connecting the cities of Praia Grande (SP) and Fortaleza (CE) to Boca Raton (Florida, USA).

We currently have 34 regional offices, ensuring that we can get closer to our corporate clients. Our sales and advisory services include our own units with technical and commercial advisors, making it possible for us to grow in this market and deliver more added value to our customers.

B2B customers are the main focus for Algar Telecom's growth. We are working to expand our networks in Brazilian regions, in which there are low penetration rates of data services. In addition, we have invested in the densification of the networks already installed, offering products and services to B2B customers, making possible to gain scale and efficiency in the services provided

Our services portfolio for corporate customers includes:

- Data links with dedicated IP,

- VOIP services,

- Ethernet services,

- Clear channel,

- Network security services.

We also offer the following standardized products in technology, providing a complete service to our customers:

- Cloud,

- Hosting,

- Collocation,

- Videoconference,

- Managed services,

- Virtual PABX,

- Anti-DDoS (Distributed Denial of Service).

Retail Customers (B2C)

The Company is the leader in provision of telecommunications services in 87 municipalities of the states of Minas Gerais, São Paulo, Goiás and Mato Grosso do Sul. In these regions, we have a market share of 76% in fixed broadband, 34% in paid TV and 33% in mobile telephony, according to Anatel's numbers in December 2018.

Our convergent x-play strategy, with duo-play, triple-play and quadruple-play options (fixed and mobile broadband, landlines and mobile telephony, paid TV and added-value services), meets the needs of over 1.2 million B2C customers, supported by a modern mobile network (3G, 4G and 4.5G) in the 700 MHz, 850 MHz, 1800 MHz and 2100 MHz frequencies. We also have an extensive fixed broadband network, with 58% of customers with UBB services (speeds ranging from 10Mbps to 200Mbps), with xDSLI, HFC and GPON technologies.

Our portfolio of services for individual clients includes:
- Broadband Internet,
- Mobile,
- Landlines,
- Paid TV.

No Poverty - SDG 1

Algar Telecom has the philosophy of Serving the Region and presents solutions to all audiences, regardless of their purchasing power and social class. To achieve the goal of having access to basic services and new technologies by 2030, we offer fixed and mobile broadband in all regions where we operate in retail, regardless of the city's size. We promote access to basic services and the due telephony and internet technologies to communities within our concession region, located in over 87 municipalities, with over 1.2 million customers.

We are very proud to have been the first operator in the countryside of Brazil to sell prepaid plans and the first to effectively sell unlocked mobile phones, with initiatives that favor less-favored communities. We have affordable plans for low-income population, keeping a superior quality and excellence in services provided to all our customers, since telephony is a vital service for inclusive education and to make jobs and income generation feasible.

Industry, Innovation and Infrastructure - SDG 9

We are committed to and actively working in two goals of this SDG:

1. Significantly increase the access to information and communication technologies and strive to maximize the provision of universal and affordable internet access in the least developed countries by 2020.

- Increasing access to technologies through the community is intrinsic to Algar Telecom's business, which has specific indicators on the access to affordable technologies;

- We provide access to broadband (fixed and mobile) in all municipalities of the retail region in which we operate;

- We remain committed to improving sustainable infrastructures with quality, to guarantee services that can be easily accessed by community in an equitable manner.

2. Develop quality, reliable, sustainable and resilient infrastructure, including regional and cross-border infrastructure, to support the economic development and the human well-being, focused on the equitable and affordable access for all.

- To achieve this goal, we regularly carry out internal and external audits and we are committed to developing the infrastructure in a sustainable manner, supporting the economic development and human well-being;

- We are committed and structured to be the reference company in digital solutions for the B2B segment in the regions we operate;

- Recognizing our results in 2018 to achieve this goal, we were awarded in the areas of corporate governance, people management, sustainability, innovation and customer service.

TECH - BPO/IT Management Segment

Our Tech - BPO (Business Process Outsourcing)/IT Management Segment operates throughout Latin America, with offices in Colombia, Argentina and Mexico. In Brazil, we have 73 offices and 2 data centers, and we have over 11,000 professionals to ensure the best customer experience and promote innovation and deliveries with excellence.

In 2018, we offer more digital tools to increase operational productivity and better results for our customers. As a result, the segment had an EBITDA margin of 13% in 2018, up 6.3 pp over 2017.

In the Tech segment, our business is divided into three operating fronts: Customer Relationship Management, Technology Environment Management and Telecom Services Management. Our main services are the following:

Customer Relationship Management

- Digital Relationship - Algar Tech simplifies and optimizes the entire service experience, aligning the relationship with the customer to the real needs of the business. Our solution is based on intelligence and automation, allowing a better interaction, at the right time, with the right message, in the most convenient channel for the client. We generate more value to the business with the ongoing evolution of operations.

- Digital Collection - Algar Tech ensures the receipt of debts within the maturity and increase of credit recovery, increasing revenue. We provide identification of business needs, mapping of the customer journey, intelligent segmentation of the profile, data intelligence to prevent non-payment and maximize recovery.

- Digital BackOffice - Our solution automates tasks and business rules, making processes smarter and more efficient to improve corporate governance and the end-customer experience. The Company is consolidated in six BackOffice specialties: Customer Complaint Management; Regulatory (regulatory management); Fraud Prevention (prevention and treatment); Customer Onboarding (automation of documents and business rules); Transactional (second service level); Management and Governance (management of service provision).

Management of the Technology Environment

- Intuitive Service Desk - Guarantees the maximum productivity for the user. Our solution delivers the best user experience through a single multi-channel point of contact and the automation to ensure a more efficient service. This means less time spent on support and more productivity for the team, which can solve calls with less human interaction.

- ICT Infrastructure Management - Guarantees the availability and continuity of services at all times. Our solution maximizes the IT availability and ensures the service's continuity. Our proactive and reactive operations handle the management, monitoring and support of the company's ICT infrastructure through specialists in high-impact demands, also delivering customized solutions that improve business results.

Telecom Services Management

- Implementing, maintaining and monitoring the Telecom networks with a close and effective service.

Intangible Assets

We are part of Algar Group, recognized as a pioneer, under family-control and with a professional management. We always invest in innovation, as recognized by our corporate governance practices. We value relationships and human potential, placing people first. Learn more about our main intangible assets: brand, People serving People, sustainability and innovation.

Brand

Algar Telecom is part of Algar group, a solid Brazilian business group, operating in ICT, Entertainment and Agrobusiness, with 89 years of activities, family origin and professional and sustainable management. Since the Company was founded, in 1954, we our pioneers in the Brazilian telephony industry and we have expanded the Telecom business to new markets, keeping our principles of high-quality service and customer satisfaction. Operated by Algar IT, the Tech segment is becoming increasingly relevant in its market, reaching important acknowledgments in the technology industry.

In 2018 we continued to reinforce the brand by stressing other attributes of the organization: our commitment to service, innovation and reliability. This includes marketing campaigns focusing on digital media, sponsorship and other initiatives. Among them, the series of communication campaigns that received the name "Giga Post Unlimited" and "Algar Fibra". Featuring Reynaldo Gianecchini, the marketing pieces show that Algar Telecom offers the best solutions for its clients, always seeking the best service and the satisfaction of their needs. Watch the video: https://youtube.com/72zHHny55L0.

Another initiative to disseminate the brand, which helped reinforce our operations in the country's Northeastern Region, was the sponsorship of the Ceará Sporting Club in the beginning of 2018. After that, this soccer club returned to the First League (Série A) of the Brazilian Championship. With a national reach and focused on the state of Ceará, this contract promotes the Company's logo on the players' uniform, while supporting a team in this new area.

Also contributing to the construction of the Algar Telecom brand, we continued sponsoring Santos Futebol Clube. In addition to the visibility in the athletes' uniform, the logo stands out in merchandising materials, social networks and electronic media, in the press room of Vila Belmiro (which receives the name Algar), as well as relationship actions with current and potential clients.

Campaign A Christmas Dream helps people make dreams come true and live great experiences

A Christmas Dream campaign took place between October and November 2018. We provide the portal "Algar - um sonho de Natal" (Algar - a Christmas Dream), through which we received testimonies by video, text or audio, of people who wanted to help someone special to them make their dream come true.

We have received testimonies on several dreams, from tourist trips to toys for underprivilege children. See the dreams made true by Algar Telecom:

https://youtu.be/rZmtCwhAyQY

https://youtu.be/8t18MFqSsOU

https://youtube.com/ToSNF6Ye2d4

People serving People

We put human relationships first in all our activities; "*Gente Servindo Gente*" (People Serving People) is our business purpose, guiding our culture, performance and strategy. We have built ethical, respectful and transparent relationships with our employees and with all other stakeholders, both internal and external.

Proving this is the fact that 94% of our B2B customers are happy or very happy with Algar Telecom, evidencing that our behavior ensures we are recognized for the good quality of our products and services. In 2018, we launched the "*Pulso do Cliente*" program (Customer's Pulse), which allows our executives to have the opportunity to experience the customer service in practice, over the phone or digitally. The project's purpose is to improve the service and, thus, provide the best experience for clients.

We are also one of the best companies to work in Brazil and Minas Gerais - *see more in Awards and Acknowledgments*. Within this, an important resource is UniAlgar, a national reference among corporate universities and online learning - *see more in Attraction and Engagement.*

Sustainability

GRI 102-13

Our vision on sustainability is based on how our business can help resolve current and future challenges to society, and how we relate to our stakeholders. Out purpose is to keep strict ethical business standards; present high value-added solutions to the market; be connected, in a simple, fast and smart way, in the way we work; and take responsibility for the impact of our activities on the environment and on people's lives. We believe that all this is related to sustainability. Therefore, our sustainability initiatives, campaigns and projects are based on four strategies: social projects,

climate governance, sustainable influence (related to our ability to make our relationship network aware of sustainable practices) and compliance.

To generate mobilization on these and other commitments, we have a Sustainability Committee that meets on a quarterly basis and includes 67 representatives from all regions of Algar Telecom's operations. One of the highlights is Algar Institute, a non-profit association with actions on the educational, environmental and tax incentives fronts (*click here to learn more*).

Focused on sustainability, the management maturity was recognized by *Guia Exame de Sustentabilidade* (Exame Sustainability Guide) for the sixth time on a row - *learn more in Awards and Acknowledgments*. Visit Environmental Performance and learn more about our sustainable management and how we are in line with international agendas.

Innovation

We are committed to developing new trends and new technologies; creating opportunities to collaborate with other companies or start-ups, both partners and customers, and with institutions and the community; undertaking quick trials and analyzing them consistently; and posting results that allow us to innovate in our internal processes and in solutions for customers and their value chains. Our offers are in line with digital transformation, multiconnection, automation and artificial intelligence, and are applicable to several business segments.

In this sense, the following projects should be highlighted: Brain, which is a private institute of science and technology, and Estação, both launched at the end of 2018 (*click here to learn more*). In the Tech segment, we constantly reinforce our positioning as precursors in digital transformation, launching innovative solutions with applied artificial intelligence. Among them, we developed an exclusive methodology of digital transformation, called *Customer Experience Improvement - see more in Digital Transformation.*

CORPORATE GOVERNANCE

We have been an unlisted publicly held company since 2007, when we held our first public issue of debentures. We adopt principles, governance structure and routines in line with good market practices, respecting the basic principles of transparency, equity, accountability and corporate responsibility. To this end, we have tools to identify, measure, control and manage corporate risks, thus ensuring safe decision-making. We use modern, up-to-date systems, controls, policies and management indicators.

We follow the guidelines of the Code of Corporate Governance's Best Practices of the Brazilian Institute of Corporate Governance (IBGC). Among the practices we adopt, we can mention the structure of our Board of Directors, which must include 2 or 20% (whichever is higher) independent members. Other examples are a ban on accumulating positions of executive, director or committee member and the other committees, and the introduction of three advisory committees: Audit and Risk Management, Human Talents and Corporate Governance, and Strategy and Innovation. See more in our website.

New Partner
Archy LLC, an affiliate of GIC (Singapore Sovereign Fund), joined Algar Telecom, becoming a shareholder of 25% of the total capital. The transaction was approved by the Administrative Council for Economic Defense (Cade) and the National Telecommunications Agency (Anatel). We thus have a new partner, which has investment offices in more nine countries, apart from Brazil.

Corporate Restructuring
Following the entry of Archy LLC, an affiliate of GIC (Singapore Sovereign Fund), the Board of Directors decided to subscribe shares issued by the Company. Therefore, the parent company of Algar Telecom, Algar S.A., had 68% out of the total of 295,019,806 million shares on December 31, 2018.

Governance Structure
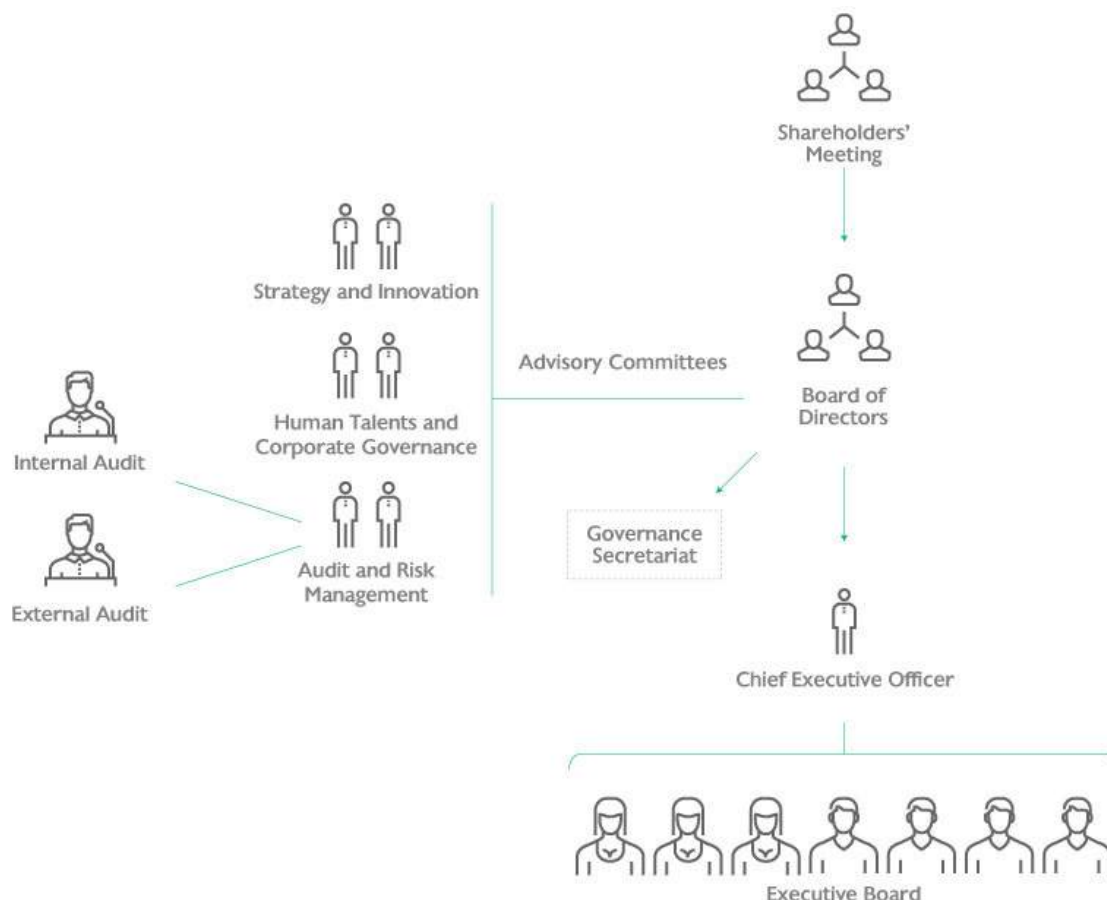
Board of Directors

The highest management body was created to ensure a professional and sustainable business, to make decisions and to define and monitor the strategies defined. Every year the Board is evaluated on three fronts: an analysis of the Board as a collegiate body, of the individual members, and of the Chair. It consists of up to eight board members: two of them are independent. There are currently six elected members.

Composition on December 31, 2018	
Luiz Alexandre Garcia	Chair
Eliane Garcia Melgaço	Vice Chair
Luiz Alberto Garcia	Member
Divino Sebastião de Souza	Member
Luiz Eduardo Falco Pires Correa	Independent member
Thilo Helmut Georg Mannhardt	Independent member

To learn more about the profile of each member of the Board of Directors, access the IR website of Algar Telecom.

Advisory Committees

The Board of Directors is supported by three specialized and non-deliberative committees to help the board members to deepen the analysis of specific issues in the decision-making process. Here they are: Audit and Risk Management Committee, Human Talent and Corporate Governance Committee, and Strategy and Innovation Committee. Their members are elected annually by the Board of Directors,

to which they report to. Similarly to the Board, the Committees also have internal regulations that regulate the operation and establish the responsibilities and attributions.

Audit and Risk Management Committee

Its work is to ensure quality, integrity, transparency and credibility of economic-financial disclosures, and promote the monitoring and management of corporate and operational risks, with effectiveness in internal and external audit processes and internal controls.

Composition on December 31, 2018	
Thilo Helmut Georg Mannhardt	Board Member and Committee Coordinator
Carlos Biedermann	External Expert Member
Gilberto Loureiro	External Expert Member

Human Talents and Corporate Governance Committee

Its mission is to ensure that Human Talents are strategically managed and that this is seen by the stakeholders as a competitive differential of Algar Telecom; and to ensure that the best practices of corporate governance are adopted and constantly upgraded, to reinforce the company's vision of the future and its long-term prospects.

Composition on December 31, 2018	
Eliane Garcia Melgaço	Vice-chair of the Board of Directors and Committee Coordinator
José Luciano Duarte Penido	External Expert Member
Silvio José Genesini Jr	External Expert Member

Strategy and Innovation Committee

Promotes and ensures the discussions within the Board of Directors on matters of high relevance and impact to the Company in relation to strategic guidelines, innovation, investments, including acquisitions, new business and budgets, as well as setting goals of performance based on economic value creation.

Composition on December 31, 2018	
Divino Sebastião de Souza	Board member and Committee Coordinator
Clau Sganzerla	External Expert Member
Silvio José Genesini Jr	External Expert Member

Executive Board

The C-Level of Algar Telecom are responsible for complying with the strategic orientation determined by the Board of Directors. This body chooses key executives, based on qualification, experience and value alignment, and also monitors their performance.

Composition on December 31, 2018	
Jean Carlos Borges	Chief Executive and Investor Relations Officer*
Osvaldo Cesar Carrijo	Vice-Executive Officer of Business and Executive Officer of Wholesale Business*
Luciene Gonçalves	Chief Financial Officer *
Luis Antônio Andrade Lima	Operations and Technology Officer*
Ana Paula Rodrigues	People and Customer Relations Officer*
Renato Paschoareli	Strategy and Regulatory Officer*
Ricardo Antonio Canonici	Transformation Officer
Luciana Ferreira	Investor Relations Officer

*Statutory Executive Board

To learn more about the profile of each member of the Board of Directors, visit the IR website of Algar.

Compliance and risk management

GRI 102-11, 102-16, 205-3

Algar Telecom has a Code of Conduct and a number of corporate policies, such as Internal Controls, Relations with Government Agencies, Spokesmen, Institutional Representation, Giveaways and Tax Incentives. In addition, internal audits are carried out to check the level of compliance with existing controls, in-class and online training is given on ethics and integrity, and communication and awareness campaigns are conducted. Our executives play a crucial role in the Compliance Program, leading by example and practicing what they preach.

Our Code of Conduct (http://www.algar.com.br/upload/archive/codigo-de-conduta-algar.pdf) guides the behavior expected in relationships with several publics and is shared with all employees, as they enter in the Company. Annually, employees formally attest that they have understood the guidelines, which ensures that periodic revisions in the document do not go unnoticed and all are properly updated. The Code of Conduct covers matters such as fighting corruption, rules for online behavior, working relationships and human rights, including non-acceptance of child labor and labor analogous to slavery by the Company and our partners.

Anyone who identifies a practice that may represent a departure from the Code of Conduct and/or laws and regulations may report the situation to the Ombudsman's Office (http://www.algar.com.br/ouvidoria), administered by the internal audit, which assesses the origin and the criticism of the complaint. Confirmed deviations are reported to the Integrity Committee, which investigates and deals with the events. We guarantee confidentiality and anonymity and will not tolerate any kind of reprisal.

Risk Management
Risk management is handled by Algar Telecom's Financial Office, which coordinates the work with the Company's other areas and is supervised by the Audit and Risk Management Committee, one of the advisory committees to the Board of Directors. Algar Telecom's Corporate Risk Management Policy defines the overall guidelines for this work, based on standards such as those of the internationally recognized COSO-ERM (Committee of Sponsoring Organizations of the Treadway Commission).

The procedure is in four stages: identifying the factors (causes) of the risks of purposes and their implications; assessing (calculating the impact on the projected results and the probability of occurrence); defining the risk appetite of shareholders; and developing action plans. The process is cyclical and is constantly updated.

One of the instruments that support the prioritization of risks to be addressed is the Risk Matrix, which provides a comparative view of the risks according to the classification of impact and probability by the Board and its classification. See the chart below summarizing the most important risks of Algar Telecom, for which the organization seeks mitigation.

Strategic
Digital Breakthrough
and Innovation
Competition

Financial
Foreign Exchange
Interest Rates and
Inflation EBIT
Concentration

**RISK
MATRIX**

Operational
Cybersecurity
Business Continuity
Projects Execution

Compliance
Regulatory
Tax
Labor

Digital Rupture/Innovation - We operate in a highly dynamic business segment, where technological transformations can cause the breakdown of consolidated markets. Changes in consumer behavior do not only affect the supply of new products, as well as can modify the entire dynamic of a market – as has been the case with collaborative platforms for public transport and hotel accommodation. This is why we are aligned with digital changes and attuned to innovation. We have an Innovation Management area, a Transformation department and a Digital Services area. In addition, we are a founding member of Brain, an institute of science and technology inspired by the model of open innovation, and we created, in 2018, the Estação project, to provide the change of mindset of Algar Telecom employees and encourage disruptive solutions through multidisciplinary teams.

Competition - The entry of new competitors in the segment, as well as the increase of competitiveness are inherent risks to the business and can impact the fulfillment of our purposes. For this reason, we constantly monitor the competition environment, evaluate scenarios and potential impacts and then define strategies to defend the concession area and maintain growth in the expansion area.

Foreign Exchange - There is possibility of fluctuations in the exchange rate of foreign currencies that we use for the acquisition of equipment, supplies and for the contracting of financial instruments. A part of the investments is made in foreign currency, when equivalent national equipment is lacking. We maintain our updated foreign exchange exposure balance, monitor exchange rate fluctuations on a daily basis, negotiate better foreign exchange conditions in advance, and analyze the volume of investments in the country's macroeconomic context, among other factors.

Interest Rates and Inflation - Indebtedness is monitored periodically through Sensitivity Analysis, which allows us to simulate the possible scenarios of exposure of financial instruments (loans, financing and debentures), as well as the impact on financial expenses and payment capacity. We permanently monitor indebtedness levels in accordance with market standards and compliance with covenants provided for in loan, financing and debenture agreements, which must be maintained for the duration of the respective documents. We also have our own indexes, which are even more stringent than those required in financial contracts.

EBIT Concentration - Dependence on a small number of customers, with a high share in the company's revenue, margin and EBIT. The risk is monitored with the focus on de-concentration of EBIT and retention of the main customers at the base.

Cybersecurity - We have a portfolio with systems exposed to cyber security risks. To minimize these risks, we have solutions to protect us against intentional or accidental contamination, malware and viruses; a structure for detecting anomalies in our internal and external networks, cyber-attacks and anomalous traffic; and tools for controlling access to confidential data. In line with the purposes of Law 13709, enacted on August 14, 2018 (General Law on Personal Data Security), we began an effort to adapt processes and systems to ensure compliance with legal requirements and reinforce the cybersecurity environment.

Continuity of Operation - The continuity of the Company's operations involves a set of technologies, systems, processes and people, in which eventual failures may occur, reducing or rendering us unable

to provide adequate services to our customers. To reduce the risk of disruption in networks and services, the main internal or external factors causing outages are identified by analyzing occurrences of incidents previously detected in networks and telecommunications systems. The availability of network elements and services is continuously monitored through a Network Operations Center with technologies, systems and professionals trained to identify and treat incidents in the shortest possible time, reducing service downtime and impacts to customers and the Company.

Project Execution - The strategy is implemented through a portfolio of projects, which are managed through methodologies recognized by the market. Therefore, the risks inherent in the projects are mapped, mitigated and monitored. The Project Management Office (PMO) periodically reports the progress of the strategic projects to the Company's Board of Directors. Created in 2018, the Estação project is based on agile methodology, which significantly favors the reduction of deadlines during the development of a project.

Regulatory – Regulatory risk is monitored from three viewpoints, which feed into each other: (I) regulatory changes (legislative issues affecting the sector); (II) management of grants (obligations to be met which are subject to oversight); and (III) management of penalties imposed by the sector regulatory agencies, Anatel and Ancine (administrative and judicial proceedings). Algar Telecom continues to participate in and contribute to the sector debates, in order to collaborate with the development of regulations in Brazil and the resulting benefits for society.

Tax - Tax risk, in an analogous way, is also monitored in three perspectives: (I) tax movements - draft laws that may impact the business upon becoming an enforceable obligation, including, for example, the increase in charges; (II) management of existing obligations, which must be fulfilled and are subject to supervision at the municipal, state and federal levels; (III) management of tax penalties and contingencies, constituted in accordance with accounting practices and audited periodically by independent auditors.

Labor - Labor risk is monitored in three perspectives: (I) movements of labor legislation - draft laws that may impact the business upon becoming an enforceable obligation; (II) management of current labor obligations, which must be complied with and are subject to supervision by the competent body; (III) management of labor contingencies established according to accounting practices and audited periodically by independent auditors.

Policies, regiments and codes

GRI 102-12, 419-1, 307-1, 416-2

We monitor laws and regulations relating to our business to ensure that we comply with them. We have the support of an external consultant, who follows the Brazilian law, pertinent to the sector and giving us information and updates on standards and laws. Our policies and procedures comply with the Anticorruption Law (No. 12.846/2013), the Bidding Law (No. 8.666/1993), the Auction Law (No. 10.520/2002) and the Differentiated Public Procurement Regime Law (No. 12.462/2011), among others.

For an effective, transparent assessment of our internal controls and compliance with regulations, standards and internal and external policies, our Internal Audit department is responsible for defining an annual plan, based on the risks of the business, obtaining board approval of the plan, auditing each process and, in cases of non-compliance, recommending and monitoring action plans. To supplement this, the External Auditors examine the financial statements, our systems and transaction records, standards of information and accounting and tax compliance, to ensure that they are in line with the law and with Brazilian and international accounting standards. Both audit teams are autonomous and independent, and report to the Board of Directors through the Audit and Risk Management Committee.

No significant fines or sanctions were imposed on us in 2018 for non-compliance with laws or regulations in the Company, and no proceedings were initiated for failure to observe the specific regulations applying to the supply and use of products and services.

OUR PEOPLE

GRI 418-1

The customer is our reason for existing. This is one of the values of Algar Telecom, which represents a phrase of the founder of the Algar Group, Alexandrino Garcia. We are constantly working to improve our relationship with this public by using new technologies, methodologies and approaches that can improve the experience of our customers. To do this, we analyze every step of the way for the customer, from the moment of sale, delivery, after-sales service and, above all, the daily working of the relationship.

We use methods and processes which enable us to understand what is really happening, and as a result we can take the right decisions and communicate effectively. One of the highlights in this field has been the implementation of CEM – Customer Experience Management, based on artificial and cognitive intelligence. We use Big Data and Analytics solutions which collect data and provide real-time information on clients, with insights and intuitive control panels. In this way we can personalize offers according to our customers' profiles, provide better services, reduce the number of complaints and reduce the client's effort.

In 2018, we worked to make the client's journey simpler. Our efforts are focused so that problems are resolved as quickly as possible. For self-use, we use automation tools that allow the execution of technical procedures at a distance, favoring service agility, efficiency of our operations and customer satisfaction. To check whether these measures are effective, we use the metric known as First Call Resolution (FCR), which measures the rate of resolution of problems at the first contact with the customer. We ended 2018 with an FCR of 68%.
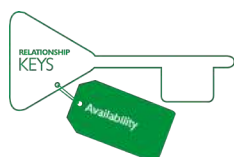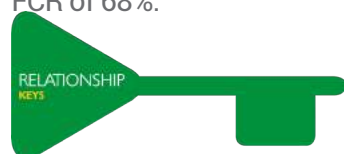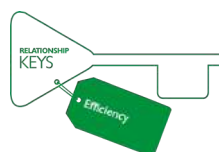

Full functioning of the services and readiness to solve problems.
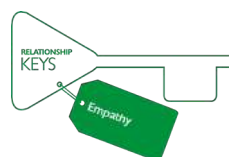
Ability to put oneself in another's place, generating proximity.
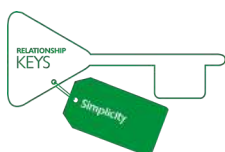
Autonomy to reduce customer effort.

Wisdom in the use of resources, seeking to solve problems in the first contact.

Integrated service on multiple channels

We took steps to integrate the multiple relationship channels provided by the Algar Telecom, so as to make things easier for the customer and improve the efficiency of the call centers. This enables us to keep a single record of our relationship with each customer, including exchanges on every channel: voice, Audible Response Unit (URA), email, chat, website, apps, chatbots, text messages and social media. The idea is to further develop this system, through an omnichannel service, which should be implemented in 2019, contributing to significantly reduce fragmented and mismatched information and to increase customer satisfaction.

Ability to serve with excellence

Besides the agility and efficiency that the automation provides, we cherish the direct contact with the client, guaranteeing the interpersonal relationship. The service for B2B customers is totally internalized and, for retail clients, is carried out by the Customer Relationship Management business of Algar IT. In order to provide the best customer experience and personalized service so that our perception of our services is increasingly positive, we believe that the training of our employees plays a fundamental role. In 2018, we invested in the training and certification of the attendants, so that they dominate matters related to Information Technology and Communication Services (ICT) solutions.

Information Security

We know that there is a lot of important and confidential information from each of our customers, so maintaining cybersecurity systems is an essential part of our operation and focus of constant improvement. In 2018, there were no data leaks, theft and/or loss of confidential information of Algar Telecom customers.

We also maintain efforts to follow regulatory changes, ensuring that our performance respects Brazilian standards and legislation. In this regard, in 2018, we paid special attention to the beginning of the implementation of the Legal Mobile (Celular Legal) project, regulated by Anatel, which focuses on fighting the use of tampered and stolen cell phones based on a computerized system of partnership between the agency, providers and cellular manufacturers. Likewise, we are adapting to the requirements of the National Data Protection Authority (ANPD), recently created by the data protection law, sanctioned in August 2018, which provides for the collection of data considered essential and necessary for performing our services.

Algar Telecom is consisted of 16,133 talents. Aware of our responsibility to our employees, we care about managing people and offer an environment of personal and professional development, participation (based on the company-network philosophy), recognition for meritocracy and well-being. This environment is recognized by the market through awards such as the best companies to work, and by the employees themselves, as evidenced by internal satisfaction surveys.

Organizational Culture

In 2018, the Algar group underwent a process of evolution of its organizational culture, to strengthen cultural traits that will allow us to grow in a permanent and sustainable way. In order to define the attributes to be followed by the employees, rounds of discussions were held throughout the year 2018 with the participation of employees from all hierarchical levels.

As a result, four attributes were defined. Each one has two associated behaviors, which consider fundamental aspects for the evolution to a more digital, simple and connected mindset, and which reflects our focus on growth coupled with innovation and the application of agile methodologies to provide the best environment for employees and the best customer service experience:

Enduring

- Delivers what it promises and makes choices that guarantee execution.
- Manages the risks and opportunities of our business.

Reliable

- Practices the necessary conversations with a focus on what is best for Algar.
- Cultivates the open environment in which everyone feels heard and considered.

Agile

- Makes decision with autonomy and responsibility.
- Simplifies towards agility.

Innovative

- Acts in a customer-oriented/market-oriented way and focuses on profitability.
- Misacts fast, corrects him/herself fast and learn.

At the beginning of 2019, the cultural evolution plan was presented to all Company leaders and a cascading plan was established for all employees to know the attributes, their importance and the impacts on the Company's routine.

Profile of the employees

GRI 102-7, 102-8, 405-1

An analysis of the characteristics of our employees, separating them by age, gender, region and company, lets us plan our people management activities more assertively, and helps us draft policies and procedures and plan for better working conditions. We give below some more details about the profile of our employees.

Number of employees

2016	2017	2018
16,115	15,646	16,133
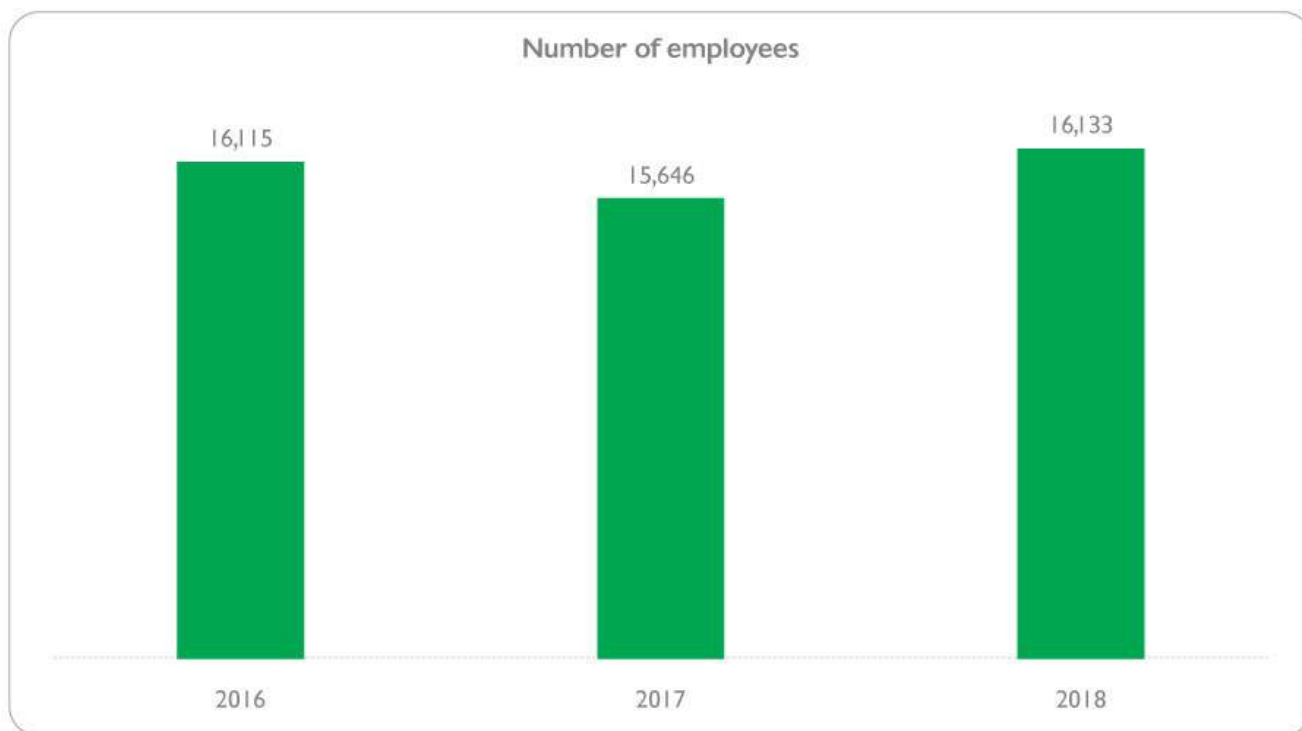
Employees per gender in 2018

Men
8,860

Women
7,273
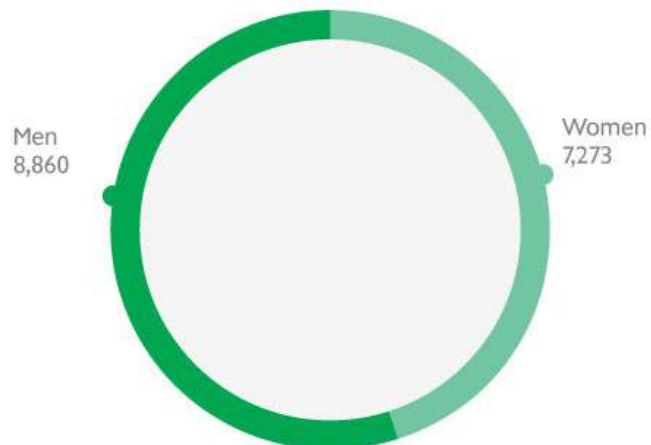
Employees by place of work (country) in 2018

- Brazil
  15.629

- Argentina,
  Colombia
  and Mexico
  504

Employees per place of work (per Brazilian region) in 2018

46
677
663
663
13,580

Southern Region ■ Southeastern Region ■ Midwestern Region ■ Northeastern Region ■ Northern Region
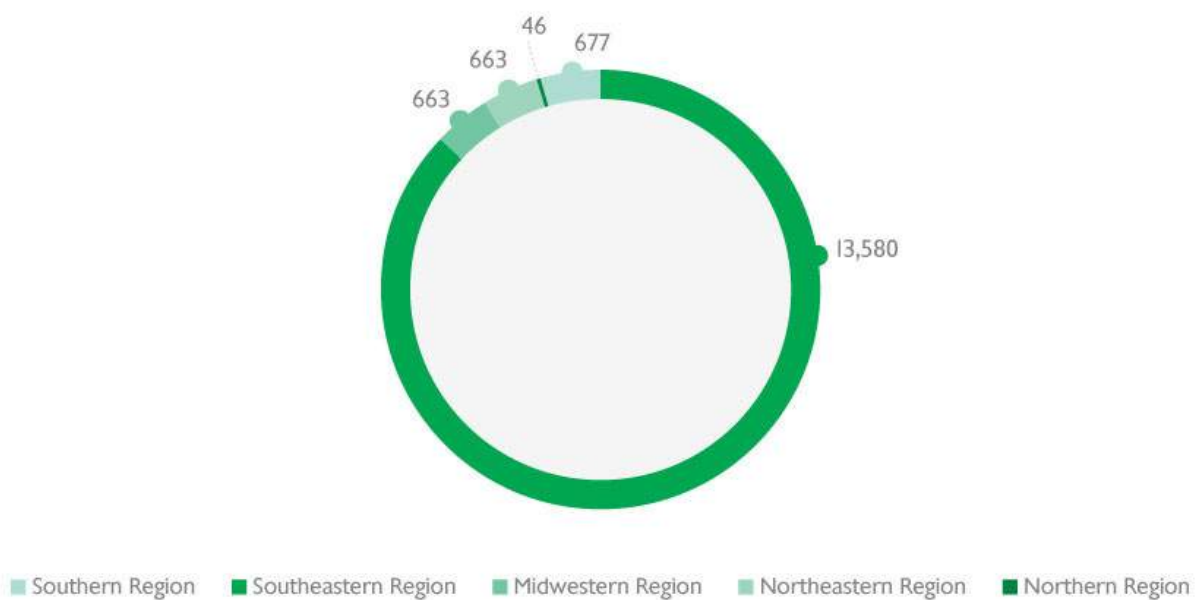
Employees per age group in 2018

862
8,070
7,201

■ Under 30 ■ Between 30 and 50 years ■ Over 50 years
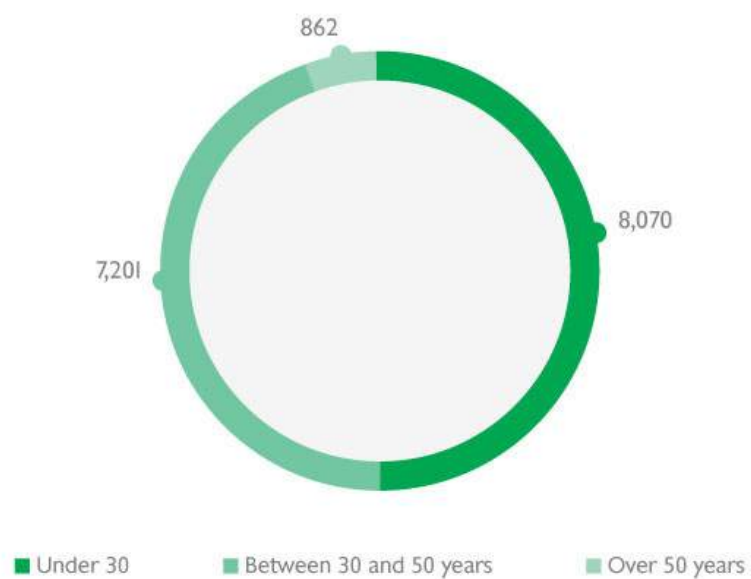
Employees per type of workday in 2018

6,836

9,297

■ Part time   ■ Full time
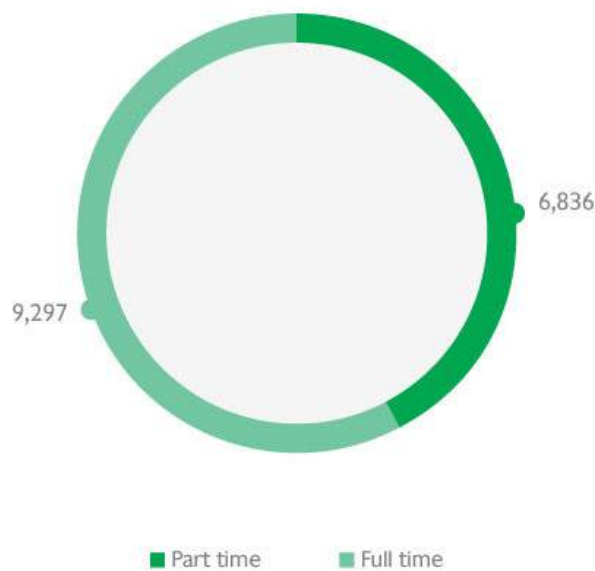
Attraction and engagement

We maintain different work fronts - to attract, engage, and develop our employees - that include performance management programs such as profit sharing, incentive for internal drives, and meritocracy promotions. In 2018, the main actions were: Coaching and Mentoring Program; Executive Development Program; training in distribution channels; participation in Leaders who Teach Program; promotion to more complex functions; and international benchmarking with high-performance companies in the technology sector.

Our practices of recruitment and engagement have a direct impact on the turnover ratio, an indicator of the flow of admissions, departures and transfers, which measures our capacity to attract and retain engaged employees. In 2018, turnover was 14%, remaining stable in relation to 2017 and below that recorded by the market (20%, according to PwC data). See more about hiring and turnover rates in the "Supplement to GRI Indicators".

Organizational Environment

The Organizational Environment Survey is an important tool to know the opinion of professionals. Throughout the year, we conducted quick consultations allowing managers to apply custom searches and track their departmental results, benchmarking tools with their own history and the market, and algorithms that identify the most relevant comments. Algar Telecom's favorability index is 83% and the employees' engagement reached 82% in the last survey conducted in 2017. In 2018, we operate at the least favorable points and, in 2019, we will make a new measurement to verify if the solutions adopted were efficient.

Professional Ascension

In 2018, around 47% of available vacancies were filled in-house, some of them by interns. We build a career path for all our employees, which may be linear (for management positions) or in Y-form, when there is promotion to non-management positions, for example as specialists in certain areas of expertise. We announce possibilities for promotion, and we give preference to in-house recruiting.

We assess performance annually and instruct leaders to provide frequent feedback, not just at times when results are announced. We have maintained, since 2017, the Performance Evaluation Process (PEP), which covers:

- 360º Assessment – on collaborative skills, by the superior, peers and subordinates and self-assessment. Covers analysis of the technical competence, capacity for execution and ambition of the employee assessed, and annual monitoring;

- Calibration Committee – a group that assesses, analyses and balances the performance of a group of people whose jobs are of the same level of complexity;

- Feedback –feedback phase with the manager and analysis of the calibration report and suggested action plan;

- Execution of Individual Development Plans.

Leadership Development

We assessed the performance of executives based on the Nine Box method, which looks at the potential and performance of talents, giving a broad view of their skills and of the points that need to be worked on. Development plans and targets are set individually.

Promoting Diversity

Seeking to maintain an atmosphere of respect and tolerance for differences - whether of gender, age, disability, race or sexual orientation -, we launched in 2018 the program *Algar Sem Barreiras* (Algar without Barriers). As part of the initiative, the Diversity Committee was created to ensure the maintenance of an environment without discrimination. We promoted workshops to raise awareness among employees about the theme and held three editions of the event "The Woman's Life as It Is" to discuss issues related to women's challenges; 100% of the members had access to the contents. We also did a series with five video classes for all top management on diversity in the corporate environment. Men and women have equal conditions and equal remuneration at Algar Telecom. The efficiency of the Algar sem Barreiras program was recognized by *Guia Exame de Sustentabilidade* (Exame Sustainability Guide) - *see more in Awards and Acknowledgments.*

With the commitment to promote communication to eradicate all types of prejudice and violence against women, Algar Telecom acts in the positive influence of its network of relationships and actively participates in the Algar Sem Barreiras Program. This program's purpose is maximizing the promotion of diversity and fighting all types of discrimination, gender, ethnicity, LGBT, generations and people with disabilities. In 2018, studies and activities were carried out to promote gender equality as:

- The commitment to increase the participation of women in positions of leadership and women's presence in the company;

- The woman's life as it is - discussion boards and presentation of inspiring stories of company women in leadership positions;

- Salary isonomy study, which showed that there is no gender discrepancy in the leadership positions of the organization;

- Work models that favor the insertion of the post-maternity woman;

- Distance learning path: Manager without Barriers to prepare leaders effectively to strengthen the work environment with respect to people and their coexistence, through practices that do not tolerate discrimination.

Remuneration and Benefits

We offer fair and merit-based remuneration, which covers a fixed and a variable portion, linked to the achievement of goals – specific purposes for each employee, defined according to their performance and aligned with Algar Telecom's strategic planning – and profit sharing, as well as a benefit package aligned with market standards. The compensation policy is dealt with in collective bargaining agreements that cover 99% of our employees (only executives are not party to the agreement, their compensation rules are set out in an internal policy).

Internship and Training for Young People

We want to make a difference for young people from the regions where we are. Aware of the importance of training and insertion in the professional market for undergraduates, we maintain a highly qualified internship program that offers real options for hiring young people after the program closes - depending on the availability of vacancies. We had 265 interns and young apprentices in 2018. The contracting rate is 60%, since the implementation of the program in 2018. In 2018, we also launched the Jovem Técnico (Young Technician) program, through which we trained 25 young people at the beginning of their career to work in the technical area of the Telecom segment - the first group's performance rate was 75%.

Professional Degree

We provided training courses, discussion forums, workshops and meetings, both in the classroom and online learning – which enables teams working outside the office to have access.

UniAlgar: corporate university

Periodically, we carry out a survey of the development needs of our employees, which guides investments in initiatives such as in-person courses, online learning, discussion forums, workshops, meetings and information content generation. Training requirements are mainly filled by UniAlgar – the Algar Group's Corporate University, which enhances the companies' competitiveness through education.

We use innovative methods, control of educational content, interactive skills platforms, online learning, case studies and other tools to support the prosperity of our business and of our customers.

We have partnerships with universities such as the Dom Cabral Foundation, the Getulio Vargas Foundation and other institutions in the cities where we operate, enabling employees to attend courses related to their work with the financial support of the company (education allowances), provided that they are in line with our benefits policy.

In 2018, Algar Telecom provided 2,402 thousand hours of training, an average of 149 hours per member. There were 139 face-to-face courses and 1,663 online learning courses. The highlights were #SOUALGAR, employees' integration program and Digital Journey, employees' development program in the online learning modality. The presentations were: Customer's Pulse - structured interface of customer leadership; Academy of Excellence - contact center training at Algar Telecom; People Management Workshop - training of all leaders on the Algar way of leading and sales methodology - training of the corporate sales force.

We privilege experiences to consolidate results, so we balance training with:

70% practice,

20% mentoring,

10% content.

Communication and engagement

We provide communication channels, such as the Talent Integration Program (Pint), the corporate intranet (Algarnet), an in-house social network via Facebook (Workplace), a weekly video program (TV Algar), news flashes on screens distributed across the company (*Toda Hora*), in-house news sheets (*Fique por Dentro*), live and remote meetings, a tool for chats among employees and the *Falando de Resultados* (Talking about Results) Program, a get-together for dialoging about strategy, objectives and results.

GRI 403-1

Algar Telecom keeps the **Liga da Segurança** ("Safety League") project, focused on instilling a risk management culture for personal and business safety at every level of seniority (both for employees and for suppliers); changing mindsets and introducing new habits; and contributing to value creation for the business by means of good safety practices. The change management model covers matters such as occupational safety, information and infrastructure security, and across-the-board issues of sustainability. The initiative is managed by the Project Management Office (PMO) and affects rules, policies, procedures, the definition and communication of responsibilities, the safety management support structure and monitoring and control activities.

In parallel, to promote the health and safety of employees, the Algar Group has its **Algar + Health Program**, which acts to prevent disease and improve quality of life, for example with awareness campaigns, regular check-ups and medical and nutritional supervision, among other practices. The Program produces statistics on the condition of employees' health, which enables specific projects to be planned and implemented.

We also provide a **Specialist Occupational Health and Safety Engineering Service (SESMT)**, which has a multidisciplinary team (consisting of safety technicians and engineers, doctors, nurses, social workers, nutritionists, speech and hearing specialists, psychologists and physiotherapists) and **Internal Accident-Prevention Committees (CIPAs)**, whose mission is to observe and report situations of risk in the workplace and to propose ways of minimizing them. Members of the CIPAs are nominated by the company and elected by the employees, and there is one in every operating unit with more than 50 employees. In 2018, 97% of the employees were represented by CIPAs.

Other important teams for this issue are the **Ergonomics and Healthcare Committee** created to undertake ergonomic analyses of workstations, and the Fire Brigade, which complies with Rule 23 from the Labor Inspection Agency, as well as technical instruction by the fire service of each regional office and carries out simulated evacuations in accordance with state legislation.

We prevent and repudiate the use of child labor, forced labor or labor analogous to slavery which violates indigenous rights. We do not hire minors, except as apprentices, nor do we have people working in unhealthy locations. Our agreements with suppliers include specific conditions on these matters. We monitor the companies we engage and demand to see their documentation (such as employment cards, health checks and receipts for payment of legal obligations), and we consult the list of companies involved in slave labor issued by the Ministry of Labor and Employment, as well as making visits to company premises. No cases of human rights violations were registered in 2018.

GRI 102-9, 102-10

In 2018 we made purchases from approximately 5,377 suppliers through 52,296 purchase orders. The major items were from network services providers and suppliers of technology and equipment. Most of the companies we use are located in the Southeastern Region. Strategic planning is supported by a market intelligence area, and purchases are affected by the Shared Solutions Center (CSC), which negotiates, purchases, contracts, assesses and develops suppliers. The negotiations carried out by Algar Telecom are based on the application of the Total Cost of Ownership (TCO) methodology, which guarantees more transparency and a more assertive management of the contracts signed.

We have a Procurement and Service Contracting Policy, and other relevant policies such as Relationship with Public Bodies and Gifts. We have a procurement website, where current and potential partners can read our Code of Conduct for Suppliers, our policies for relations with the Company, our Guide for Registration of New Suppliers and our User Manual.

Before and after being engaged, suppliers are subjected to legal, tax, economic, financial and technical assessment. We also analyze matters related to human rights, the environment (environmental compliance), food safety, occupational health and safety and social responsibility. Our contract provides clauses related to the evaluated items and the performance of suppliers on the basis of indicators, so as to identify shortcomings which might jeopardize the quality of our services.

Online Meeting brings together suppliers of Algar Telecom and UN

In 2018, we held the *Encontro Online* (Online Meeting), focused on suppliers of Algar Telecom and attended by the United Nations (UN). In the event, we shared thoughts and actions of environmental management of the Company, focused on the mobilization of suppliers to adopt the best environmental practices and mitigation of impacts to the environment. The initiative is part of our environmental management, especially regarding the mobilization of our relationship network, a principle called Sustainable Influence - *see more in Environmental Performance.*

STRENGHTENING OUR BUSINESS

Growth strategy

The initiatives and processes developed by Algar Telecom focus on the strategy to consolidate ourselves as a reference in digital solutions for the B2B segment, offering Information and Communication Technology (ICT) services. In addition to the geographic expansion for the states of the Midwestern, Northeastern, Southeastern and Southern Regions, we also have the purpose to increase networks and increase capillarity. We have invested in the expansion of the network, developing services and partnerships that, in addition to complementing our offer, lead to the faster densification of our operations. To achieve this, Algar Telecom excels in advisory and personalized service, constantly improving its networks, products and services and innovating to support disruptive solutions, providing the best customer experience.

Digital Transformation

Society is going through the fourth communication and industry revolution, a historical landmark that has already changed and will change even more the way we relate, live and work. The speed of change is extremely high and causes abrupt changes that are transforming the world we live in, developing and incorporating new technologies into people's daily lives. In this context, connectivity is key. Algar Telecom is committed to seeking trends and disruptive solutions to follow these transformations.

In the Company, digital transformation is a reality to carry out internal processes in a more agile way, provide the best technical support to the operations, create new solutions that provide a more effective customer service and add value to our portfolio.

We seek partnerships with other companies and start-ups to develop new solutions and make the customer experience better and better. Our offers are aligned with digital transformation, multiconnection, automation and artificial intelligence, augmented reality and IoT (Internet of Things) and are applicable to various business segments.

Being aware of the importance of constantly updating the technology of our networks, we have invested in the transition from steel networks in the concession area to optical networks, which provide GPON, SGPON and XGPON technologies, faster data traffic and higher signal quality. Outside the concession area, 100% of the network is optic.

In the Tech segment, we also developed an exclusive method for digital transformation known as Customer Experience Improvement, which can reduce the number of service calls opened by the call centers and so increase company performance and efficiency.
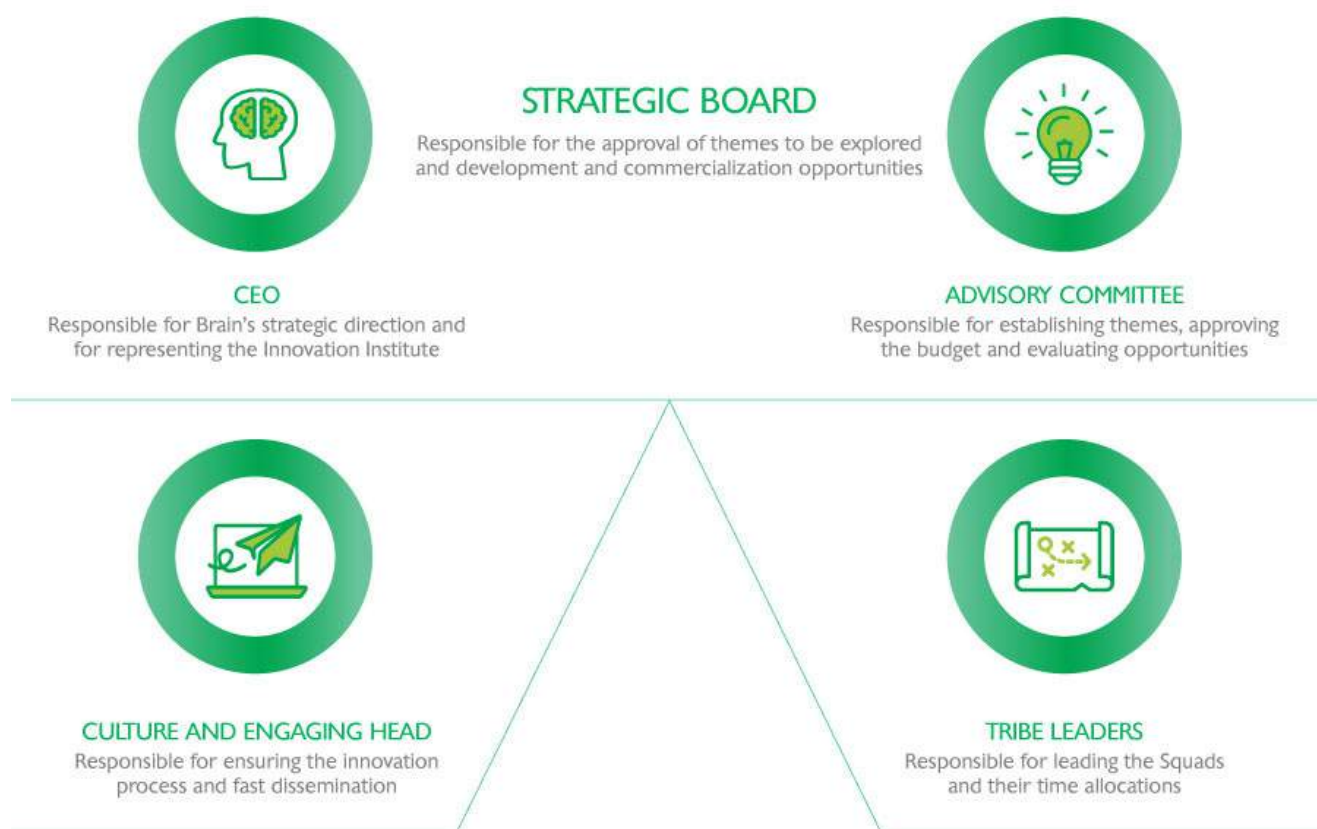
We know that the development of new solutions goes hand in hand with a structural and cultural change in the way processes are carried out. Therefore, we undertake fast trials with consistent analysis, and we seek to present results that not only generate value for customers and their value chains, but also incorporate innovations into internal processes.

Brain

We are founding members of Brain, Private Institute of Science and Technology, which connects ideas and people - inspired by the open innovation model - to the development of disruptive solutions focused on new products, services and business models. Since its inception, in 2017, Brain has been working on four main themes: Internet of Things (IoT), Cybersecurity, Cloud and Digital.

Mission

Building strategic partnerships to simplify the day-to-day lives of individuals and companies through the development of disruptive business solutions using the Agile methodology.

STRATEGIC BOARD
Responsible for the approval of themes to be explored and development and commercialization opportunities

CEO
Responsible for Brain's strategic direction and for representing the Innovation Institute

ADVISORY COMMITTEE
Responsible for establishing themes, approving the budget and evaluating opportunities

CULTURE AND ENGAGING HEAD
Responsible for ensuring the innovation process and fast dissemination

TRIBE LEADERS
Responsible for leading the Squads and their time allocations

Methodology

Brain also engages in partnerships with relevant technology and telecommunications companies or with start-ups that are aligned with the purposes of developing new business models, focused on solutions to facilitate, in particular, the daily life of companies. Brain also partners with IBI (Israel Brazil Innovations) incubators and ACE (Startups Accelerator and Corporate Innovation) incubators to evaluate and develop disruptive ideas in the contexts of Israel and Brazil, respectively. Learn more about the subjects discussed and studied by Brain on the Institute's blog.

Estação

To disseminate the culture of innovation within Algar Telecom, in 2018 we carried out an on-the-job training with 60 of our employees, who lived and experienced the Agile development model at Brain. In the same way, in 2018, we structured Estação, an area focused on two Tribes: Digital Products and

Digital Customer Experience (structured in the same model of Brain, with employees from different areas working together to leverage digital channels in both sales and customer relationship processes and enable faster deliveries). Thanks to the Lean and Agile methodologies, Estação will allow Algar Telecom to scale up projects and disruptive solutions faster. The outlook is that in three years, 70% of Algar Telecom will be structured and working in this format, generating a greater synergy to the processes.

Smart wi-fi network

We launched the Smart Fi Pro in 2018, based on the Minimum Viable Product (MVP) methodology, improved along simplified versions, ensuring the success of the product when officially presented to the market.

Smart Fi Pro enables our customers to intelligently manage their wi-fi network, allowing them to increase their margins by knowing the profile and history of their users. The product also guarantees maximum cybersecurity, with control to access, content and applications.

DECENT WORK AND ECONOMIC GROWTH - SDG 8

The telecommunications industry is a major driver of economic growth, especially due to broadband and the generation of direct and indirect jobs.
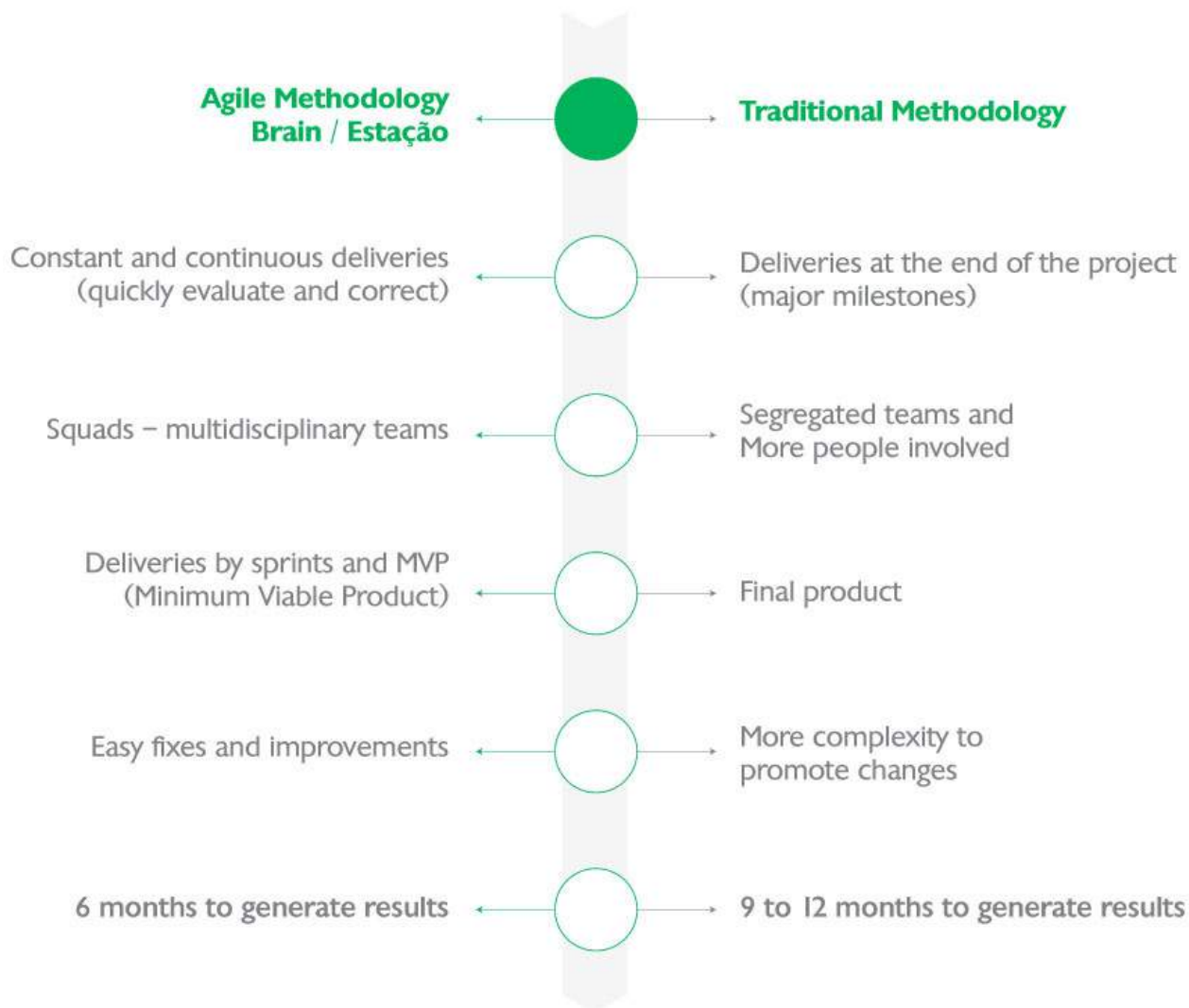
With the inspiration of the corporate purpose of People serving People, we have been able to intensify the investment in the development of talents for the continuous improvement of productivity through programs of Innovation and technological modernization, intrinsic to our business. We are one of the founding members of Brain, an Institute for Technology and Innovation, to foster the innovation ecosystem in Brazil. The initiative develops skills in agile methodologies of the employees of Algar Telecom and articulates with the industries of innovation, like the start-ups.

This year for us was full of cases and awards in technological modernization and innovation, which certifies the path and strategies adopted to promote this important goal of sustainable development.

Brain and Estação

Brain's flow involves three main steps: idea generation, preparation, and development. In the first phase, ideas of disruptive solutions are analyzed and a survey is carried out with companies and start-ups to verify the main discussions on innovations and potential projects to be developed. In the next phase, the ideas are submitted to the Advisory Committee, the body responsible for evaluating the opportunities. Finally, the development is carried out by the squads, with multidisciplinary teams, providing agility for deliveries and allowing the Minimum Product Viable (MPV) to be quickly and easily available to the market, being improved until reaching the Desirable Product. This process takes about six months and is more assertive because between the MPV and the end product, the customers can send suggestions for improvement on the product according to their needs.

With the launch of Estação, our area fully structured according to the Agile and Lean methodologies, the products developed by Brain could be more easily inserted into our portfolio and scaled in a period of 15 to 30 days. Previously, due to the difference between Brain's and Algar Telecom's structures, a developed solution took more than 4 months to be incorporated into our portfolio.

Agile Methodology
Brain / Estação

Traditional Methodology

Constant and continuous deliveries
(quickly evaluate and correct)

Deliveries at the end of the project
(major milestones)

Squads – multidisciplinary teams

Segregated teams and
More people involved

Deliveries by sprints and MVP
(Minimum Viable Product)

Final product

Easy fixes and improvements

More complexity to
promote changes

6 months to generate results

9 to 12 months to generate results

SOCIAL AND ENVIRONMENTALMANAGEMENT

Social and Environmental Commitment, Global Compact and SDG

GRI 102-12

We are signatories to the Brazil Network of the Global Compact of the United Nations - one of the major initiatives for engaging the private sector in sustainability to promote a more inclusive and egalitarian global market.

With 10 principles in the areas of human rights, work relations, the environment and the fight against corruption, the Global Compact reaches over 12,000 organizations in nearly 170 countries.

We at Algar Telecom are committed to achieving these principles. We do our part in applying these in our day to day and in raising awareness of employees, clients, suppliers and our entire relationship network by inviting them to do their best for a sustainable development.

We also support the sustainable development goals. With the purpose to set goals for a sustainable development by 2030, UN member countries have created a global agenda with 17 Sustainable Development Goals (SDG), which guide the transformation of the world through the balance of economic, social and environmental dimensions.

We embrace this challenge and invites everyone to build a sustainable world: of the 17 goals, we chose eight that are directly related to our business model.

SDG 1	No poverty
SDG 4	Quality education
SDG 5	Gender equality
SDG 7	Affordable and clean energy
SDG 8	Decent work and economic growth
SDG 9	Industry, innovation and infrastructure
SDG 12	Responsible production and consumption
SDG 13	Climate action

Social performance

The Algar Institute

Our social investments are carried out through the Algar Institute, which gives guidelines and coordinates actions of the educational front (contributing to improving education in Brazil, with activities and training for students and teachers), the environmental front (engaging with us mobilizing and raising our awareness to continue implementing environmental initiatives) and fiscal incentives (by sponsoring projects made available under municipal, state and federal tax incentives).

Given the geographical expansion of our operations, we have also increased the extension of social projects to these regions, maintaining our commitment to invest in the communities where we are

located. In 2018, around 380 educators from 115 schools in 30 cities received our support, benefiting 9,000 students.

In 2018, we directly invested R$2,165 million in educational, cultural and environmental projects. The choice of projects follows essentially strategic, geographical (related with those areas where we are) and financial criteria. The Institute puts forward and implements monitoring and indicators and diagnoses that help to demonstrate the social and environmental impact of the initiatives.

Click here to see more information about the programs and main achievements of the Institute.

Quality education - SDG 4

We are a partner and maintainer of Algar Institute, focused on improving the education of communities in which the Algar group operates, directly contributing to the following goals:

- Ensuring that all girls and boys complete primary and secondary education;
- Ensuring equal access for all men and women to technical, professional and higher education;
- Increase the number of young people and adults who have technical and professional skills, for employment, decent work and entrepreneurship;
- Increasing the number of qualified teachers.

A successful case is the *Talentos de Futuro* (Talents of the Future) Project, which contributes to the purpose of Quality Education, to substantially increase the number of young people with relevant skills, including technical and professional skills, for employment, decent work and entrepreneurship.

In addition to generating opportunities, the project also prepares social organizations that have the desire and possibility to replicate the methodology and thus transform the lives of young students from 14 to 18 years of age from public high schools to promote the development of behavioral skills.

Climate action - SDG 13

Also through the Instituto Algar we contribute with the SDG Climate Action", promoting communication and awareness of sustainable themes for our network of relationship, especially for the community in which we are inserted.

To achieve the goal of improving education and raising awareness on mitigation, adaptation, reduction of impact and alerting on climate change, this is a subject present in the actions of Algar Institute, ensuring that all students acquire the knowledge and skills necessary to promote a sustainable development.

Commitment to educational programs

We channel our social investment to educational programs, partnerships with public schools and education departments in the regions where we operate. We are present in 24 municipalities and eight states across Brazil, with the following programs:

- Media in the School – supplements teacher training on the use of the media as an educational tool. With the purpose to improve the students' performance in language skills, reading, writing and literacy, as well as stimulating the appropriation of work with textual and reading genres of the world of educators and students.

- Talents of the Future – focuses on preparing high school students for the jobs market. We seek to train them, contributing to the development of skills and transmitting knowledge on the job market and performance of the occupations. The program was also replicated by four not-for-profit social organizations by means of a partnership.

- Transform - develops workshops and classes with children and teenagers (between 6 and 14 years of age) in the fields of Culture and Arts, Digital Culture, Sports and Professional Training, as well as activities with the Algar group's volunteers. The goal is to promote the development of children and teenagers through education and culture, with workshops in the school counter-shift. The Wellbeing Workshop was included in the program with sponsorship from the Sabin Institute. We now have a new base for holding classes, the IFVC – *Vamos Crescer* ("Let's Grow") Learning Institute, in Uberlândia (MG).

Projects with tax incentives

We channel all resources from permitted fiscal incentives to projects in culture, healthcare, sport and support for children and adolescents in situations of social risk. For these sponsorships we have the support of the Corporate Tax Incentive Committee, which identifies and manages funds at municipal, state and federal level. In 2018, 59 projects were supported, totaling investments of R$11,156 million. Click here to learn more.

Bringing culture and art to small cities

We are proud to sponsor cultural projects, which bring classical music and films to cities that do not have spaces for artistic presentations and cinema - only about 10% of Brazilian municipalities have exhibition rooms. We take the Philharmonic Orchestra of Minas Gerais to cities with up to 40,000 inhabitants and we have the "Cine Família na Praça" (Open-air Movies for Families), a project that takes cinema in the open to municipalities with up to 20,000 inhabitants. In 2018, 23,600 people in the cities of Nova Serrana, Pará de Minas, Passos and Poços de Caldas were able to enjoy the sessions and presentations.

Environmental performance

Our environmental management is based on three principles:

1. Reduction of environmental impact in line with the priorities established by the Materiality Matrix, and an analysis of the greenhouse gases we emit
According to our Relevance Matrix, the management of the emission of greenhouse gases and residues is our priority to mitigate environmental impacts. In this sense, in 2018, we had an important achievement, implementing a photovoltaic power generation plant, contributing to the reduction of greenhouse gases. The diagnosis of our issue is consolidated in reports based on the GHG Protocol methodology and audited annually.

2. Incentives for pro-environment initiatives throughout our relationship network, a principle known as Sustainable Influence
We mobilize our stakeholders for the mitigation of environmental impacts in their activities. Our actions are focused, especially on employees, clients and suppliers. By 2018, we strengthened the Sustainable Influence with our supply chain - *see more in Relationship with Suppliers* .

3. In our operations we always seek to comply and to obtain certification for our business
We have the support of an external consultant, who daily follows the Brazilian law, pertinent to the sector and giving us information and updates on standards and laws. To ensure that our performance complies with legal requirements, we annually carry out an external audit at Algar Telecom. In addition, we periodically carry out an internal audit with respect to environmental management compliance practices and report to top management.

In 2018, we invested around R$2.4 million in environmental protection, of which 75% went to energy efficiency projects, in particular equipment maintenance and cutting energy consumption to optimize them, since this is the area of the organization responsible for the majority of emissions. See below our main actions.

Consumption of electricity

We are aware of the importance of monitoring consumption of electricity, and we ensure that our operations are energy efficient. Of the total invested in environmental protection, 75% was used for energy efficiency projects, in particular equipment maintenance and cutting energy consumption, since this is the area of the organization responsible for the majority of emissions. We have company policies on energy efficiency and fleet management, and we review them every year.

In 2018, we underwent expansions: Algar Telecom acquired units in the northeastern region of the country and Algar Tech demanded a significant expansion in the fleet to Mossoró (RN), Teresina (PI), Juazeiro (CE), Santo Antônio de Jesus (BA), Barreiras (BA), Itabuna (BA) and Iaçu/BA. Despite the expansion of activities, there was not a significant increase in our energy consumption, we had a 4% increase in 2018 vs. 2017, due to the expansion of the adoption of measures that favor energy efficiency.

We list some of these initiatives below:

- Energy consumption is monitored systematically, by an online tool which shows how much electricity is used in each of our buildings.

- Refueling of vehicles and generators is monitored by a system which combines location and route data (GPS), thus preventing fraud and enabling logistics planning.

- The solar panels installed in our buildings have been extended, and now account for the generation of between 1% and 3% of all the electricity consumed.

- We have replaced fluorescent light bulbs with LED and installed systems to control the functioning of air-conditioners.

We inaugurated the Capim Branco Plant: The project, located in Uberlândia (MG), was built to meet the energy needs of our operations and is part of the Energy Efficiency Program, initiated by the Company in 2010. The project supplies power to 280 stations in Minas Gerais and the expectation is that our photovoltaic energy consumption represents approximately 18% of our total energy consumption. With 5 MWp of power, the solar farm occupies an area of 85,000 m² and has 15,540 photovoltaic panels, 37 inverters and four transformers. The project has the capacity to produce 9.3,000 MWh per year, enough to supply 3,875 families with a monthly consumption of 200 kWh. The plant has a remote supervisory monitoring system and connects to the grid via a 13.8 kV voltage line with two kilometers of extension. In 2018, the consumption of electric energy generated by solar panels decreased by 13% year-over-year, reaching 6,023 gigajoules, due to the fact that we had a theft of equipment in a site in the city of Tupaciguara (MG), which is responsible for a relevant power generation capacity.

Non-renewable fuel provided a total of 89,940 gigajoules, 37% more than in 2017, while renewable fuel provided 74,453 gigajoules, a slight fall of 6%. We set parameters for the use of fuel, and we ensure that the flex-engine vehicles in our fleet run on ethanol.

Consumption of non-renewable fuel	2015 (Gj)	2016 (Gj)	2017 (Gj)	2018 (Gj)	Δ 2017/2018
	53,489	60,312	65,821	89,940	37%
Gasoline A	18,611	32,377	43,160	69,319	61%
Diesel oil	33,945	26,275	20,878	19,523	(6%)
Liquefied Petroleum Gas (LPG)	696	314	7	0	(100%)
Natural gas	238	1,346	1,777	1,098	(38%)
Consumption of renewable fuels	81,408	80,502	79,418	74,453	(6%)
Anhydrous ethanol	4,683	8,283	11,045	0	(100%)
Biodiesel (B100)	2,385	1,846	1,649	0	(100%)
Hydrated ethanol	74,340	70,373	66,724	74,453	12%
Electricity purchased	323,171	318,649	315,281	314,259	0%
Electricity generated by solar panels	1,272	4,848	6,914	6,023	(13%)
Total energy consumed	459,340	464,311	467,433	484,675	4%

In 2018, we did not calculate the energy consumption for Anhydrous and Biodiesel fuel, since these fuels are already included in the breakdown of Gasoline and Diesel Oil respectively.

Affordable and clean energy - SDG 7

In 2018, we invested R$2.4 million in energy efficiency projects, which corresponds to 79% of the total invested in environmental protection, focused on clean energy generation, efficiency and optimization of energy consumption, since it is the largest source of emissions. We implemented a photovoltaic power generation plant, with installed capacity equivalent to 18% of the energy used by Algar Telecom. With this, about 50% of the energy we consume came from renewable sources. Some major highlights and progress were:

- Reduction of greenhouse gas emissions related to energy consumption;

- Decrease in energy consumption per Revenue Generating Unit in 2018;

- ·Maintenance of energy policies and governance of efficiency indicators and plans for investments in clean energy - monitored by senior management;

- Real-time monitoring of electricity consumption in all buildings

- Growing use of clean energy in the supply of vehicles and generators, with integrated and online monitoring of all units.

Greenhouse gas emissions

Since 2012 we have been preparing an annual inventory of greenhouse gases (GHG). We measure emissions from all the production units we control, even if they are shared. The inventory is compiled in the GHG Protocol calculation tool, which is based on internationally recognized methodologies, and we seek to map opportunities for reducing GHG emissions in our processes and operations.

In 2018, we emitted 12,049 tons of greenhouse gases, 5,930 tons emitted directly (scope 1) and 6,484 tons emitted indirectly (scope 2). The 6% decrease observed in our direct emissions is related to the reduction in the use of R410A gas used in our refrigeration equipment.

Our efforts to boost the energy efficiency of our operations and diversify the sources of electricity consumed have contributed to a slowdown in the increase of electricity consumption in the network, to the detriment of expansion of our operations. Although we had an increase in energy consumption, the average annual emission factor of the National Interconnected System (SIN) decreased 20% from 2017 to 2018, which led to a reduction in emissions of scope 2.

The methods used are: The Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard (WRI/WBCSD); IPCC 2006 Guidelines for National Greenhouse Gas Inventories; IPCC Fourth Assessment Report; Specifications from the Brazilian GHG Protocol Program (GVces/WRI); and publications by the Ministry of Science, Technology, Innovation and Communications.

Scope	2016	2017	2018	Δ 2017/2018
Direct Greenhouse Gas Emissions - Scope 1	4,961	5,930	5,393	(9%)
Indirect Greenhouse Gas Emissions - Scope 2	7,214	8,061	6,484	(20%)
Total of biogenic emissions	5,509	5,430	6,469	19%

ISO 14001

We have been awarded the ISO14001 certificate, which is related to the environmental management system. We are submitted to annual audits for renewal of the certificate. In 2018, we won the certification for the eighth consecutive year.

Waste management and reverse logistics

In line with the National Solid Waste Policy (PNRS), we apply reverse logistics for the electronic devices which we release into the market, ensuring that they are properly disposed of. We have collection points for people – whether or not our customers – to deposit batteries, cell phones (including those of other operators) or any other electronic devices. The material is taken from the collection points each half-year period and put through a process of separation, and parts that can be reused are returned to the manufacturers. In 2018, we collected more than 1 ton of electronics. Subsequently, the remaining items are sent to specialist recycling companies which handle potentially hazardous products. In the period, we also collected more than 26 tons of paper for recycling – telephone guides and directories.

Other initiatives

- Online invoice - over 27% of invoices are sent electronically, avoiding the use of paper.

- Initiatives for sustainable travel, such as a car-sharing club and substitution of gasoline by ethanol for our fleet of vehicles.

- Selective collection, treatment of solid waste, responsible disposal, recycling and reuse, such as organic waste composting.

- Holding video conference and hangout meetings instead of traveling.

- Eco-efficient buildings (Capim Branco Plan), favoring the use of solar energy.

- Expansion of the Algar Telecom's sustainability committee for the operational areas, helping to further spread the sustainability culture in the company.

- We were recognized for the sixth consecutive time the Most Sustainable Telecom of Brazil by *Guia Exame de Sustentabilidade* (Exame Sustainability Guide).

- Webinar of Suppliers - to improve the management of suppliers with greater impact for the business in the areas of health, safety and environment, we have established important procedures to monitor and disseminate sustainability practices to contract services, promoting sustainable development of the company and the community. Our goal is to build a sustainable production chain by incorporating sustainability criteria into the supplier selection, development and evaluation process.

- See more information about the environmental initiatives in: https://algartelecom.com.br/institucional/sustentabilidade/projetos

Responsible production and consumption - SDG 12

We contribute to the Responsible production and consumption SDG, promoting actions and programs to improve the sustainable goals.

To contribute to the goal of achieving sustainable management and efficient use of natural resources by 2030, we make investments in renewable sources, such as the photovoltaic plant reported in the energy efficiency initiative. We also seek to substantially reduce the generation of waste through the Solid Waste Management Plan filed in the city halls of the municipalities where we operate.

We also collaborate with the goal of encouraging companies, especially large and transnational companies, to adopt sustainable practices by 2030. In this sense, we carry out actions to inspire our stakeholders to carry out sustainable practices. In 2018, we held an important meeting for supplier engagement - *see more in Supplier Relationships.*

PERFORMANCE IN 2018

GRI 201-1

Know below the main highlights of our performance in 2018. The full disclosure of our financial statements is available on the Algar Telecom's website.

In million of Brazilian Reais	2017	2018	Δ 2017/2018
Gross revenue	**3,557.4**	**3,682.6**	**3%**
Telecom	**2,606.2**	**2,698.4**	**3%**
B2B*	1,426.7	1,546.5	8%
B2C*	1,212.0	1,168.6	(4%)
Tech – BPO/IT Management	**951.2**	**984.2**	**2%**
Net revenue	**2,715.5**	**2,867.3**	**6%**
Telecom*	1,884.4	2,012.5	7%
Tech – BPO/IT Management*	883.8	906.1	2%
EBITDA	**780.0**	**967.5**	**24%**
Margin %	28.7%	33.7%	-
Recurring EBITDA	787.5	913.5	16%
Margin %	29.0%	31.9%	-
Net Profit	229.6	316.1	38%
Margin %	8.5%	11.0%	-
Investments	548.3	733.2	34%
Net Debt/EBITDA	**1.8**	**1.7**	**-**
Total B2B customers (un.)	**95,377**	**104,791**	**10%**

* Before intercompany eliminations.

Consolidated gross revenue

In 2018, Algar Telecom's consolidated gross revenue reached R$3,682.6 million, up 3% over 2017. This evolution was driven by the growth in Telecom B2B clients (+8%), followed by the Tech - BPO/IT Management segment (+3%).

Telecom

Revenue from the Telecom segment, which at the end of 2018 represented 73% of the Company's total revenue, grew by 3% in the year, totaling R$2,698.4 million. This performance is a result of the favorable performance of B2B customers (8%), partially offset by lower retail revenue (-3%).

B2B

With a 10% growth in the number of clients - 24% corporate and 8% MPE -, B2B customer revenue reached R$1,546.5 million in 2018. The increase of 8% over the previous year results from the expansion of services to new locations in the Southern and Southeastern regions and the start-up of our operations in the Northeastern region in the second half of 2018. With this purpose of speeding up this process, in November last year we concluded the acquisition, through a bidding process, of the second batch of Cemig Telecom's assets, in the states of Bahia, Pernambuco, Ceará and Goiás, totaling another 1,200 km of network. In addition to opening new locations and enabling a greater capillarity, the acquired network strengthens the robustness of data traffic through redundancies of stretches already built by Algar Telecom. By the end of 2018, B2B customers accounted for 57% of our Telecom segment revenue.

B2B operating data	2017	2018	Δ 2017/2018
Number of customers (units)			
Total	**95,377**	**104,791**	**10%**
Corporate	10,919	13,550	24%
Small and Micro Enterprises (SMEs)	84,458	91,241	8%

B2C

B2C customer revenue totaled R$1,168.6 million in 2018, down 4% over the previous year, mainly due to the decrease in voice services - both mobile and landline - and TV.

B2C operating data (thousand)	2017	2018	Δ 2017/2018
Data	515	543	6%
Landlines	756	736	(3%)
Mobile	1,313	1,290	(2%)
Paid TV	98	83	(15%)

* Data published by Anatel.
Information includes the concession area and cities operated in the H band.
Data includes both retail customers and business customers.

Tech – BPO/IT Management

In 2018, consolidated revenue from the Tech segment totaled R$984.2 million, up 3% over the previous year, reflecting the growth in revenue from Telecom Services Management and Customer Relationship Management/BPO.

Net operating revenue

Algar Telecom's net operating revenue totaled R$2,867.3 million, up 6% over 2017.

Operating costs and expenses

Consolidated operating costs and expenses, excluding amortization and depreciation, totaled R$1,899.8 million in 2018, up 2% over 2017. This decrease was offset by positive non-recurring effects totaling R$60.7 million. Excluding these effects, the change in costs and expenses would have been 1%, lower than the growth in revenue.

The largest increases were in third-party services (R$43.8 million), advertising and marketing (R$10.4 million) and rentals and insurance (R$10.1 million), mainly due to services in new geographic regions. On the other hand, the main reductions in expenses were in personnel (-R$21.4 million) and Provision for Loan Losses - PCLD (-R$16.9 million). The decrease in personnel expenses is due to the actions of operational efficiency and the intensification of the use of digital tools in the Tech segment. In PCLD, there is a positive, non-recurring effect of R$8.7 million related to the impact of the adoption of IFRS 9 (international standard issued by the International Accounting Standards Board) in the fourth quarter. As a result of this, there was a decrease of R$8.2 million in provisions for doubtful debts, due to our strict credit and collection policy.

The positive non-recurring effects recorded in other operating income/expenses came from: (I) R$30.9 million referring to the exclusion of ICMS tax from the calculation base of PIS and Cofins contribution; (II) R$14.4 million related to the write-off of deferred taxes; and (III) R$6.7 million referring to the reduction of risks of labor lawsuits in the Tech segment, due to the STF's (Brazil Supreme Court) decision on the outsourcing law.

EBITDA

In 2018, we recorded a consolidated EBITDA of R$967.5 million, up 24% over the previous year, when we recorded R$780.0 million. The consolidated EBITDA margin increased from 29% in 2017 to 34% in 2018, up 5 percentage points.

R$ millions	2017	2018	Δ 2017/2018
Telecom	**716.7**	**845.4**	**18%**
%	38%	42%	-
Tech – BPO/IT Management	**63.3**	**122.1**	**93%**
%	7%	13%	-
Consolidated	**780.0**	**967.5**	**24%**
margin	29%	34%	-

The Telecom segment ended 2018 with R$845.4 million EBITDA, up 18% over the previous year. The margin, in turn, went up from 38% to 42%. Excluding non-recurring positive effects, totaling R$54.0 million, the 2018 margin is of 39%. The evolution of the margin, mainly due to the increase in revenue from B2B customer and actions in operational efficiency, would have been higher disregarding the operation expenses in the Northeastern region, which are in the initial phase and without due compensations in revenue.

EBITDA in the Tech - BPO/IT Management segment reached R$122.1 million in the year, up 93% over 2017. The recurring margin was of 13%. The 2018 cycle was important for the Tech segment. At the same time, since the company reformatted its portfolio of products and services, through a more intensive use of digital tools, it consolidated several actions of operational efficiency that were under implementation. This has made the company even more competitive for future growth.

Depreciation and amortization

In 2018, the volume of depreciation and amortization amounted to R$364.2 million, up 11% over the previous year, due to higher investments in the Telecom business, in projects that have already started operations focused on services quality, modernization and growth of networks.

Net financial result

We had a net financial result of R$137.6 million in 2018, down 3% over 2017. This decrease was due to the effect of the reversal of provisions resulting from the exclusion of ICMS tax from the calculation base of the PIS and Cofins contribution, which affected the account in R$24.2 million. Excluding this effect, there was an increase of R$7.9 million, due to: (I) lower financial income of R$4.1 million due to the lower CDI (Brazil base interest rate) for the period (2017: 10% x 2018: 6%) and (ii) higher financial expenses of R$3.8 million due to a higher IPCA (inflation index) rate (2017: 3% x 2018: 4%), applied on the balance of debentures tied to this indicator.

Net Profit

Net profit was of R$316.1 million in 2018, up 38% over 2017. Net income over net revenue margin was of 11% versus 8% in 2017. The evolution of net profit was driven by higher cash generation measured by EBITDA, partially offset by higher depreciation.

Debt

At the end of 2018, we recorded a consolidated gross debt of R$1,908.8 million, up 18% higher over December 31, 2017. The higher indebtedness is explained by two debt issuances carried out in the second quarter of the year (7th public issue of debentures and 1st public issue of promissory notes), partially offset by the amortization of more expensive and/or short-term debts, improving our debt profile, with about 85% of the debt maturing in over two years vs. the previous situation when only 60% had this profile. Net debt, in turn, increased 10% and we ended the year with a cash balance of R$362.0 million and a net debt of R$1,546.8 million.

Our debt profile is long-term, with 13% falling due in the short term and 84% with maturities longer than 2 years, a comfortable level for the Company. The net debt/EBITDA[1] ratio is 1.7x, consistent with the financial covenants.

As at December 31, 2018, 39% of the debt was indexed to the IPCA, 59% to the CDI rate, 1% to TJLP, and 1% was at fixed rates.

Gross debt amortization schedule (R$ million)

Period	%	Value
In 1 year	13%	246.2
From 1 to 2 years	3%	50.3
From 2 to 3 years	25%	473.6
From 3 to 4 years	25%	474.7
After 4 years	35%	664.0
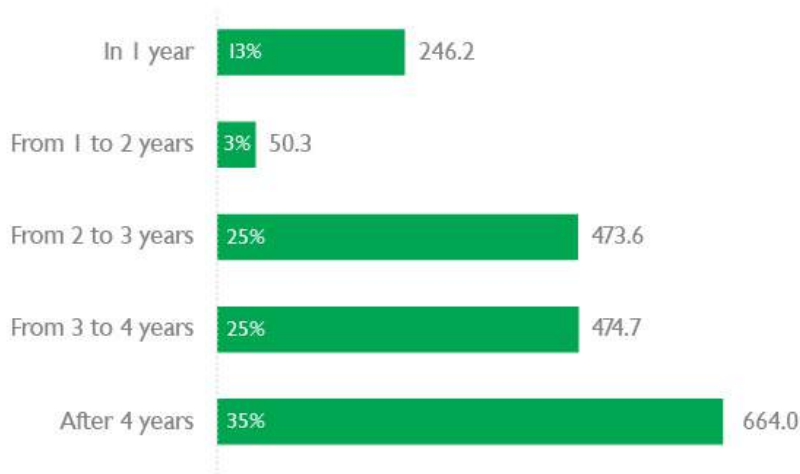
1For the calculation of the Net Debt/EBITDA ratio, the Company also considers the balance of R$4.7 million resulting from the acquisition of Optitel in 2015, which is allocated to "Securities payable (current liabilities) and other liabilities (non-current liabilities)" and the amount of R$25.6 million, recorded in the "Liabilities on the acquisition of equity interest".

Investments

In 2018, we invested R$733.2 million. The greater part of these funds (69%), was channeled into network expansion – in particular the infrastructure necessary to provide data services to B2B customers, the modernization and expansion of broadband networks, taking fiber optics to homes instead of metal cables, and expanded mobile networks. To speed up the expansion in the Northeast, we acquired the second batch of assets of Cemig Telecom, which represented an investment of R$82.9 million.

The Tech segment, in turn, accounted for 8% of the funds (R$55.4 million), while R$88.4 million (12%) was used for operational maintenance and to ensure the quality of services.

Investments (R$ million)
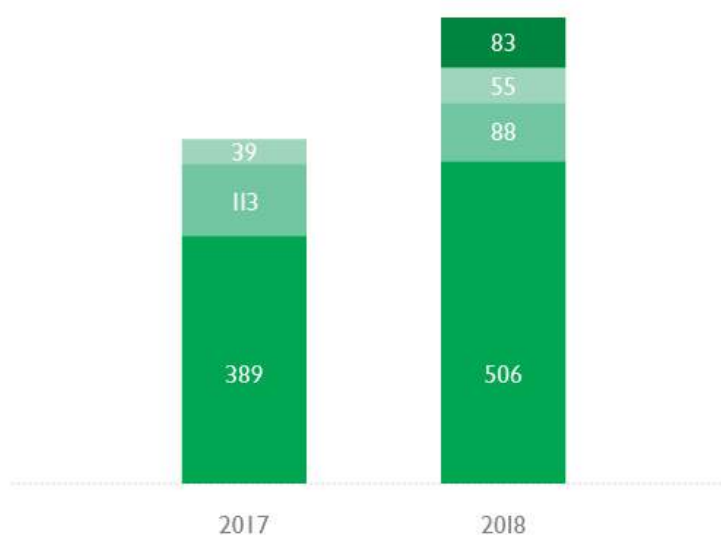
Legend	
■ Growth of networks and customers	■ Operation maintenance
■ BPO/IT Management	■ Acquisition of Telecom company

	Consolidated		
Thousand of Brazilian Reais	**12/31/2018**	**12/31/2017**	**12/31/2016**
Income	3,855,886	3,660,741	3,430,095
Sales of goods and services	3,682,592	3,557,403	3,314,024
Other revenue	191,228	138,128	149,750
Provision for doubtful debts	(17,934)	(34,790)	(33,679)
Inputs purchased from third parties (includes: ICMS, IPI, PIS and COFINS)	(1,061,812)	(991,784)	(930,441)
Cost of goods sold, and services rendered	(599,161)	(579,039)	(554,852)
Materials, energy, third party services etc.	(462,651)	(412,745)	(375,589)
Gross added value	2,794,074	2,668,957	2,499,654
Depreciation and amortization	(364,241)	(326,957)	(317,611)
Net added value by the entity	2,429,833	2,342,000	2,182,043
Added value received in transfer	73,543	52,595	60,363
Equity Income	-	-	-
Financial revenue	73,543	52,595	60,363
Added value to be allocated	2,503,376	2,394,595	2,242,406
Distribution of value added	2,503,376	2,394,595	2,242,406
Personnel	866,501	893,321	888,085
Tax, charges and contributions	1,029,337	985,484	867,466

	Consolidated		
	12/31/2018	**12/31/2017**	**12/31/2016**
Interest	163,775	164,538	189,610
Leases	127,726	121,660	113,667
Dividends	105,082	76,637	63,078
Earnings retained for the year	210,955	152,955	120,500

Awards and Recognitions

Throughout our history we have been awarded significant recognition of our outstanding performance in the areas of corporate governance, people management, sustainability, innovation and customer service. Here are the main awards in 2018.

INNOVATION
ALGAR TELECOM - Valor's Brazil Innovation Award - One of the 150 most innovative companies
ALGAR TECH - The 100+ Innovative in IT Use - 1st place in the Digital Industry category - IT and Telecom and the 10th most innovative company in Brazil

CORPORATE GOVERNANCE
ALGAR TELECOM - 20th Abrasca Award (Brazilian Association of Publicly Held Companies) - Annual Report - Annual Report - publicly-held company with net revenue of less than R$3 billion
ALGAR TELECOM - 22nd Anefac Award - Fipecafi - Serasa Experian - Transparency Award - company with net revenue of up to R$5 billion

PEOPLE MANAGEMENT

ALGAR TELECOM –Época Magazine – Great Places To Work (GPTW) – Among the best in Brazil (for the fifth consecutive year) as well as in Minas Gerais (with more than 1,000 employees)

ALGAR TECH – Época Magazine – Best Companies to Work For (GPTW) – best companies to work for in the IT sector – 12th place in the national ranking (with more than 1,000 employees)

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

ALGAR TELECOM - *Guia Exame de Sustentabilidade* (Exame Sustainability Guide) - The most sustainable company in the telecommunications industry in Brazil

CUSTOMER SERVICE / CASES

ALGAR TELECOM - Época ReclameAQUI Award - Best Company for the Consumer in the Telecommunications Industry for the services of internet, landline and mobile providers and servers

ALGAR TELECOM - Service Performance Index (IDA - *Índice de Desempenho no Atendimento*) - 1st place as provider of telecommunications services with the best service in fixed broadband services, landline and mobile telephony, and paid TV

ALGAR TECH - Conarec Award - Winner in the middle operations categories - Collection and recovery and medium operations - Retention and loyalty

ALGAR TECH - MESC - Best Companies in Customer Satisfaction - One of the 100 best companies in customer satisfaction and among the five best in the segment of outsourcing services of the business/call center process

OUTLOOK

Vision of the Future and Investments

Economic instability and the delicate political situation in Brazil, particularly in 2016 and 2017, presented us with a challenge in further developing digital platforms, with more complete offers and packages which contributed to customer loyalty.

Since the beginning of 2018, we have opened the Northeastern border, through the operation of the submarine cable Monet, which connects Praia Grande (SP) to Boca Raton (USA), through Fortaleza (CE). Our goal for 2019 is to position ourselves as an increasingly national value-adding solution, maintaining the accelerated growth due to expansions and densities in the regions where we already operate and the intensification of our operations in the Brazilian Northeastern Region.

In 2019, we will continue our technological innovation programs, with Brain and Estação having key roles in the development of disruptive solutions and products, adding value to our portfolio, helping us deliver high quality service and keep a close relationship with our customers. Estação is also key to implement models and processes based on agile methodologies and to integrate employees, developing multidisciplinary teams.

We must keep our growth pace, based on the differentiation and quality of services perceived by our customers. We will continue to seek the goal of First Call Resolution (FCR) - that is, problem solved in the customer's first contact - bringing together the automation agility and the personalized and consultative service offered.

Our employees will continue to seek a well-being environment, so that everyone feels motivated and challenged. We will keep programs that prize meritocracy, giving real opportunities for growth and empowerment to all who believe in our purpose of People serving People.

The Tech segment undertook a number of initiatives in 2018 to improve operating efficiency, increase digital interactions and reduce levels of default. These interventions get the company ready for major leaps in 2019, with new product offerings on the digital platform and migration to the cloud.

We are confident that Brazil's economy will resume growth in 2019 and that there will be higher demand for our products and solutions as a result. We are stronger, ready to continue expanding our operations. We improved processes and evolved in business intelligence, strengthening the importance of innovation to grow in a sustainable way. Therefore, we are ready to benefit from economic growth and well positioned to win new markets by offering disruptive solutions that facilitate and enhance our customers' experience.

2018 SUSTAINABILITY REPORT

GRI 102-3, 102-45, 102-50, 102-51, 102-52, 102-53, 102-54, 102-56

We disclose our Sustainability Report for the 13th consecutive year. The 2018 edition of the Sustainability Report contains information about Algar Telecom and its subsidiaries, relating to governance, strategy and performance. This document has been prepared on the basis of the guidelines of the GRI standards, under the option "Essential" report, from the Global Reporting Initiative (GRI). This methodology ensures the materiality, transparency and comparability of the report.

You will find details of our key challenges and accomplishments during the period from January 1 to December 31, 2018. When applicable, the indicators are shown with a historical reference to the previous four years to enable a comparison of the results between different periods. Throughout the report, we present correlations between actions promoted by Algar Telecom and the global sustainable development goals established by the Sustainable Development Goals. The relationship between the initiatives and the SDGs is indicated with the logo of the goal met, the details of the initiative and the presentation of objective evidence.

The financial information included is based on the IFRS (International Financial Reporting Standards), and has been audited by E&Y. The social and environmental performance indicators were calculated and confirmed internally and have not been subject to external verification.

The report is available on Algar Telecom's website. We encourage readers to send us suggestions, criticisms and comments on the content and format of the report. For more information about this publication, please contact the Company's Investor Relations department:

ri@algartelecom.com.br
(34) 3256-2978
Rua José Alves Garcia, 415 – Bairro Brasil – Uberlândia- MG (headquarter of Algar Telecom)

How did we select the topics for the report?

GRI 102-46, 103-1, 102-48, 102-49, 102-40, 102-42, 102-43, 102-44

The topics covered in this report were selected from a materiality matrix based on a survey of our strategic stakeholders, held in 2016. At the time, we researched the most important items about the company published in the media (newspapers, websites, blogs, forums and social networks) and compared the reports of other companies (in the sector, selecting those that are benchmarks in sustainability reports).

From a list of 25 topics, and arranged discussion forums and quantitative surveys of employees, customers, suppliers, creditors and entities representing the community, which are the parties with the closest relationship to the company and which, therefore, are aware of the issues that have the most impact on our business and on our relationship with society and with the environment. Internally, we performed the same evaluation with the Company's senior management.

This analysis enabled us to select the six topics considered to be of most significance for Algar Telecom in the eyes of its stakeholders – *see the graphic representation below in the relevance matrix.*

Materiality matrix

GRI 102-47

To interpret the matrix, observe that there are three different colors, which represent three categories of topic: social (blue icon), environmental (green) and economic (orange). On the horizontal axis you can see the rating of topics in the assessment of senior management, while the vertical axis shows the views of the other stakeholders we consulted. As the matrix shows, social issues predominated.

The figures with icons beside them refer to the topics listed in the survey. The quadrants on the right contain the six most important topics in the view of the Company and its strategic stakeholders, and so these are the ones given priority for inclusion in the report.

ECONOMIC TOPICS	**1. Economic performance** 2. Market presence 3. Indirect economic impacts 4. Procurement practices
ENVIRONMENTAL TOPICS	5. Use of materials and recycling **6. Energy consumption** 7. Management of and impact on biodiversity 8. Greenhouse gas (GHG) emissions 9. Electronic waste 10. Environmental impact of use of products and packaging
SOCIAL TOPICS	**11. Compliance with laws and regulations** 12. Management of labor relations 13. Combating child labor 14. Training and education 15. Complaint mechanisms related to impact on society 16. Communications and marketing **17. Compliance with laws and regulations on products and services** 18. Occupational health and safety **19. Customer privacy** 20. Assessment of labor practices of suppliers 21. Management of customer health and safety 22. Protection of children and adolescents 23. Access to telecommunication products and services 24. Non-discrimination **25. Anti-corruption**

	General disclosures		Page/Answer
	Organizational profile		
General Disclosures	102-1	Name of the organization	Corporate profile
	102-2	Activities, brands, products, and services	Corporate profile
	102-3	Location of headquarter	About the report
	102-4	Location of operations	Corporate profile; Operating Segments
	102-5	Ownership and legal form	Corporate profile; Governance Structure
	102-6	Markets served	Corporate profile; Operating Segments
	102-7	Scale of the organization	Main Indicators for 2018; Profile of the employees; Supplement to GRI indicators
	102-8	Information on employees and other workers	Profile of the employees; Supplement to GRI indicators
	102-9	Supply chain	Relationship with suppliers
	102-10	Significant changes to the organization and its supply chain	Message from the Management; Corporate profile; Relationship with suppliers
	102-11	Precautionary Principle or approach	Compliance and risk management

	General disclosures		Page/Answer
	Organizational profile		
General Disclosures	102-12	External initiatives	Governance Structure; Policies, regiments and codes; Social and Environmental Commitment, Global Compact and SDG
	102-13	Membership of associations	Sustainability; Governance Structure
	Strategy		
	102-14	Statement from senior decision-maker	Message from the Management
	Ethics and integrity		
	102-16	Values, principles, standards, and norms of behavior	Purpose and Vision, Mission and Values; Governance Structure; Compliance and risk management
	Governance		
	102-18	Governance structure	Governance Structure
	Stakeholder engagement		
	102-40	List of stakeholder groups	How did we select the topics for the report?
	102-42	Identifying and selecting stakeholders	How did we select the topics for the report?
	102-43	Approach to stakeholder engagement	How did we select the topics for the report?
	102-44	Key topics and concerns raised	How did we select the topics for the report?

	General disclosures		Page/Answer
	Reporting practices		
General disclosures	102-45	Entities included in the consolidated financial statements	About the report
	102-46	Defining report content and topic Boundaries	How did we select the topics for the report?
	102-47	List of material topics	Materiality matrix
	102-48	Restatements of information	How did we select the topics for the report?
	102-49	Changes in reporting	How did we select the topics for the report?
	102-50	Reporting period	About the report
	102-51	Date of most recent report	About the report
	102-52	Reporting cycle	About the report
	102-53	Contact point for questions regarding the report	About the report
	102-54	Claims of reporting in accordance with the GRI Standards	About the report
	102-55	GRI content index	GRI Index
	102-56	External assurance	About the report

Topics and indicators			
Economic			
Topic: Economic performance			
Management approach	103-1	Explanation of the material topic and its Boundary	Business Performance
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
Economic performance	201-1	Direct economic value generated and distributed	
Environmental			
Topic: Energy			
Management approach	103-1	Explanation of the material topic and its Boundary	Consumption of electricity
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
Energy	302-1	Energy consumption within the organization	
Social			
Topic: Anti-corruption			
Management approach	103-1	Explanation of the material topic and its Boundary	Compliance and risk management
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
Anti-corruption	205-3	Confirmed incidents of corruption and actions taken	

Topic: Customer privacy			
Management approach	103-1	Explanation of the material topic and its Boundary	Relationship with customers
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
Customer privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	
Topic: Compliance			
Management approach	103-1	Explanation of the material topic and its Boundary	Purpose and Vision, Mission and Values; Governance Structure
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	

Supplement to GRI indicators

GRI 102-7, 102-8, 405-1

PERFIL DOS ASSOCIADOS

Number of employees by functional level	2016		2017		2018		Δ 2017/2018	
	Men	Women	Men	Women	Men	Women	Men	Women
Executives	100	29	93	30	101	30	9%	0%
Non-executives	8,516	7,470	8,557	6,966	8,759	7,243	2%	4%
Total by gender	8,616	7,499	8,650	6,996	8,860	7,273	2%	4%
Total	16,115		15,646		16,133		3%	

Number of employees by type of contract	2016		2017		2018		Δ 2017/2018	
	Men	Women	Men	Women	Men	Women	Men	Women
Definite period	39	25	19	11	85	87	347%	691%
Indefinite period	8,332	7,791	8,631	6,985	8,775	7,186	2%	3%
Total by gender	8,371	7,816	8,650	6,996	8,860	7,273	2%	4%
Total	16,187		15,646		16,133		3%	

Number of employees by type of employment	2016		2017		2018		Δ 2017/2018	
	Men	Women	Men	Women	Men	Women	Men	Women
Full-time	7,000	2,625	6,613	2,331	6,714	2,583	2%	11%
Part-time	1,616	4,874	2,037	4,665	2,146	4,690	5%	1%
Total by gender	8,616	7,499	8,650	6,996	8,860	7,273	2%	4%
Total	16,115		15,646		16,133		3%	

Number of employees per region	2016		2017		2018		Δ 2017/2018	
	Men	Women	Men	Women	Men	Women	Men	Women
Southern Region	240	39	322	177	431	246	34%	39%
Southeastern Region	7,249	7,313	6,999	6,605	6,863	6,717	(2%)	2%
Center-West Region	485	78	501	82	557	106	11%	29%
Northeastern Region	348	11	443	14	624	39	41%	179%
Northern Region	78	1	74	2	45	1	(39%)	(50%)
Argentina	97	13	122	15	118	20	(3%)	33%
Chile	5	2	0	0	0	0	-	-
Colombia	99	34	104	39	115	42	11%	8%
Mexico	15	8	85	62	107	102	26%	65%
Total by gender	8,616	7,499	8,650	6,996	8,860	7,273	2%	4%
Total	16,115		15,646		16,133		3%	

Total employees by age group	2016		2017		2018		Δ 2017/2018	
	Men	Women	Men	Women	Men	Women	Men	Women
Under 30	3,889	4,305	3,805	4,075	3,891	4,179	2%	3%
Between 30 and 50 years.	4,398	2,989	4,437	2,718	4,409	2,792	(1%)	3%
Over 50 years	329	205	408	203	560	302	37%	49%
Total by gender	8,616	7,499	8,650	6,996	8,860	7,273	2%	4%
Total	16,115		15,646		16,133		3%	

Turnover by gender	2016				2017				2018			
	Admission	Dismissal	Contracting Rate	Turnover Rate	Admission	Dismissal	Contracting Rate	Turnover Rate	Admission	Dismissal	Contracting Rate	Turnover Rate
Man	3,458	3,216	21%	21%	3,106	2,992	20%	19%	5,364	6,664	33%	37%
Woman	2,976	3,290	18%	19%	3,075	3,218	19%	20%	5,502	6,292	34%	37%
Total	6,434	6,506	40%	40%	6,181	6,210	39%	40%	10,866	12,956	67%	74%

Turnover by age group	2016				2017				2018			
	Admission	Dismissal	Contracting Rate	Turnover Rate	Admission	Dismissal	Contracting Rate	Turnover Rate	Admission	Dismissal	Contracting Rate	Turnover Rate
Under 30	4,201	3,813	26%	25%	4,346	3,938	28%	26%	7,694	7,888	48%	48%
Between 30 and 50 years.	2,074	2,479	13%	14%	1,754	2,140	11%	12%	2,974	4,736	18%	24%
Over 50 years	159	214	1%	1%	81	132	1%	1%	198	332	1%	2%
Total	6,434	6,506	40%	40%	6,181	6,210	40%	40%	10,866	12,956	67%	74%

Turnover by region	2016				2017				2018			
	Admission	Dismissal	Contracting Rate	Turnover Rate	Admission	Dismissal	Contracting Rate	Turnover Rate	Admission	Dismissal	Contracting Rate	Turnover Rate
Southern Region	75	107	0%	1%	332	115	2%	1%	612	386	4%	3%
South-eastern Region	5,533	5,897	34%	35%	5,140	5,559	33%	34%	8,494	11,116	53%	61%
Center-West Region	327	200	2%	2%	255	242	2%	2%	548	500	3%	3%
North-eastern Region	277	160	2%	1%	185	81	1%	2%	276	216	2%	2%
Northern Region	76	56	0%	0%	34	33	1%	0%	18	14	0%	0%
Argentina	42	54	0%	0%	50	40	0%	0%	66	86	0%	0%
Chile	0	1	0%	0%	0	4	0%	0%	0	0	0%	0%
Colombia	81	31	1%	0%	54	69	0%	0%	232	234	1%	1%
Mexico	23	0	0%	0%	131	67	1%	1%	620	404	4%	3%
Total	6,411	6,506	40%	40%	6,181	6,210	40%	40%	10,966	12,956	67%	74%

TRAINING

Functional category		2016			2017			2018		
		Men	Women	2016 Total	Men	Women	2017 Total	Men	Women	2018 Total
Executives	Total Workload	4,833	1,544	6,377	2,087	980	3,066	5,481	2,206	7,687
	Total Employees in the Category	100	28	128	93	30	123	101	30	131
	Hours per employee in the category	48	55	49	22	33	25	54	74	59
Non-executives	Total Workload	306,195	732,833	1,039,028	366,451	468,819	835,270	1,191,731	1,202,546	2,394,277
	Total Employees in the Category	8,461	7,439	15,900	8,557	6,966	15,523	8,759	7,243	16,002
	Hours per employee in the category	36	98	65	43	67	54	136	166	150

Functional category		2016			2017			2018		
		Men	Women	2016 Total	Men	Women	2017 Total	Men	Women	2018 Total
Total	Total Workload	311,028	734,377	1,045,405	368,537	469,799	838,336	1,197,212	1,204,752	2,401,964
	Total number of employees	8,561	7,467	16,028	8,650	6,996	15,646	8,860	7,273	16,133
	Hours per employee	36	98	65	43	67	54	135	166	149

Corporate Information

Algar Telecom S/A
Corporate Taxpayer's ID: 71.208.516/0001-74
Phone: (55 34) 3256-2978
Email: ri@algartelecom.com.br
Website: ri.algartelecom.com.br
Address: Rua José Alves Garcia 415, Bairro Brasil
Uberlândia, Minas Gerais – Brazil, CEP 38400-668

Algar Telecom
www.algartelecom.com.br

Algar Tech
www.algartech.com

Credits

Coordination
Algar Telecom – Investors Relations Board

GRI Writing, Reviewing and Consulting
blendOn

Graphic project and layout
blendOn

Images
Algar's internal bank and Envato