



SocialBalance  
2004



Believing means investing in a better world.

Claro is focused on technological and human development. Perhaps few people remember this, but the company was a prime mover in one of the sale processes that led to the democratization of mobile telephony in Brazil. As well as investing in successful sales strategies and new technologies in the mobile telephony market, Claro has a special calling for fostering ideas, attitudes, and actions to promote the social well-being of its employees and society as a whole.

This publication shows some of the social responsibility initiatives that we are taking to the different regions of Brazil. These projects have a range of different dimensions, but all feature the same characteristics: the promotion of respect for the rights and liberties of the people with emphasis on education, culture, and employment.

See more of the social side of Claro, a company that believes in a fair society for everybody.

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## Message from the President

In recent years, expectations in relation to the role of business in society led to the concept of corporate good citizenship. This was because the managers of major organizations make important decisions everyday that affect not just their own communities, but the world as a whole - both current and future generations.

Sustainable development, hunger and poverty, human rights and environmental degradation are issues that require global approaches articulated and shared by the different social agents - they cannot be viewed from the angle of local public policies alone. The challenge is a huge one, but each of us has a role to play in changing the world. And, although it may seem intimidating, it can also be a source of collective energy.

This is how Claro views its social responsibility. Believing in its power to foster prosperity and raise social standards, transfer technology, create new jobs and make communities part of networks on a global scale for products and services, Claro has been directing its social responsibility initiatives to fulfill the ten principles decided by the UN in the Global Compact. Our purpose is to catalyze social investments and our employees' and trainees' efforts in actions that translate internationally accepted principles. Thus, we ensure our contribution based on universally sustained and endorsed values.

The following pages will show Claro's economic, social and environmental contributions in the fields where it does business. All are interrelated in some way with the Global Compact, which guided our actions in 2004 and will permeate them in 2005 too, from top to bottom. It is on the basis of this expectation that we seek to help build a fairer, inclusive, and equalitarian society.



**Luis Cosío**  
President

# Social balance Statement Ibase model

1. CALCULATION BASE	2004 ('000 BRL)	2003 ('000BRL)
Net revenue (NR)	5,230,000	2,990,000
Operational revenue (OR)	19,300	623,000
Gross payroll (GP)	359,108	258,559

2. INTERNAL SOCIAL INDICATORS	('000 BRL)	% on GP	% on NR	('000 BRL)	% on GP	% on NR
Meals	16,493	4.6%	0.3%	9,273	3.6%	0.3%
Compulsory social security	114,664	31.9%	2.2%	60,733	23.5%	2.0%
Private pensions	3,088	0.9%	0.1%	1,767	0.7%	0.1%
Healthcare	12,274	3.4%	0.2%	7,144	2.8%	0.2%
Occupational safety and health	483	0.1%	0.0%	819	0.3%	0.0%
Education	0	0.0%	0.0%	0	0.0%	0.0%
Culture	0	0.0%	0.0%	0	0.0%	0.0%
Occupational training and development	9,070	2.5%	0.2%	4,258	1.6%	0.1%
Day-care or assistance with care	786	0.2%	0.0%	253	0.1%	0.0%
Profit-sharing I	38,176	10.6%	0.7%	18,248	7.1%	0.6%
Other	14,580	4.1%	0.3%	14,236	5.5%	0.5%
<b>Total – internal social indicators</b>	<b>209,615</b>	<b>58.4%</b>	<b>4.0%</b>	<b>116,732</b>	<b>45.1%</b>	<b>3.9%</b>

3. EXTERNAL SOCIAL INDICATORS	('000 BRL)	% on OR	% on NR	('000 BRL)	% on OR	% on NR
Education	498	2.6%	0.0%	462	0.1%	0.0%
Culture	7,339	38.0%	0.1%	946	0.2%	0.0%
Health and sanitation	240	1.2%	0.0%	0	0.0%	0.0%
Sport	7,096	36.8%	0.1%	768	0.1%	0.0%
Fighting hunger, food security	0	0.0%	0.0%	0	0.0%	0.0%
Other	139	0.7%	0.0%	8	0.0%	0.0%
<b>Total contributions to society</b>	<b>15,312</b>	<b>79.3%</b>	<b>0.3%</b>	<b>2,184</b>	<b>0.4%</b>	<b>0.1%</b>
Taxes (excluding social security)	0	0.0%	0.0%	0	0.0%	0.0%
<b>Total - external social indicators</b>	<b>15,312</b>	<b>79.3%</b>	<b>0.3%</b>	<b>2,184</b>	<b>0.4%</b>	<b>0.1%</b>

4. ENVIRONMENTAL INDICATORS	('000 BRL)	% on OR	% on NR	('000 BRL)	% on OR	% on NR
Investments related to Claro production/operation	0	0.0%	0.0%	0	0.0%	0.0%
Investments in external programs and/or projects	0	0.0%	0.0%	0	0.0%	0.0%
<b>Total investments in environment</b>	<b>0</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0.0%</b>
In relation to setting "annual targets" to minimize waste, consumption in general in production/operation and more efficient use of natural resources, the company:	<input checked="" type="checkbox"/> has no targets <input type="checkbox"/> achieves from 51% a 75%		<input checked="" type="checkbox"/> has no targets <input type="checkbox"/> achieves from 51% a 75%			
	<input type="checkbox"/> achieves from 0% to 50% <input type="checkbox"/> achieves from 76% a 100%		<input type="checkbox"/> achieves from 0% to 50% <input type="checkbox"/> achieves from 76% a 100%			

5. WORKFORCE INDICATORS	2004	2003
Number of employees end of period	11,400	8,437
Number of hires in the period	2,228	1,597
Number of employees outsourced	4,893	2,641
Number of trainees	244	192
Number of employees aged over 45	293	206
Number of women employees	3,423	3,065
% of management positions occupied by women	41.0%	38.0%
Number of black employees	667	N/A
% of management positions occupied by blacks	3.0%	N/A
No. of physically disabled or special needs employees	30	35

6. INFORMATION RELEVANT TO BUSINESS	2004			Targets 2005		
<b>CITIZENSHIP</b>						
Ratios between highest and lowest remuneration	65			N/A		
Total number of workplace accidents	58			49		
The social and environmental projects developed by the company were decided by:	<input type="checkbox"/> management	<input checked="" type="checkbox"/> management and dept heads	<input type="checkbox"/> all employees	<input type="checkbox"/> management	<input checked="" type="checkbox"/> management and dept heads	<input type="checkbox"/> all employees
Workplace health and safety standards were decided by:	<input checked="" type="checkbox"/> management and depts	<input type="checkbox"/> all employees	<input type="checkbox"/> all + internal safety commission	<input checked="" type="checkbox"/> management and depts	<input type="checkbox"/> all employees	<input type="checkbox"/> all + internal safety commission
Trade union freedom, collective bargaining rights and internal representation of workers, the company:	<input type="checkbox"/> does not get involved	<input type="checkbox"/> follows ILO	<input checked="" type="checkbox"/> follows and encourages ILO	<input type="checkbox"/> does not get involved	<input type="checkbox"/> follows ILO	<input checked="" type="checkbox"/> follows and encourages ILO
Private pensions cover:	<input type="checkbox"/> management	<input type="checkbox"/> management and dept heads	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> management	<input type="checkbox"/> management and dept heads	<input checked="" type="checkbox"/> all employees
Profit sharing covers:	<input type="checkbox"/> management	<input type="checkbox"/> management and dept heads	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> management	<input type="checkbox"/> management and dept heads	<input checked="" type="checkbox"/> all employees
When selecting suppliers, the same standards of ethics and environmental responsibility followed by the company	<input type="checkbox"/> not considered	<input type="checkbox"/> suggested	<input checked="" type="checkbox"/> required	<input type="checkbox"/> not considered	<input type="checkbox"/> suggested	<input checked="" type="checkbox"/> required
Employee participation in voluntary work programs - the company:	<input type="checkbox"/> does not get involved	<input type="checkbox"/> supports	<input checked="" type="checkbox"/> organizes and encourages	<input type="checkbox"/> does not get involved	<input type="checkbox"/> supports	<input checked="" type="checkbox"/> organizes and encourages
Total number consumer complaints and criticisms	in company 1,320,810	Procon N/A	in courts N/A	in company 10%*	Procon N/A	in courts N/A
% of complaints and criticisms solved	in company 100%	Procon N/A	in courts N/A	in company 100%	Procon N/A	in courts N/A
<b>Total added value to distribute ('000 BRL)</b>	<b>2004 N/A</b>			<b>2003 N/A</b>		
Distribution of added value (DAV)	—% government	—% collaborators		—% government	—% collaborators	
	—% shareholders	—% others	—% retained	—% shareholders	—% others	—% retained



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# Global Compact

Launched in 1999 by the General Secretary of the United Nations (UN), Koffe Annan, the Global Compact aims to mobilize the international business community to foster fundamental values in the area of human rights, labor relations, the environment and ethics.

The Global Compact upholds ten universal principles, derived from the Universal Declaration of Human Rights, the Declaration of International Labor Organization on Fundamental Principles and Rights at Work, the Rio Declaration on the Environment and Development and the United Nations Convention Against Corruption:

## Human Rights Principles

- Respect and protect human rights;
- Impede violations of human rights;

## Principles of Right to Work

- Support freedom of association in the workplace;
- Abolish forced labor;
- Abolish child labor;
- Eliminate discrimination in the workplace;

## Environmental Protection principles

- Support preventive approach to environmental issues;
- Foster environmental responsibility;
- Encourage technologies that do not attack the environment;

## Anti-corruption principles

- Combat corruption in all its forms, including extortion and bribery.







## Vision

Be the mobile telephony brand of choice for innovation, transparency, quality and closeness to customers.

## Mission

Claro provides high quality mobile communication services locally with a globally integrated network. The company is solid and trustworthy, easy to do business with and consistently produces high earnings for its shareholders.

## Values

- › Customer focus
- › Competent and enterprising teams and people
- › Ethics, integrity, and transparency
- › Technology solutions directed to customer's needs
- › Social and environmental responsibility
- › Valorization of partners and suppliers
- › High earnings with competitive costs



# The company

## History

Claro resulted from the merging of the carriers ATL, Tess, Americel, Claro Digital, BCP São Paulo, BCP Nordeste and new licenses acquired by the group.

The company is controlled by the Mexican group América Móvil, Latin America's largest mobile telephony carrier. América Móvil began to acquire holdings in Brazilian companies in the sector in 2000. The consolidation of the holdings and integration of the carriers was conducted through the Telecom Americas subsidiary. At an auction in 2002, it acquired licenses to operate in the São Paulo metropolitan region and in the states of Sergipe, Bahia, Paraná and Santa Catarina. In May 2003, it took over BSE S.A. (BCP Nordeste). In August 2003, it announced the consolidation of all the operations into one identity - the Claro brand. BCP SP was incorporated to the group in December 2003. In September 2004, Claro announced its acquisition of a license to operate in the state of Minas Gerais.

Claro ended 2004 covering an area with 136 million inhabitants and had a presence in 20 states (AC, AL, BA, CE, ES, GO, MG, MS, PB, PE, PI, PR, RJ, RN, RO, RS, SC, SE, SP and TO) and in the Federal district.

## Shareholder

América Móvil is the main Claro shareholder. It is mobile telephony market leader in Latin America with its base in Mexico. It has 61.1 million mobile telephony customers in Mexico, Argentina, Uruguay, Ecuador, Colombia, Honduras, Nicaragua, Guatemala, El Salvador, the United States, and Brazil. In Nicaragua, Guatemala and El Salvador, América Móvil also has 1.9 million<sup>(1)</sup> conventional telephony customers.

(1) América Móvil report (4Q04).

## Technology and Coverage

Claro uses GSM and TDMA technologies. GSM technology (Global System for Mobile Communications) is in use in over 200 countries and has more than 1 billion customers worldwide. TDMA technology offers 100% digital coverage in all states in Brazil.

The carrier tripled its GSM network in the course of 2004, offering competitive coverage in all areas in which it is active. In less than two years, Claro's GSM coverage outstripped TDMA technology. Besides investing in enlarging and improving its network, Claro introduced mobile telephony to localities lacking this kind of service. The carrier ended the year 2004 with coverage in more than 1,520 cities throughout Brazil, equivalent to 90% of the urban population of the regions served by the company.

## Customer profile

Claro serves both business and individuals, and has plans and services for all customer profiles. Claro has corporate customers in all its license regions, including large, medium, and small companies and government organizations.

## Services

Claro has post-pay and pre-pay services, but also offers the following innovations:

### **EDGE**

EDGE technology launched by Claro in the first half of 2004, guarantees customers data transmission to a speed four times the currently available rate, up to 236 Kbps. The connection is comparable to broadband Internet access and enables users to watch TV news or movies on a mobile. The entire Claro GSM network is compatible with EDGE technology, which is a step toward 3G systems, and its implementation is being phased in. The states of São Paulo, Rio de Janeiro, Rio Grande do Sul, Paraná and Santa Catarina were the first to use the technology.

### **Differentiated services**

'Claro Ideas' is an innovative concept for mobile telephony services focused especially on young people. The initiative includes services, interactivity, relationship, exclusive content, media, and events for Claro customers in TDMA and GSM technologies. Claro maintains several partnerships to offer new contents to customers, such as the services Hits, Polyphonic Hits, MP3 Hits, Games downloads, Wallpapers, Screen Protectors and Video Download.



### **Corporate services**

For the corporate segment, there is Claro Direct, using the technology Push to Talk over Cellular (PoC) to allow users to communicate at the touch of a button - making easier and quicker data sharing for groups too. The service complemented Claro's offer for the corporate segment and targets companies wishing to streamline work and raise productivity of teams and employees in the field in many different areas such as sales, marketing, logistics, security, and maintenance.



## Dialogue with stakeholders

Claro uses several instruments for dialogue with its customers, such as direct mail, invoice inserts, telemarketing, text messages, and call center services.

To understand the behavior of the customer and the market, Claro conducts surveys to monitor the company's image and customer satisfaction.





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## The market

Mobile telephony is now one of the main means of communication for Brazilians. Anatel numbers have confirmed this trend on counting 66 million users in December 2004. In 2003, subscriber number reached 46 million.

Mobile telephony has also seen substantial expansion in its coverage. The number of cities covered in 2004 rose almost 10% over previous years.

As part of this scenario, the market offers innumerable added value services that are increasingly widespread due to the GPRS/EDGE technology offered by Claro, which boosts transmission for innovative services it has launched.

Source: Anatel and Atlas Teletime.



# Claro and the Global Compact

## Claro and Human Rights

Human rights influence Claro from its relations with its employees and trainees to its social investment in society.

### In the company

As part of its internal commitment to the Global Compact, Claro promotes corporate policies and strategies that support the practice of human rights.

Claro focuses attention on these rights by requiring all managers to sign the company's Code of Ethics and Conduct and make sure their teams are well aware of its contents. The content of this code aims to minimize subjectivity in relation to personal interpretations of moral and ethical principles.

The content of Claro's Ethics and Conduct Code will be detailed in all topics relating to the Global Compact. However, considering the fundamental values of human rights, note that Claro, through this code, ensures a workplace environment that features confidence and transparency in the conduct of the businesses of the company and assumes ethical commitments with: employees and service providers, the community in general, customers, partners and shareholders and suppliers of products and services.

Claro's Ethics and Conduct Code is published on its Corporate Intranet, where there is also a talkback tool for employees to register their opinions and clarify any issues. In addition to this, Claro conducts an annual Organizational Climate survey. The results are used by senior management when preparing annual planning and for constantly reviewing and updating - the company's management model.

The health and well-being of its employees and trainees is also a constant concern for Claro. In 2004, the following initiatives were taken in this respect:

- › **Healthcare Campaign – Carnival (February)**

Massive publicity featuring advice on STDs (Sexually Transmitted Diseases), proper eating for carnival activities, care with excessive exposure to sunlight, drinking and driving etc.

- › **International Woman's Day (March)**

Holding woman's week with awareness campaign on breast feeding, PMT, breast cancer, uterus, sexuality, and contraceptive methods.

- › **World Health Day, Fight Against Cancer and National Day of Prevention and Combat High Blood Pressure (April)**

Interactive campaigns on subjects such as obesity, sedentary lifestyle, diabetes, techniques for relaxation, respiratory diseases, and allergies.

- › **World Non-Smoking Day (May)**

Campaign against smoking, with Fagestrom tests and lung capacity measurement.

› **Health Profile (June)**

Campaign on typical winter illnesses and their prevention.

› **Combating Stress (July)**

Alternative therapies – news and demonstrations: techniques of relaxation, meditation, yoga, reiki, shiatsu, GPR etc.

› **National Anti-Cholesterol Day and National Non-Smoking Day (August)**

Measuring glucose and cholesterol and informative campaign on the importance of balanced eating for a healthy life.

› **Voice campaign (September)**

Speech and hearing therapists visit the company to provide guidance on caring for the voice and hearing.

› **World Food Day and National Oral Health Day (October)**

Campaign with information on oral health.

› **World and National Diabetes Day and National Fight Cancer Day (November)**

Talks and distribution of informative material on diabetes and prevention of cancer.

› **World Aids Day (December)**

Obligatory institutional campaign on prevention, treatment, and awareness of Aids. Lectures with representatives of leading non-governmental organizations.





## In Society

Respect for the Universal Declaration of Human Rights is taken into account when deciding social investments at Claro.

The company's external social indicators:

EXTERNAL SOCIAL INDICATORS	2004 ('000 BRL)	2003 ('000 BRL)
Education	498	462
Culture	7,339	946
Health and sanitation	240	0
Sport	7,096	768
Fighting hunger, food security	0	0
Other	139	8
<b>Total contributions to society</b>	<b>15,312</b>	<b>2,184</b>



There follow descriptions of some projects aimed at promoting respect for these rights and freedoms through education, culture and employment.

### **Instituto Bola Pra Frente**

Located in Guadeloupe, a low-income community in the north of Rio de Janeiro, the Institute uses the attraction of sport and the image of famous athletes to reach more than 600 children and young people, and provide them with conditions for a better future.

Initiative of Bebeto and Jorginho (who played in the four World-Cup winner teams), the institute offers several sports (soccer, indoor soccer, karate and volleyball), school support, preparation for the job market, computer classes, lectures and cultural activities, plus assistance from specialists in fields such as psychology and social services. Along with Jorginho and Bebeto, the team includes Ciça, Brazil's world karate champion.

To attend the institute, the child or young person must show regular school attendance, which is checked by follow-up in partnership with schools in the region. This enables the institute to ensure all-day education and fulfill its mission of "taking the child off the streets and the streets off the child".





### Mangueira - the community tomorrow

Claro supports this project aimed at helping young people in the Mangueira neighborhood (of Rio de Janeiro) to develop artistic talents through courses training them to make carnival costumes, decorated floats, percussion studies, so that in the future these young people can be hired by the Samba School itself or go into the labor market.

### *Mangueira, teu Cenário é uma Beleza (Mangueira, what a beautiful place)*

This project runs courses for Cultural Tourist Guides so that young people from the community can help Brazilian and foreign tourists visiting Mangueira (in Rio de Janeiro), which also receives financial support from Claro. The guides trained by the project tell visitors the story of the carnival club (or "school"), its characters and achievements.

### Pedrinho do Cavaco

In 2004, Claro sponsored musical education for Pedro do Vale Bernardo, aka Pedrinho do Cavaco. Pedrinho, a talented young musician of great promise, has tuition for piano, cavaquinho, song, and musical theory classes as well as speech-hearing therapy. The sponsorship will be maintained in 2005.

### Voluntary work

Business volunteer work is an almost intuitive commitment for Claro, given its growing ability and interest in developing socially responsible policies and practices.

Therefore, Claro officially launched its Voluntary Work center in 2004. The program was developed to encourage the donation of time and talent of employees and trainees without prejudicing their work.

Considering that a caring approach and citizenship are values that complement and reinforce one another, Claro has launched two work fronts for the program: campaigns collecting donations and voluntary actions in the community.



### Collecting Donations

Claro promotes campaigns to collect donations every two months. The donations are made by employees and trainees at Claro offices and stores throughout Brazil.

Everything collected is donated to local charity institutions. Employees and trainees are constantly encouraged to make recommendations for institutions to help, since Claro realizes that this is the best way to guarantee the suitability of the establishments and increase commitment and participation.

Some 15 campaigns were held in 2004, benefiting 51 institutions in more than 12 cities. These campaigns collected the following amounts:

Food	10,483,93	kg
	240,10	liters
	232	baskets of chocolate
Clothing and blankets	3,348	units
School / computer materials	2,431	items
Domestic and personal care items	1,260	items
Books and videos	809	items
Toys	512	items

Note that Claro invites its business partners and suppliers to join its campaigns for collecting donations. The contribution of these companies to the results of the campaigns is always very significant, proving the powerful effect of disseminating good social practices in business.

In Rio de Janeiro, Claro supported Mc Happy Day and promoted sales of the campaign's products in its offices. There were also a series of donations of mobile phones and gifts to institutions and public-sector schools in the local communities.

In 2004, Claro officially became a volunteer with the National Cancer Institute (Inca), in Rio de Janeiro, and donated 5 chairs for chemotherapy at the HC3 hospital, which specializes in breast cancer. For its close relations and partnership with the hospital, Claro was honored by Inca as Outstanding Volunteer in 2004. In Porto Alegre, Claro also helped pay for repairs to the chapel of the Santa Casa Hospital Complex which in 2003 boasted a record of two centuries in healthcare as an - organization attuned to latest developments in medicine.

### Voluntary actions in the community

Claro organizes monthly half day voluntary actions in the community to involve employees and trainees. The main aim of this project is to promote and encourage the experience of voluntary work for collaborators of Claro.



In 2004, Claro organized innumerable actions in the community, such as:

- › **Reading for the Visually Impaired (Rio de Janeiro)**  
Volunteers rehearsed and dramatized a reading of a play to children with visual impairments at Instituto Benjamin Constant.
- › **Warm Clothing Campaign (Porto Alegre)**  
Volunteers distributed clothing, coats and blankets that they had collected internally at a shelter home.
- › **Citizen Tournament (Recife)**  
Employee tournament for collection and donation of clothes, foods, and personal care items.
- › **Hansen disease (Rio de Janeiro)**  
Volunteers were actively engaged in a campaign for awareness and combating Hansen disease among the community of Belford Roxo. The campaign was organized by Morhan (Movement for Reintegration of People Affected by Hansen's disease).
- › **Solidarity Olympics (Ceará)**  
Competition among employees and trainees - collection and donation of food.
- › **Dream home (Porto Alegre)**  
Volunteers went into the community to distribute Easter hampers to children in social risk situations.
- › **Solidarity Soccer (Rio de Janeiro)**  
Tournament for Claro employees and trainees held annually on the fields of Instituto Bola Pra Frente. In addition to the soccer championship, the participants compete to collect hundreds of kilos of cookies and chocolate snack products for children or teenagers involved in the project. Over 20 teams took part in 2004, thus ensuring integration between employees and the institute.
- › **Children's Day (Campinas and Porto Alegre)**  
Volunteers donated toys and organized recreational activities with children in needy communities.
- › **Oral Health (Porto Alegre)**  
Volunteers together with dentists gave lectures to parents and students at a day care to emphasize the importance of oral health.
- › **Christmas Party (Rio de Janeiro)**  
Volunteers organized recreational activity with HIV positive children involved in the project ConvHIVendo at Gafree Guinle teaching hospital.
- › **Christmas without Hunger (Porto Alegre, Brasilia and Porto Velho)**  
Volunteers collected and distributed basic hampers in needy communities in these cities.

Claro believes that business voluntary work is a strategic route that brings gains for the company, the community, and employees. On the social side, this allows us to ameliorate problems that really affect the community, resulting in improvements in quality of life and helping to build a healthier society. In the business ambit, volunteer programs in business help develop personal and organizational skills and promote loyalty and satisfaction with work and help attract and retain well qualified employees.

## Claro and employment

The four Global Compact principles regarding labor relations are based on the Declaration of Fundamental Principles and Rights at Work, of the International Labor Organization (ILO).

### In the company

Claro complies with all labor and pension legislation in Brazil, as well as the resolutions of the International Labor Organization (ILO) ratified by the Brazilian government.

In relation to trade union freedom, collective bargaining rights and internal representation of employees, the company also encourages and follows ILO decisions.

In addition to the legal requirements, Claro offers employees a wide range of benefits. Below we provide data on Claro's total payroll and its main internal social indicators:

PAYROLL	2004 ('000 BRL)	2003 ('000 BRL)
Gross payroll (GP)	359,108	258,559

  

INTERNAL SOCIAL INDICATORS	2004 ('000 BRL)	2003 ('000 BRL)
Food - Meals	16,493	9,273
Compulsory social security	114,664	60,733
Private pensions	3,088	1,767
Healthcare	12,274	7,144
Occupational safety and health	483	819
Education	0	0
Culture	0	0
Occupational training and development	9,070	4,258
Day-care or assistance with care	786	253
Profit sharing	38,176	18,248
Other	14,580	14,236
<b>Total - internal social Indicators</b>	<b>209,615</b>	<b>116,732</b>

Through its Ethics and Conduct Code, Claro provides equal opportunities for all qualified persons without any kind of discrimination by race, color, religion, nationality, gender, or social status. Employment opportunities include recruitment and hiring, conditions and perks, compensation, benefits, training, evaluation, promotion, and sideways movements. Claro views as unethical, illegal, and wrong from all aspects, prejudice, harassment, or embarrassment of colleagues or peers to obtain advantages of any kind.

As part of its code, Claro promises to require relations among its employees, regardless of the position or role they hold or fill, to be relations of mutual respect and honesty between colleagues and to maintain a good organizational climate. Claro also views as unethical the habit of employing relatives in conditions that denote partiality and possible conflict of interests.

WORKFORCE INDICATORS	2004	2003
Number of employees end of period	11,400	8,437
Number of hires in the period	2,228	1,597
Number of employees outsourced	4,893	2,641
Number of trainees	244	192
Number of employees aged over 45	293	206
Number of women employees	3,423	3,065
% of management positions occupied by women	41.0%	38.0%
Number of black employees	667	N/A
% of management positions occupied by blacks	3.0%	N/A
No. of physically disabled or special needs employees	30	35

**N/A** number not determined in period.



#### › **Physically Disabled Persons**

Access to employment for physically disabled persons is guaranteed by international and Brazilian legislation. In Brazil, quotas of vacancies for physically disabled persons were set by Law no. 8213 of July 24, 1991. However, the lack of vacancies for these persons is a serious social and cultural problem in Brazil. As the main cause, we would emphasize lack of access to formal education, since special education professionals have precarious training, and this must be improved in several aspects, while the appropriate educational and technological resources are still not available to public sector schools.

Furthermore, the lack of development projects for professionals in this specific field of education also places them at a disadvantage in the competition for jobs and enormously complicates the task for companies in recruiting properly qualified professionals.

A key Social Responsibility commitment is to intervene in this scenario. For this reason, Claro, in partnership with the Ministry of Labor and the Labor Prosecutor, has created a training program for professionals specifically for the disabled. In 2004, Claro trained 96 professionals. For its work on this project, Claro received the TOP HR award from the Human Resources association APRH Campinas.

## In Society

Official statistics from IBGE show that Brazil has more than 26 million teenagers aged 10-17. This represents approximately 16% of the population. These young people are coming onto the labor market that is not exactly encouraging at this point in time.

The problem of high unemployment among young people is part of a vicious circle that involves large numbers, low grade education or low -quality teaching and fewer job opportunities.

This situation makes it hard for many to get a first job due to the lack of experience and they cannot get experience due to the lack of jobs.

Facilitating entry of young people in the world of work, as a means of transforming their personal and social reality, is one of the great challenges of our time. But it is not just about creating jobs. It involves training teenagers for an occupation without affecting their studies and contributing to their development as persons.

In addition to the rights all human beings should enjoy, children and teenagers have special rights. Therefore, any occupational development program involving minors must be implemented and managed responsibly and in accordance with the Children and Teenagers Statute (ECA).

On the basis of this philosophy, Claro developed its occupational training programs for young Brazilian talents:

### › Scouts

In partnership with the Circle of Friends of Younger Scouts (Camp), Claro hires 15-18 year-olds in Rio de Janeiro and Campinas to work as trainees in the different departments of the company. The program includes school attendance, support courses for school work, lectures, cultural events, and guidance on entering the labor market.

In 2004, 85 young people gained qualifications for their professional and social lives. Of them, 53 were active in the program in December 2004. Of the 32 that came of age 17 were hired as Claro employees and 6 by Claro business partners resulting in a success rate of 72%.

### › Minor Trainees

Under the Trainee Law (Law No. 10.097 of 19 December 2000), this program gives 14 -17 year-olds - who must be attending elementary or secondary schools - an opportunity to take technical or occupational courses while reconciling this with the social challenge of studying and acquiring occupational skills. Theoretical education for young people is provided through the institution Sistema S. Depending on the course and the state in which the teenagers take part in the program, they will also study theory alternating with practice in the company.

In 2004, 43 young people took part in the program. Of these, 30 were still active in the program in December 2004. Of the 13 that completed the program, 3 have already been hired by Claro business partners, resulting in an employment rate of 23%.

› **Young attendant**

Claro offers young people taking part in the Scouts and Minor Trainee programs an opportunity of getting their first job with the company itself. After going through a selection process involving speech-hearing examination, tests of Portuguese / Mathematics and an interview, they are hired as Young Attendants for Customer Service or at Claro stores to start their careers with Claro.

› **Talent Bank**

Whenever possible, Claro seeks to offer good opportunities for the young people that do well in the occupational training programs. However, Claro trains more young people in these programs than it has opportunities available in the company itself.

This situation gave rise to the Talent Bank. Through this database, résumés are directed to vacancies with Claro business partners. Claro increasingly seeks the adhesion of new business partners to forward resumes of young talents, thus building our network of relations and providing more young people with their first job.

Claro's business partners have been very cooperative and the young people given these opportunities have performed very well and earned praise for Claro's social programs.



## Claro and the environment

There is now widespread awareness of our responsibility as individuals to protect and work for conservation of the environment, assuming commitment with this generation and future generations too.

Through its Ethics and Conduct Code, Claro, promises to maintain concern for conservation of the environment, as well as correct treatment of environmental issues, as stated in its business philosophy. Therefore the company ensures compliance with the legislation in all its actions and operations.

Furthermore, in 2004 we conducted a survey that found that more than 90% of the waste discarded by Claro consisted of recyclable material, and 70% of it was paper. Recycling paper reduces pollutants in the air and water, and uses less electricity than the process of obtaining paper from pulp and wood, as well as reducing the need to fell trees.

Therefore, in 2004 Claro increased the number of states where it ran programs for recycling paper. Currently, Rio de Janeiro, São Paulo, Campinas, Recife and Porto Alegre recycle their waste.

Claro's Recycle Program seeks to create more awareness among employees and trainees on waste and recycling materials. The program is entirely based on the 3Rs for conscious consumers: Reduce, Reuse, and Recycle.

Since environmental issues are inseparable from social issues, Claro has adopted the strategy of selling recyclable waste and donating the proceeds to social projects. Examples are shown below:

### › Rio de Janeiro

The project chosen was Tecendo Rede for HIV positive children, run by NGO ConvHIVendo, at Gafree Guinle teaching hospital. The project offers free craftwork courses as a chance to have a healthy occupation and provide options for employment and income for HIV patients and their relatives.

### › Campinas

The project chosen was Esperança e Vida [Hope and Life], an NGO founded 12 years ago to provide free support in the fields of medicine, psychological and professional assistance for HIV positive adults in the local community.

### › São Paulo

Proceeds from recycling are donated to support children with cancer at Casa Maria Helena.

### › Recife

Support for a group called GAC (Help Needy Children with Cancer) which provides assistance for the Pediatric Oncology Center at the Oswaldo Cruz teaching hospital.

## Claro and ethics

Ethics, in simple terms, may be understood as honesty in human conduct.

Claro, like any other company, is comprised essentially of its human talents. Therefore, it is their standard of conduct that will determine its positioning as an ethical company.

Claro's Ethics and Conduct Code states that its employees must work to maintain ethics in interpersonal relations, in business, in relations with society and with the environment.

It also states that Claro will excel in its compliance with legislation in all its operations, and will not consent to illegality in any circumstances, since it formally determines that there will be no means of approving any operation that contradicts legal provisions.



All Claro business records must be compiled accurately, therefore:

- › Company policy is to register all costs and charges in accordance with accepted accounting principles;
- › All records and accounts must be detailed and must clearly and precisely reflect transactions and the disposition of the Company's assets;
- › All funds or assets should be clearly declared and no other fund or asset may be maintained by the Company or its personnel for illegal purposes;
- › No payment or gift may be received in the name of the Company, for any other purpose than the one described in the supporting documents and registrations maintained by the Company.

Also in relation to payments, the Company absolutely bans the use of company funds for irregular payments of any nature, to any person or organization, for obtaining advantage in business or influencing decisions. This prohibition formally precludes:

- › any payments to local or foreign authorities or employees of government agencies that are not legally required;
- › granting any kind of advantage type or dividing fees with persons that represent customers or suppliers of the Company or public agencies.

In political relations, Claro determines that its employees have the right to support the political party or candidate of their personal choice or to participate individually in any lawful political activities since this is a personal decision.

However, the Company as an organization must always remain equidistant from political parties and simply encourage democracy and free enterprise. Therefore, no contribution to political parties or movements or political committees or to candidates or occupants of elected public positions on behalf of the Company is allowed.

In short, Claro expects all its employees to show irreproachable conduct based on honesty in work and in their personal relationships, and views the use of insider information for personal benefit as unethical. Claro views as transgressions against the Ethics and Conduct Code any action contrary to the Law, practiced by any of its associates, during working hours or otherwise.

## Institutions benefited

Abrigo Cristo Redentor	Escola de Cadetes de Campinas
Ação da Cidadania	Escola E. C. Maria de Nazar
Apala (Associação de Pais e Amigos de Leucêmicos de Alagoas)	Escola Municipal Valdir Azevedo Franco
Arca (Amor e Respeito à Criança e ao Adolescente)	Fundação Bem-te-vi
Asilo de Idosos Vila Vicentina	GAC (Grupo de Ajuda à Criança Carente com Câncer)
Asilo Nossa Senhora do Carmo	Hospital Universitário Gafree Guinle
Asilo São Vicente de Paula	Inca (Instituto Nacional do Câncer)
Associação Aliança dos Cegos	Instituto Bola Pra Frente
Associação Beneficente O Pequeno Nazareno	Invest
Associação Projeto Roda Viva	Lar Assistência Vicentina Frederico Ozanan
Associação Servos da Restauração	Lar da Criança
Banco Rio de Alimentos	Lar da Criança Feliz
Casa Assistencial Maria Helena Paulina	Lar da Criança Padre Frank Nilmar
Casa da Criança de Sosas	Lar de Maria
Casa da Criança Dr. João de Moura	Lar Fabiano de Cristo
Casa do Abrigo de Hortolândia	OAF (Organização de Auxílio Fraternal do Recife)
Casa Lar Santa Catarina – Fundac RN	Orfanato Lar Maria de Lourdes
Casa Ronald McDonald	Pastoral da Criança
Centro Corsini	Posto de Assistência Chico Xavier
Centro de Recuperação Manaim	Pousada Interiorana Cristã
Centro Educacional Cantinho da Natureza	Pró Criança Cardíaca
Ceparh (Centro de Pesquisa e Assistência em Reprodução Humana)	Recanto da Criança
Cipó – Comunidade Interativa	Refazer
ConvHIVivendo	Ressurgir Escola de Família
Creche Comunitária Vila Esperança	Sociedade Pobres Servos da Divina Providência
	Spectaculu – Escola Fábrica de Espetáculos

## Caring business partners

Aldeia	Montara
Alphapagers	Moretz
Apoio	Naju
BGT	Nova Ate
BIT 2000	Ocitel
Business Iguazu	Packvalle
Búzios Propaganda	Ponto Certo
Celular & Cis	Primus
Celular e Celular	Qualitynet
Clarity	Recorseg
Claro Service	Rede IP
Consultcom	Riclau
Contato Brasil	S&M
Corp Rio	Sigma & Quantum
Digite Serviços	SL Tecnologia
Elos Vantel	Soluções Claro
Estrela Digital	Star Nit
FJM	Take Sell
FRF	Technocell
Galwer	Three Quality
Giro Soluções	Topcom
Husby	TPNET
IEN	Unicel
KGTEL	V Pinheiro (Blue Life)
Lanport	V&E (CID SHOP)
LDG RIO	Valor Agregado
Lidexx	Viacell
Logical Systems	Vision Rio
Lotus	VTS
Macrotel	WW Rocha
Mobilink	

**Overall coordination**

TH & Q Social Responsibility - Claro

**Photos**

Claro archives

**Graphic Design**

Gad'Design

**Print run**

1,500

Published in 2005



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get more.

