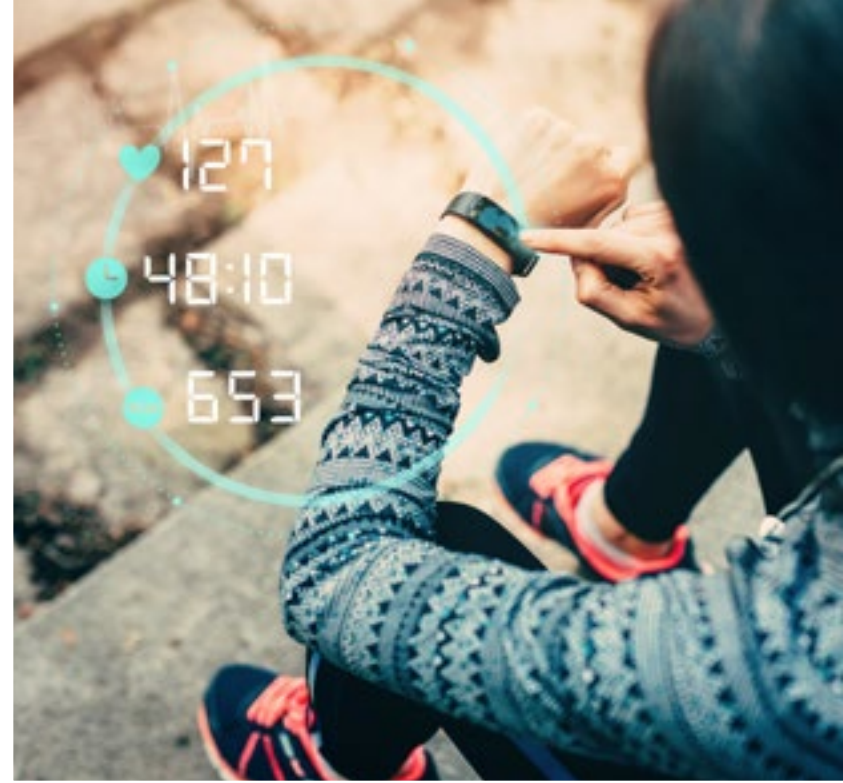


# Sustainability Report

Read the Report

Telefonica | vivo

# 2018



# Summary

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# 01

## Introdução

**In this chapter you will find:**

- Leadership Message
- 2018 Highlights
- About this Report



# Leadership Message

GRI 102-14



At Telefônica, we believe that people give meaning to technology and not vice versa. For this reason, our mission is to make the world more human, connecting people's lives.

Throughout this Sustainability Report, we seek to demonstrate how this connection promoted by our company, aligned to a Responsible Business Plan, positively impacts customers, employees, the environment and creates value for society.

To ensure a more inclusive digitalization process, it is necessary bring connection to as many people as possible and that is at the heart of our business. In Brazil, we ended 2018 with 3.100 cities with 4G technology coverage, in addition to a thousand cities with the 4.5G technology, featuring even greater data transmission capacity. As for fixed phone services, we took our fiber network to 30 new Brazilian cities. By far, the largest expansion in fiber in Latin America. By 2019, there will be more than 20 new municipalities.

By reducing distances and simplifying processes, the digitalization promoted by Vivo reduces the environmental impact of the company. In 2018, our products prevented 120.900 tCO<sub>2</sub>e from being emitted by our customers. This amount is higher than the volume we emit in our operation, demonstrating how we generate value for the environment. To amplify this positive impact, we announced the purchase of Renewable Energy Certificates (RECs), ensuring that 100% of the energy we use is from renewable sources in 2019.

In 2018, we also launched the Manifesto for a new Digital Pact and invited the government, companies and society to define together the directions of the digitalization regarding topics such as privacy, artificial intelligence, transparency, digital inclusion and education. We also act to ensure our customers greater data protection and have been recognized by InternetLabs and the Electronic Frontier Foundation as the company that best informs users about how their data is treated.

We want to make Vivo a reference in customer experience. In the last year, we launched DNA Vivo, with features that make us a reliable, easy, charming and efficient brand, reinforcing our culture of excellence in service. With the launch of Aura, our artificial intelligence to interact with the customer, we now offer a

distinct, customized and digital service. The result of these and other initiatives allowed us to achieve a Customer Satisfaction Index (CSI) of 7.68, the highest in our history.



We are an open, inclusive company, aligned with digital values. This is reflected in shared work spaces, in the option to work remotely and in the development of agile teams, which value the individuality and talents of each employee.

We value a performance that internally recognizes their talents, that does not discriminate by social class, gender, race or physical condition and that is able to translate the diversity and representativeness within the company. That is why in 2018 we launched the Manifesto for Diversity, Vivo's commitment to best practices in favor of equality and respect for differences, while also adhering to the main movements that promote the theme in Brazil.

# Leadership Message

In 2019, we will maintain our strategy guided by #RECONNECTA, a global strategic program focused on the company growth, that will guide our actions in the upcoming years. A new way of portraying what we already do, and what we believe to be Vivo's future. #RECONNECTA brings a formula that seeks growth, through the relevance that a company has in the market, side by side to its customers; a company presents revenue grows and brings returns, while remaining socially responsible. To do so, team motivation is essential and multiply the growth of our company in a sustainable way, while it will make us personally grow.

Our socio-environmental commitment is registered in the adhesion to the Global Compact and continues to be strengthened, with new challenges. In 2019, 20% of the variable compensation of our executives is tied to Telefônica's sustainability objectives. Our quality, reputation, diversity and reduction of emissions goals are the drivers that will allow Telefônica, with the Vivo brand, to be the most sustainable technology company in the Country.

## **Christian Mauad Gebara**

CEO of Telefônica Brasil S.A.



# 2018 Highlights



Expansion of the 4G network, reaching **3,100 cities**, and fiber optic, reaching **121**.



Consumer Satisfaction Index of **7.68**, the highest in our history.



Launch of **Aura, our artificial intelligence** for interaction with customers.



Implementation of the **DNA Vivo Program**, which seeks to standardize the way we relate to customers, aiming at excellence in service.



Publication of the **Digital Manifesto**, to promote the debate for a new digital pact.



Launch of the **Vivo Diversity Program**, to strengthen an inclusive culture and increase the Company's representativeness.



**73% increase** in the consumption of renewable energy in the operation.



**982.91 tons** of customers' fixed and mobile telephone equipment, collected and recycled or reused by the Company.

## Key indicators for socio-environmental impact

Indicator	2016	2017	2018
<b>Profile</b>			
Total Customers (million)	97.1	97.8	95.2
Net revenue (in R\$ million)	42,508	43,207	43,463
Ebitda (in R\$ million)	14,022	14,486	17,825
Net income (in R\$ million)	4,082	4,609	8,928
<b>Digitalization of Society</b>			
Impact on the Brazilian GDP	0.87%	3.62%	1.07%
Impact on job creation in the country	0.48%	0.32%	0.63%
Cities covered by 4G	516	2,600	3,100
Cities covered by fiber optics	71	87	121
People benefited by Fundação Telefônica Vivo (millions)	0.9	1.2	1.8
<b>Promise to the Customer</b>			
CSI Index (Customer Satisfaction Index)	7.27	7.67	7.68
Meu Vivo app unique users	8.9	13.5	13.7
<b>Our talents</b>			
Total employees	-	33,622	32,638
Hiring rate	-	23%	19.6%
Turnover rate	-	22%	21.1%
% das women no total de employees	-	43%	42%
% of women as directive managers	-	18%	19%
Average hours of training per employee	-	53.25	35.53
Accident rate	0.48	0.44	0.53



## Key indicators for socio-environmental impact

Indicator	2016	2017	2018
<b>Responsible Partnerships</b>			
Total number of Suppliers (thousands)	2.1	1.6	1.3
% local Suppliers	98.1%	97.6%	97.77%
Suppliers contracts evaluated in Environmental Management System (EMS)	0	199	198
Privacy and information security audits	52	57	64
Allies audited in Sustainability	19	21	21
<b>Environmental responsibility</b>			
Emission of Greenhouse Gases per traffic (tCO <sub>2</sub> e/Pb)	16.6	13.4	7.1
Energy consumption in operations (million GJ)	5.6	6.5	6.6
% of renewable energy	25%	26%	44%
Energy Consumption per Traffic (GJ/Pb)	523.3	400.5	300.0
Total recycled waste (tons)	9,197.53	9,241.5	8,482.0
Total waste sent to landfill (tons)	143.0	352.1	298.7
Total waste sent for reuse (tons)	607.3	460.0	539.9
Water consumption (thousands of m3)	1,120.7	1,099.7	1,226.3
Sheets of paper saved with digital contracts (million)	13.6	28.8	56.0
% of devices sold with the Eco Rating label	36.8%	71.5%	72.9%

# About this Report

GRI 102-50 / 102-53 / 102-56

Welcome to Telefônica Brasil's Sustainability Report 2018. This document aims to present in a clear and transparent way how our activity has created value for our various stakeholders, society and the environment in the last year.

The information reported covers all Telefônica Brasil businesses, commercially represented by the Vivo brand, between January 1 and December 31, 2018.



For the 15th consecutive year, the construction of our report follows the guidelines of the Global Reporting Initiative (GRI), a voluntary standard adopted by thousands of companies around the world for the reporting of this type of information. We also adopted the Integrated Reporting methodology, structured by the International Integrated Reporting Council (IIRC).

Throughout the document, we seek to demonstrate how our business relates to and can generate impacts on the 17 SDGs (Sustainable Development Goals) proposed by the UN (United Nations) to engage governments and companies for sustainable development. To better understand the relationship between our activities and SDGs, we use icons throughout the chapters to demonstrate which objectives are most impacted by the initiatives described.

## CONTACT

To submit any questions, suggestions or comments on the Sustainability Report, please contact us at [sustentabilidade.br@telefonica.com](mailto:sustentabilidade.br@telefonica.com).

The information in this Report has been verified externally by an independent company, according to the letter presented on page 110.

## Material topics

GRI 102-40 / 102-42 / 102-43 / 102-44 / 102-46 / 102-47 / 102-49

In order to define the scope of this report, we conducted a structured process to understand in which issues our Company has the greatest potential to create negative and positive impacts for our internal and external stakeholders. These topics also guide our strategic management, generating indicators and targets that we followed throughout the year.

The process began in the second half of 2018, when the Responsible Business area identified which audiences have the most potential to impact and be impacted by our business.

## Publics with high impact for Telefônica Brasil



Service Providers and Suppliers



Customers



Business partners



Executives



Market Peers



Investors and shareholders



Government



Financial institutions



Employees



Press and media



In 2018, we chose some of these priority audiences to engage, in search of the topics that they consider most relevant in their relationship with the Company. We listened to the opinions of the Employees, Service Providers and Suppliers in face-to-face workshops, where they were able to discuss and qualitatively evaluate each topic.

Customers were heard through an online survey conducted at eight Vivo stores, where we provided an electronic questionnaire where they could rank the aspects of our management that most impacted them. We consulted, in all, 1,173 customer in the process.

To capture the opinion of Investors and Shareholders, we conducted a survey on documents aimed at this public, addressing sustainability in the telecommunications market. In the case of Market Peers, we benchmarked the Material Topics published in their Sustainability Reports.

In addition, the Telefónica Group carried out an online survey with Brazilian and international sustainability specialists, the result of which we also used in our priority issues survey.

Finally, we compiled the results of all these surveys and compared them with the priority topics for our Executives and our sustainability strategy. To get to these topics, we analyzed the Responsible Business Plan (learn more on page 24) and a survey carried out by the Telefónica Group, based on its Stakeholder Panel. (find out more in the box next).



## STAKEHOLDER PANEL








The Telefónica Group has been consulting its global stakeholders since 2016, through the Stakeholder Panel. The panel brings together key stakeholders and experts to discuss issues relevant to the Company's sustainability and key industry trends.

The consultations are online and held every six months, covering customers, sectoral and multi-sectoral associations, NGOs, suppliers, investors, governments and researchers distributed in the different markets in which the Telefónica Group operates, including Brazil. In 2018, two rounds of online consultation were held.

The information gathered was used as a basis for our process of defining the Company's Material Topics.

From this intersection, we have reached the 16 aspects that most impact our capacity to generate value in the long term, organized in 7 material topics.



Material Topic		Relevant aspect
	<b>Environment</b>	Climate Change
		Energy Consumption
		Waste Management
	<b>Promise to the Customer</b>	Customer Experience
		Responsible Marketing
	<b>Ethics</b>	Anti-Corruption and Ethics
	<b>Talent Management</b>	Health and safety at Work
		Employees' attraction and Retention
		Diversity
		Training
	<b>Digital Trust</b>	Cybersecurity
		Privacy
	<b>Sustainability in the Supply Chain</b>	Sustainability in the Supply Chain
		Fighting forced and child labor
	<b>Contribution to Progress</b>	Sustainable Innovation
		Digitalization of Society



The full description of each material topic and its boundaries can be found on the page 96.

Following the GRI guidelines, under the Core option, we use the material topics as the basis for choosing and reporting a series of indicators, which can be identified throughout the document by the “GRI” abbreviation. The full list of indicators can be found in the GRI Index (page 98).

**Have a nice reading!**

# 02

## Telefônica Brasil

In this chapter you will find:

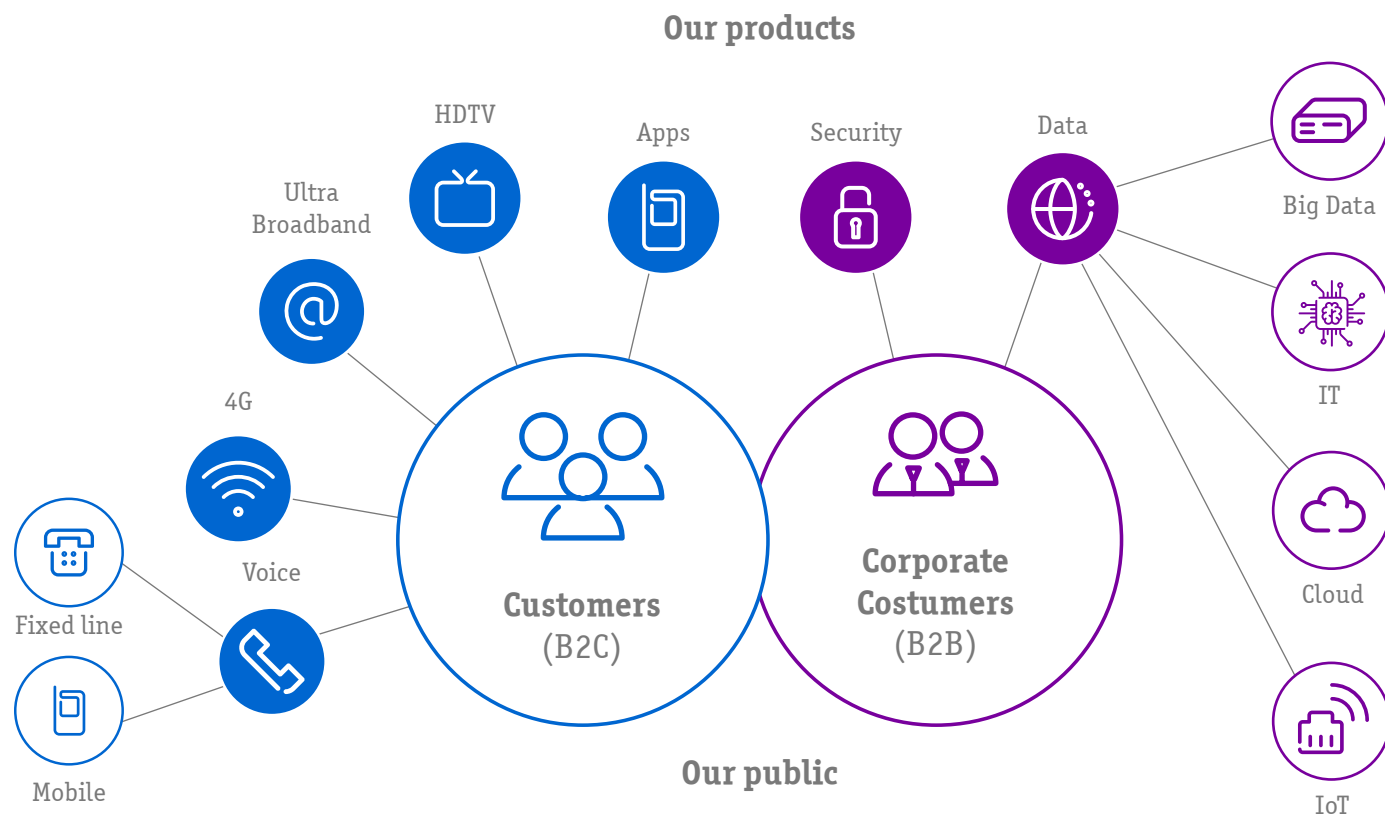
- About Telefônica Brasil
- Business Model
- Sector Context



# About Telefônica Brasil

GRI 102-1 / 102-2 / 102-3 / 102-4 / 102-6 / 102-7 / 102-16

We are Telefônica Brasil S.A., is the largest telecoms company in Brazil. We operate throughout the country, offering a portfolio of products and services that connect approximately 95.2 million customers in 4,600 cities.



We are based in the city of São Paulo, with a network infrastructure that runs in all the states of the country, taking 4G signal to 88% of the Brazilian population and fiber optic to 121 cities. Therefore, we contribute to Brazil's digitalization, taking the possibilities of connected life to an increasing number of people.

We are commercially recognized by the Vivo brand, the most remembered by consumers as a mobile operator and broadband internet, according to the 2018 Top of Mind Award.



Our Company integrates the Telefónica Group, one of the largest telecom conglomerates in the world, with operations in 16 countries besides Brazil: Spain, United Kingdom, Germany, Argentina, Chile, Mexico, Venezuela, Ecuador, Costa Rica, Guatemala, Peru, Colombia, El Salvador, Nicaragua and Panama.

### Telefônica Brasil in figures

95.2 million customers

4.600 cities covered by our mobile network

32,638 employees

R\$ 43.5 billion in net revenue

Recurring EBITDA of R\$ 17.8 billion

Net Income of R\$ 8.9 billion

### OUR VISION

Digital life is life itself, and technology is an essential part of being human.

We want to create, protect and boost connections in life so people can choose a world of unlimited possibilities.

We want to be an DIGITAL TELCO, a telco for the people, a telco for your life.

### OUR VALUES

These values define us and are the driving force behind everything we do. They express how we are and how we want to be. They give form to our attitude:

#### INTEGRITY

Our integrity implies acting in accordance with non-negotiable ethical standards.

#### COMMITMENT

The relationship we maintain with our stakeholders is based on a commitment to always act responsibly and to fulfill what was promised.

#### TRANSPARENCY

We are committed to provide clear and accessible information about our strategy and our activities to our customers, suppliers, employees, shareholders and society, and they are able to contact us with doubts or questions at any time.

# Business model

Our ability to generate value for our stakeholders, society and the environment is in the very nature of our business model and our operating strategy. By bringing quality connection to people and businesses across the country, we generate new opportunities in their lives and their endeavors, connecting them to a world of new experiences and possibilities.

In 2018, our 4G network reached 3,100 cities, 19% more than in the previous year (see more on page 31), allowing new schools, hospitals, city halls, companies and households from the most distant regions of the country to take advantage of the new possibilities of digital life. In this sense, we collaborate for the development of their communities and serve as a vector for Brazil digitalization. According to a PwC study, our business helped to bring 14.3 billion euros to the Brazilian economy, indirectly contributing with 580.5 thousand jobs (page 30).

As part of our desire to be a digital Telco, we have undertaken a number of initiatives to make our internal processes increasingly digital and efficient (learn more on page 45). We develop solutions for artificial intelligence, big data, cloud, cybersecurity, apps and other digital services aimed at improving our customer experience (page 42). With that in mind, we develop products that contribute to increase the efficiency of Brazilian companies while reducing their environmental impact optimizing their energy expenditure.

As a responsible company, we always strive to amplify the positive effects of digitalization, mitigating the negatives ones. For that we have the Dialogando platform (page 55) and we launched the Digital Manifesto (page 51), actions that seek to bring up discussions about the opportunities and risks of the technologies, besides supporting the business to understand our role in this new digital environment.

Based on this new reality, in 2018, we launched the groundbreaking Tem Hora para Tudo campaign, which encourages people to reflect on the best use of technology and to be consciously connected. We want to convey the message that every connection, whether technological or not, has its time and should be lived entirely.



---

In order to promote the country's digitalization, we count on the work of 32,600 employees. In our business, we also seek to generate value for this public through the benefits and training offered for their career development. In 2018, we started the Diversity Program, which has a series of initiatives to increase the diversity of gender, race, people with disabilities and LGBT at various levels of the Company. We believe that by having diverse points of view and life stories within Telefônica, we assist with innovation and enhance our results.

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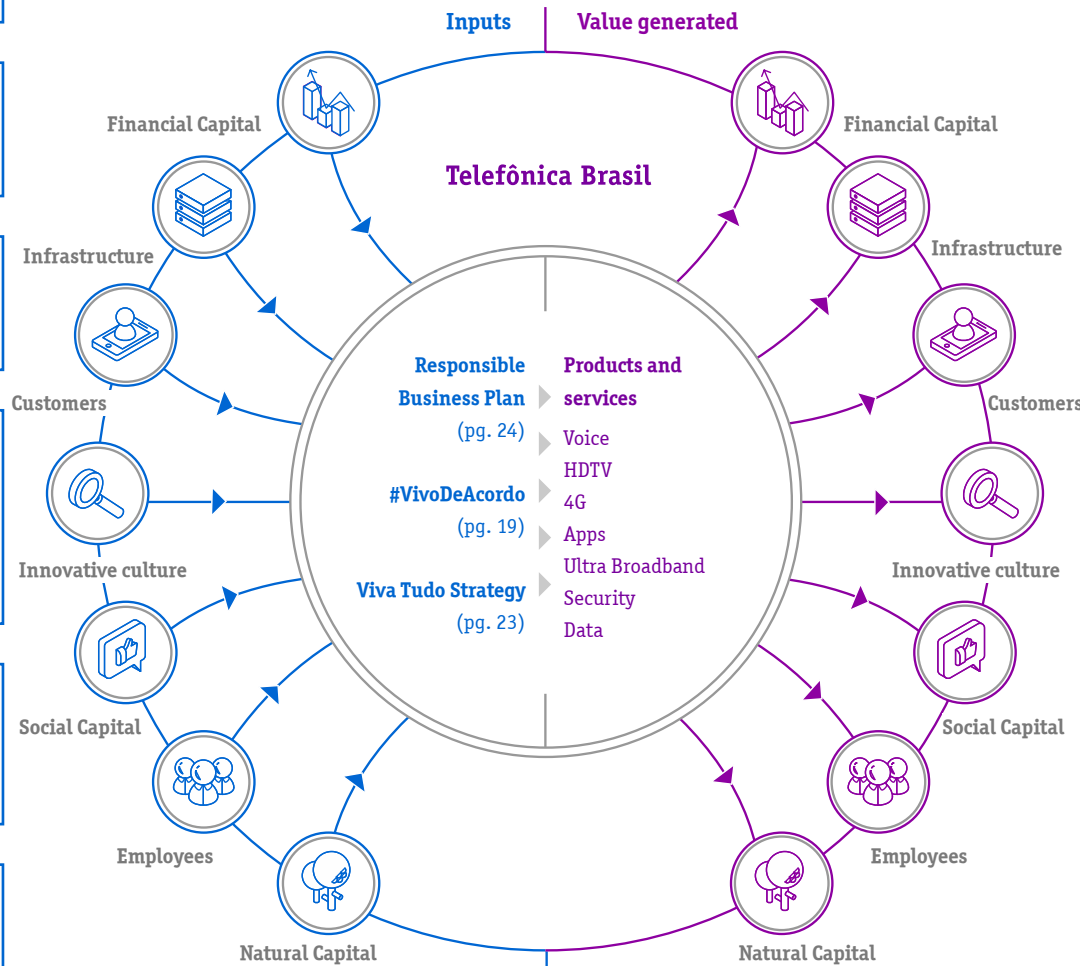
We also count with the partnership of 1,301 suppliers, essential for the maintenance of our business. We understand that we have the responsibility to take our best practices throughout our chain, stimulating minimum standards of social and environmental performance for these companies while contributing to their sustainability.

We aim to accomplish all this work without harming the environment and, therefore, we are committed to go beyond compliance with environmental legislation, establishing impact reduction goals. In 2018, we purchased renewable energy from the free market and started to buy Renewable Energy Certificates, achieving a 44% consumption of this type of energy in our operation. Starting in 2019, we will consume 100% renewable energy. Throughout 2018, we also reduced our CO<sub>2</sub> emissions and the waste generation.

We also continued the Paper Less Project, which uses our scanning tools to reduce internal paper consumption, and we continue to promote Reverse Logistics processes for our customers' electronic waste.

The following chart shows this value generation in detail.

# Value creation



## Financial Capital

- Result of operations.
- Financing with financial institutions.

## Infrastructure

- Network of operations distributed across 4,600 cities.
- 13,500 points of sale across the country.

## Customers

- 95.2 million accesses to our services.
- Digitalized service network, aiming at customer satisfaction.

## Innovative culture

- Research and studies on key industry trends.
- Teams organized in agile methodology, making innovation easy.
- Big data tools to analyze large volumes of data.

## Social Capital

- Reputation of the Vivo brand.
- 1,300 suppliers.
- Recognized performance of the Telefônica Foundation.

## Employees

- 32,600 employees and 122,000 allies.
- Structured people management.

## Natural Capital

- Water and energy to supply operations.
- Mineral consumption and land use for network expansion.
- Use of electromagnetic spectrum for the 4G network.

## Financial Capital — page 90

- Net income of RS 8.9 billion.
- R\$ 7.0 billion distributed to shareholders.

## Infrastructure — page 31

- Expansion of the mobile network to 3,100 cities of the fixed line network to 121 cities.

## Customers — page 36

- Consumer Satisfaction Index of 7.68, a historical record.
- Launch of DNA VIVO.

## Innovative culture — page 35

- Implementation of Telefônica Aura.
- Digital services for B2B (IoT, Cloud, SD1).
- Innovative startups supported by Wayra.
- Participation in digitalization debates.

## Social Capital — page 67

- Contribution to the generation of 14.3 billion euros in GDP.
- Contribution to the generation of 580.5 thousand jobs in the country.
- R\$ 23.5 billion spent on socially responsible suppliers.
- Expansion of access to education through the Telefônica Foundation.
- Inclusive and diverse communication.

## Employees — page 58

- Average of 35.53 hours of training per employee.
- Diversity Program.

## Natural Capital — page 73

- 73% Increase in the consumption of energy from renewable sources.
- 9,320.6 tons of waste produced.
- 982.9 tons in Reverse Logistics of mobile phones and electronic equipment.
- 56.0 million sheets of paper no longer used due to the Paperless Project.

## External Environment



Brazilian Economy



Brazilian Legislation



International Commitments (SDG / Global Compact)

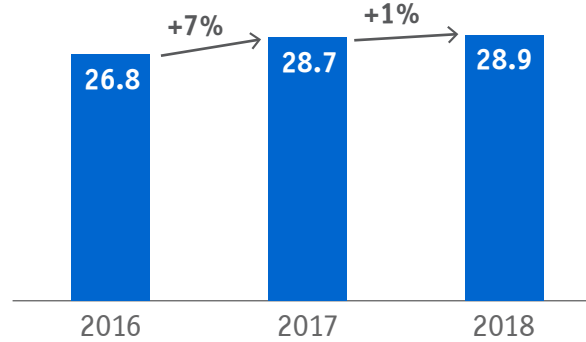
# Sector Context

During 2018, the Brazilian economy continued on its gradual recovery pace, impacted by a series of internal and external challenges. On the international scene, the normalization of monetary policy in developed economies and trade tensions involving the United States and China have made the environment less favorable to emerging economies. In the domestic scenario, the year was marked by two major challenges: the truck drivers' strike, which paralyzed several segments in the second quarter, affecting economic activity, and the political uncertainties generated by the presidential election.

The Brazilian GDP grew 1.1% in 2018, in line with the growth presented in 2017 (1.1%). The inflation measured by the IPCA (Extended National Consumer Price Index) was 3.7%, representing an increase of 0.8 pp compared to the previous year, but still lower than the target set by the government. Within this scenario, the Monetary Policy Committee (Copom) maintained the basic interest rate in the historical low, reducing it from 7.0% at the end of 2017 to 6.5% at the end of 2018. Within this context, the telecom market has managed to slow down the retraction in revenues observed in previous years, focusing on differentiated and innovative products.

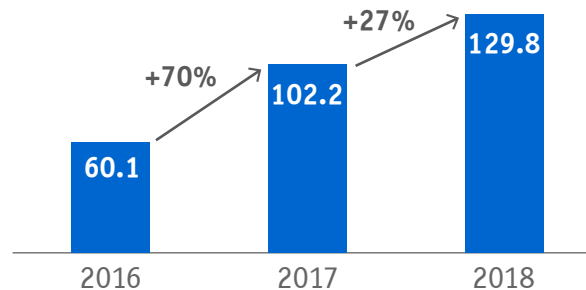
According to data from Anatel (National Telecommunications Agency), fixed line broadband continued its expansion trend in the country, reaching 28.9 million active contracts, an increase of 1.0% over 2017. The highlight was the growth for higher speed access, such as fiber optics.

## Fixed line broadband accesses (million)



Mobile phone services fell by 3.1% in accesses in relation to 2017. This rate was driven by the 12.8% reduction in pre-paid services. Post-paid services, however, registered an increase of 13.3% in the year. Demand for higher speeds and more innovative products also guided the expansion of the 4G service, which grew 27.0 percent year on year.

## 4G accesses (million)



Over the year, cable TV services fell by 2.9%, while fixed line phone service dropped 5.1%.

Given this scenario, our strategy focused on high speed products, both in fixed line broadband and mobile phone services, guaranteed the positive results we recorded in the year (learn more on page 89).

In the regulatory environment, the PLC 79, which addresses the reform of the LGT (General Telecommunications Law), was approved by the Science, Technology, Innovation, Communication and Information Technology Committee from the Brazilian Senate, in November 2018. The aforementioned Committee also approved the urgency request for this matter, following to the Plenary.

In December, however, the bill was forwarded to the Commission to examine a set of 16 amendments proposed by the senators. The delay in approving the project prevents the modernization of the LGT, which was approved in 1997 and is now out of date, due to the evolution of the telecommunications sector in recent years.



# 03

## Governance

**In this chapter you will find:**

- Corporate Governance
- Ethics and Compliance



# Corporate Governance

GRI 102-18

We are a publicly traded company with shares listed on B3 S.A. – Brasil, Bolsa, Balcão (“B3”) and on the New York Stock Exchange (“NYSE”). Our governance directs our operational strategy and application of the Responsible Business Principles in an ethical and transparent way, respecting legal requirements and legislation applicable to our business.

Our corporate governance principles are set forth in our Bylaws and internal rules, aligned with the legal and regulatory requirements of the capital market. Among the goals of these principles, we highlight: (i) maximization of the Company’s value; (ii) transparency in accountability, in reporting relevant information to the market and in relations with stakeholders; (iii) equality in shareholder treatment; and (iv) Company managers providing accountability to shareholders, ensuring the sustainability of the business.

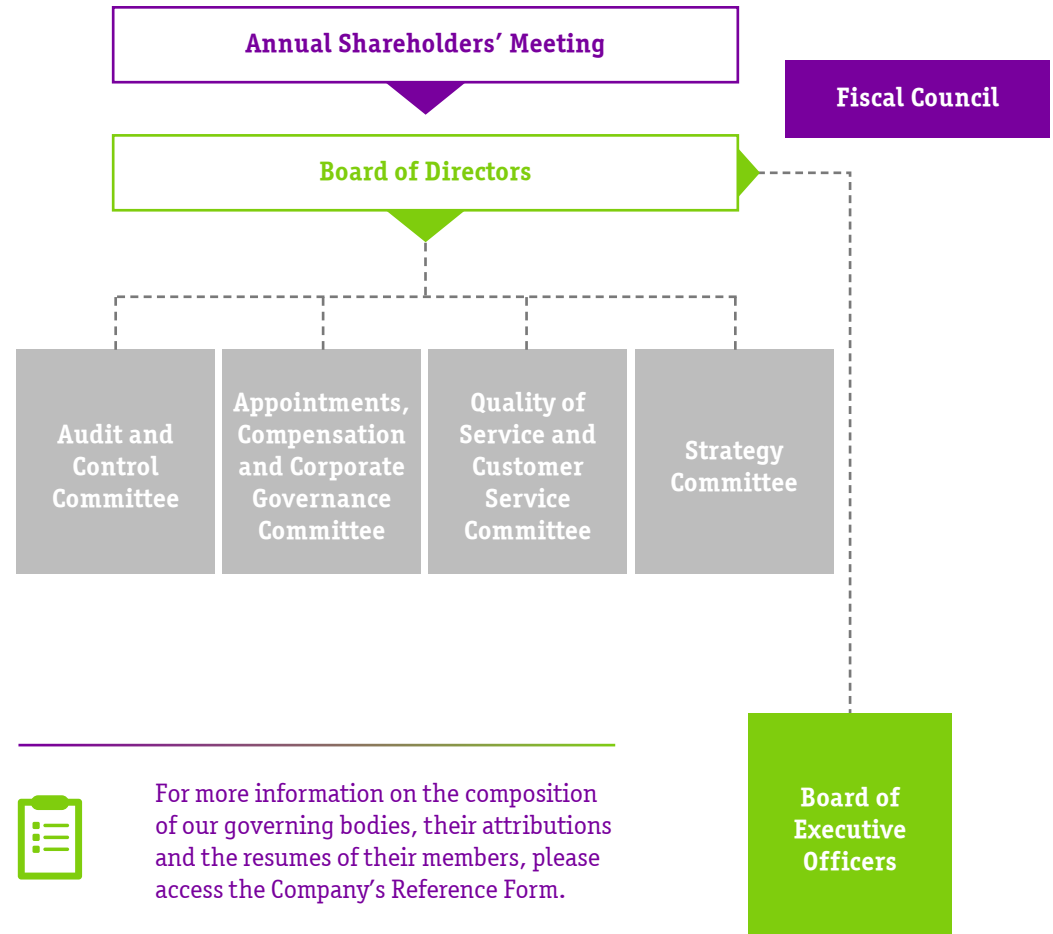
Inspired by these principles, we established measures to make our practices clear and objective. We believe that these advances, recognized by our inclusion for the seventh consecutive year in B3’s Corporate Sustainability Index (ISE), have benefitted current and future investors, as well as the market in general.

Our Board of Directors is comprised of 12 members, elected by the Annual Shareholders’ Meeting for a three-year term of office, re-election permitted. The Board of Directors is assisted by four non-statutory committees.

Our Executive Board is comprised of three members, elected by the Board of Directors for a three-year term of office, re-election permitted.

The Company also has a permanent Fiscal Council, made up of three sitting members and three alternate members, elected at the Annual Shareholders’ Meeting for a one-year term of office, re-election permitted.

## Governance Structure



For more information on the composition of our governing bodies, their attributions and the resumes of their members, please access the Company’s Reference Form.

# Ethics and Compliance

GRI 102-16 / 102-17 / 103-1 / 103-2 / 103-3 / 205-1 / 205-2

The ethical performance of our management and all employees is assured by the Responsible Business Principles – Telefónica Group’s code of ethics. The document is periodically revised and published in English, Portuguese and Spanish to serve all countries in which we operate. Its global guidelines define how we operate, the type of Company we want to be and the way we relate with our stakeholders, in addition to reinforcing our commitment to comply with national and international legislation and the fight against corruption.



The guidelines and values set forth in the Responsible Business Principles are applicable to all employees, executives and directors, regardless of their position in the Company, as well as to the persons or entities that provide goods or services to Telefónica.

The Responsible Business Principles forbid any type of bribery, preventing the promise, offering or donation of benefits or advantages to any person in order to influence decisions or obtain undue advantages for the Company. In line with our Anti-Corruption Policy and the Relationship Policy with Public Entities, our employees should not offer or accept gifts, prizes, invitations or other incentives that may reward or influence a business decision, as well as having clear guidelines for the value limits for offering valuables. All of these documents can be easily accessed through the Company’s unified Policy Portal.



## COMPLAINTS

Any event of non-compliance with our Responsible Business Principles, as well as with any normative rules, policies or current legislation, may be reported to the Company’s official Complaints Channel through the different means available to all employees, such as telephone, e-mail, intranet, letter, fax or in person.

Complaints may be reported anonymously and investigations are conducted carefully and in detail by the Inspection Team, part of the Chief Audit Officer structure. All information received is handled in a safe, confidential and responsible manner.

In 2018, 563 complaints were investigated and closed.

The Compliance area’s main objective is to be a benchmark in regulatory compliance and corporate ethics, generating value for our stakeholders, protecting the Company and its employees, reducing non-compliance with laws and further enriching our culture based on integrity and ethics. Their performance pillars are: prevention, detection and mitigation, acting together with the other areas in the maintenance of business excellence.

Through this initiative we contribute with the SDG:



At Telefónica Brasil, our compliance program is called #VivoDeAcordo, and has the total commitment of senior management, a solid structure responsible for the program’s actions and the continuous analysis and evaluation of business risks. The risks associated with compliance comprise the Company’s risk map, considering the entire operation of Telefónica Brasil and undergo a review and follow-up process every six months for the improvement actions implemented.

The program includes a solid communication plan and regular compliance training for current and new employees, including all of the Company’s directors and senior management. The training process addresses several issues related to compliance, such as the Responsible Business Principles, anti-corruption laws in Brazil (Law 12.846/13) and the United States (Foreign Corrupt Practices Act - FCPA), conflicts of interest, fraud prevention, gifts and entertainment, among others. Responsible Business Principles training accounted for approximately 93% of employees during the year.

In addition, in 2018 we launched the #VivoDeAcordo Multiply! Program which aims to disseminate our compliance culture using the managers as facilitators. In this initiative, they are provided with quick presentations on compliance issues, which must be replicated to their respective teams following the cascading system, including the top management and other employees.

We also created the Discipline Program. The initiative includes the creation of a Disciplinary Action Committee that, respecting the legislation, will ensure compliance with the regulations established by the company, in a homogeneous and not arbitrary manner.



We also made available a consultation channel, called **Fale com o Compliance**, to clear doubts about ethical concerns, conflicts of interest, offering and receiving gifts, hospitality and entertainment, and other clarifications about the **#VivoDeAcordo** program.

Showing our evolution in compliance, we were placed among the 15 best evaluated companies of the first edition of the “The 100 Biggest Companies and the 10 Biggest Banks in Brazil” survey, by the NGO Transparency International. The study took into account three aspects of each of the evaluated companies: adoption of anti-corruption practices, clarity of the organizational structure and transparency in the disclosure of financial information.



The successful experience of the **#VivoDeAcordo** Program resulted, amongst other actions, in the recognition of Telefônica Brasil as one of the most ethical companies in the world “World’s Most Ethical Companies 2019” by the Ethisphere Institute,

a global leader in defining and advancing in ethical business practices standards. The certification confirms our ongoing commitment to always conduct business in an honest, ethical and transparent.

## Sustainable Commitments

GRI 102-12 / 102-13

With the objective of generating more and more value for all our stakeholders, the society and the environment, we support several global and national initiatives aimed at promoting sustainable development. Among them are:



In 2016, we have made a commitment to contributing to the 17 SDGs (Sustainable Development Goals) proposed by the UN to guide national policies and engage companies and organizations all over the world for goals such as eradicating poverty, fighting climate change and preserving natural resources.

These goals are integrated with our business strategy and, throughout the report, we point out how they relate with our Material Topics. In 2017, a study carried out by the Telefônica Group concluded that our main contribution relates to SDG 9 - Industry, Innovation and Infrastructure.



**Telefônica's main contribution**



Since 2010, we have been signatories to the Global Compact, a UN initiative to encourage companies to follow corporate social responsibility and sustainability policies through the adoption of ten principles related to human rights, labor, environment and corruption. The GRI Index (page 95) presents the relation between our initiatives and each of the Global Compact principles.



In 2018, we adhere to the Standards of Business Conduct, a document prepared by the UN Free and Equal movement, aimed at addressing discrimination against lesbians, gays, bisexuals, transvestites, trans and intersex people. Today, more than 100 large companies from around the world are part of the movement.



We also joined the LGBT+ Rights and Companies Forum, which brings together Brazilian companies around 10 commitments related to the promotion of LGBT+ rights.



In September, we announced adherence to the Pact for Inclusion of People with Disabilities, a movement led by the Corporate Network for Social Inclusion, a reference in the promotion and employability of professionals with disabilities. The initiative reinforces the company's commitment to diversity and best practices in favor of equality and respect for differences in the corporate environment.



At the end of the year, we joined the Business Coalition for Racial and Gender Equity, an initiative of the Ethos Institute, the Center for Studies on Labor Relations and Inequalities (CEERT) and the Institute for Human Rights and Business (IHRB), boosting the promotion of diversity and racial and gender equality in the labor market.



Since 2016, we are signatories to the Women's Empowerment Principles, an initiative created by UN Women and the Global Compact, which establishes seven principles that help companies to incorporate values and practices aimed at gender equality.



The Carbon Disclosure Project gathers carbon emission indicators from corporations around the world to encourage a more sustainable economy based on the rational use of energy, from renewable sources. The Telefónica Group is featured in CDP's A list, due its strategy, transparency and actions to fight climate change.



The Brazilian GHG Protocol Program encourages a corporate culture of elaborating and publishing greenhouse gas (GHG) emissions inventories. We have been publishing our inventory annually since 2010 and, for the last six years, we have been recognized with the Gold Seal.

## RE 100

Global initiative that gathers companies committed to achieving 100% renewable energy consumption in their operations. The Telefónica Group has committed to achieving 50% renewable energy by 2020 and 100% by 2030.



## PARTICIPATION IN ORGANIZATIONS

We seek to engage in the discussion of topics relevant to the telecom industry and the country's development through association with organizations such as:

- **SindiTelebrasil** (National Union of Telephone Companies and Mobile and Personal Service)
- **Telebrasil** (Brazilian Telecom Association)
- **ABTA** (Brazilian Pay TV/Telecom Association)
- **Asiet** (Inter-American Association of Telecom Companies)
- **Brasscom** (Brazilian Association of Information Technology and Communication Technology Companies)
- **Aberje** (Brazilian Association of Corporate Communications)
- **IBRAC** (Brazilian Institute of Studies of Competition, Consumption and International Trade)
- **Telcomp** (Brazilian Association of Competitive Telecommunications Services Providers)

# 04

## Strategy

In this chapter you will find:

- Viva Tudo
- Responsible Business Plan
- Risk Management



# Viva Tudo

At Telefônica Brasil, we believe that digital life amplifies and improves real life experiences. Therefore, we seek to be a digital Telco, a telecommunications company capable of providing the necessary connections so that the client makes the most of every moment of his/her life.

With this goal, we defined the Viva Tudo (Experience Everything) strategy, which directs our investments and establishes goals and commitments that were in force during 2018.

The Viva Tudo strategy is represented by a six-sided cube, as follows:

## Our Three Propositions:



Three sides of the cube made up our value proposition, aimed at the customer:

- Excellent Connectivity
- Bundled Packages
- Customer Values and Experience

## Our Three Facilitators:



The other three sides of the cube were tools to promote the Company's transformation and fulfill our value proposition:

- Big Data and Innovation
- End-to-end Digitalization
- Capital Allocation and Simplification



# Responsible Business Plan

In order to boost our value creation and business sustainability, Telefónica Group has developed a performance model that seeks to enhance our positive impacts and reduce our negative impacts on society and the environment.

**This model is based on three commitments, which permeates our entire value chain:**



Based on this performance model, we tactically developed our performance into seven topics identified by the stakeholders in the Global Stakeholder Panel (learn more on page 9).



## RISK MANAGEMENT

We seek to ensure compliance with legislation and regulatory frameworks at international, national and regional levels in order to anticipate trends and changes in regulation that influence our business on environmental issues, the supply chain and taxes.



## RESPONSIBLE PRODUCTION

We strive to improve our service by incorporating sustainability criteria across all processes. In addition to the integrated offer to customers, quality and care, we seek to be more efficient and generate value with a long-term commitment to talent management, energy efficiency and environmental issues, the supply chain and taxes.



## SUSTAINABILITY AS GROWTH LEVER

We value the social and environmental benefits of the products and services we offer to our customers, companies and individuals. We also work so that the digital environment is increasingly open and secure, so that the opportunities of technology are available to everyone, providing the geographic, social and personal accessibility of technology.



To ensure control and progress on each of these topics, we have defined several indicators are monitored in our Responsible Business Plan.

In each country, the Plan is broken down into local plans, which permeate its strategy with the aim of promoting the sustainability of the entire value chain, social development and environmental conservation.

In Brazil, the Plan is aligned with the areas related to each goal and submitted annually to the CEO and the Board of Directors. The monitoring of the indicators is carried out every quarter, with periodic reporting to the Company's executives.

During the year, we set 51 indicators within the seven topics, including 10 company vice presidencies. The achievement in the year was 93.7%, against 93.8% in 2017. The main advances of our management are reported in this Report.



Topic	Goals for 2018	Status	Goals for 2019
<b>Talent and Diversity</b>	Implement Remote Work access for employees	✓	Increase Employee NPS (Net Promoter Score)
	Increase the percentage of women in executive Positions	✗	Increase the presence of women in managerial positions Company's workforce including professionals with disabilities
<b>Environment</b>	Lower absolute GHG emissions by 5% (by 2020)	✓	Reduce Greenhouse Gas Emissions (GHG)
	Carbon Footprint Study	✓	Implement the ISO 50.001 pilot project
	Reach 100% of energy consumption from renewable sources	✓	Maintain ISO 14.001
<b>Promise to the Customer and Digital Trust</b>	Responsible use of technology campaigns visibility	✓	Increase Customer NPS   DNA Vivo
	Local publication of the transparency report	✓	Growth in RepTrak Vivo (Pulse Index)
	Implement the DNA Vivo program, aimed at creating a culture of excellence in all customer contact points	✓	Implement the requirements of the General Law of Protection of Personal Data (LGPD)
<b>Sustainability Management in the Supply Chain</b>	Establish improvement plans for suppliers' non-compliance in audits	✓	Diagnose and audit suppliers to reduce risk to the company (small and medium)
	Train managers in contract management including social and environmental issues	✓	Develop and monitor critical suppliers

Topic	Goals for 2018	Status	Goals for 2019
Sustainable Innovation	Increase the number of customers who use the Digital Account	✓	Raise the number of projects participating in the Sustainable Investment Initiative (IIS)
	Promotion of Sustainable Innovation Workshops to implement a Sustainability culture in accordance with the SDG	✓	Carry out Big Data for Social Good projects with a positive impact on Sustainability (social and environmental)
	Raise the number of employees' innovation projects, with positive impact in Sustainability.	✓	Raising customers' awareness about greenhouse gas emissions (Carbon Footprint Study)
Contribuição ao Progresso	Grow the 4G Mobile Network	✓	Expand 4G+ coverage
	Increase the number of cities covered with FTTH	✓	Expand FTTH coverage
	Increase the number of beneficiaries of the Telefônica Foundation programs	✓	Increase number of people impacted by Telefônica Foundation programs
Ética	Reach 100% of employees who completed the new course on Responsible Business Principles	✗	Train all Employees for the Responsible Business Principles
	Signing of the Anti-Corruption Certificate by 100% of active managers every year	✓	Obtain and maintain Ethisphere certification

## ENGAGING FOR SUSTAINABILITY

Starting in 2019, 20% of our employees' variable compensation will be tied to our sustainability objectives, which include CO<sub>2</sub> emissions targets, diversity, reputation and customer satisfaction. This initiative should reach all employees in leadership positions, entitled to earn bonuses, further engaging our management in sustainability issues and bringing the Responsible Business Plan to the day-to-day business.

# Risk management

GRI 102-11

Risk Management is another key process to ensure our ability to generate value in the long term. Therefore, we rely on a structured model, based on the Corporate Risk Management Policy that is aligned with the Company's global guidelines, and considers the main international standards, such as COSO (Committee of Sponsoring Organizations). As part of the continuous improvement of this model, we will continue to be in line with the new requirements of COSO ERM published in September 2017, "Enterprise Risk Management - Integrating with Strategy and Performance".

As part of our model, we have a risk map that prioritizes them according to their importance, as well as facilitates their management and the reasonable response to them. Based on the references and recognized practices in risk management, we defined four categories of risks:

## Main risks to Telefônica Brasil

 <b>BUSINESS</b>	Possible losses resulting from changes in the business environment, in the competitive and market situation, changes in the regulatory environment or strategic uncertainty.
 <b>OPERATIONAL</b>	Possible losses resulting from events caused by the inadequacy or failures from the network and computer systems, security, customer service, supply chain, human resources, and operational management.
 <b>FINANCIAL</b>	Risks caused by adverse movements in financial variables, the Company's inability to meet its commitments and the loss of assets, as well as commercial and tax credit risks.
 <b>GLOBAL</b>	Risks related to the Telefônica Group, impacting its reputation and sustainability, communication, advertising strategy, brand, sponsorships and innovation capacity.



We believe that everyone within the organization has a responsibility to contribute to risk management. For the coordination of these activities, the Corporate Risk Management Policy establishes the following roles:

- **Supervision of the Risk Management System**  
The Audit and Control Committee of the Board of Directors supervises the risk management system and proposes to the Board of Directors, for its analysis and consideration, the Control and Risk Management Policy. It identifies the categories of risks that the company faces, the definition of acceptable risk level, the measures to mitigate the impact of identified risks and the control and information systems to control and manage the mentioned risks.
- **Responsible for Risks**  
Those responsible for risk actively participate in the strategy and important decisions on their management, developing a mitigation plan while monitoring the risk evolution.
- **Risk Management Role**  
Independent function of the management, within the Internal Audit area, whose objective is to promote, support, coordinate and verify the application of the established in the Risk Policy, also assisting the Audit and Control Committee, in the matters they need.

The risk management process takes as a reference the strategy and objectives of the company to identify the main risks that may affect them. Risks are identified and evaluated by managers to prioritize their follow-up

and specially to determine responses to them, usually through mitigation plans, or strategies to avoid or transfer such risks. Our risk management process has the following steps:

- **Risk Identification**  
The risks are identified by the managers, verifying both the causes and the effects that can affect the objectives. The potential emerging risks that may have an adverse impact on our future performance are also considered. Although its outcome and time horizon is uncertain and difficult to predict, we seek to anticipate the performance in areas of increasing relevance.
- **Risk Assessment**  
The purpose of risk assessment is to provide an order of magnitude or relevance to each one of them, considering both their possible economic or reputational impact and their likelihood of occurrence. For risk assessment, qualitative and quantitative factors are considered, through techniques such as: exposure level, scenarios or sensitivity analysis on certain risks. Likewise, additional factors such as historical trends and future prospects are considered.
- **Risk Response and Supervision**  
The Risk Management Model includes the identification and assessment of risks and the establishment of reasonable response mechanisms and monitoring on them.

# 05

## Digitalization of Society

**In this chapter you will find:**

- Digitalization of the Country
- Connecting the Country
- Infrastructure Management
- Telefônica Vivo Foundation



# Digitalization of the Country

GRI 203-2

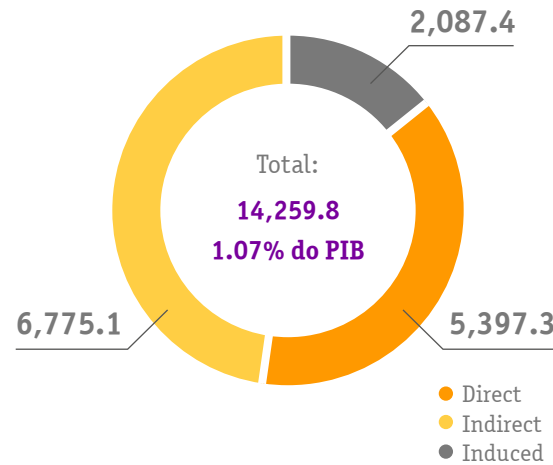
Our business model provides two main ways of generating value for Brazilian society. The first is a result of our Company size, which covers all regions of the country. Through our responsible performance in the communities where we operate, we warm local economies, create jobs in our own operation and in the value chain, and generate revenues that impact the Brazilian economy.

The second form is a direct consequence of the very nature of our business, which is focused on connecting people and companies in Brazil. We have opened a range of new business opportunities and knowledge access for our customers, which generates economic and technological development throughout Brazil. As we are in a country that still has deficiencies in its internet coverage, we fulfill an important social role: inserting new communities in the digital society.

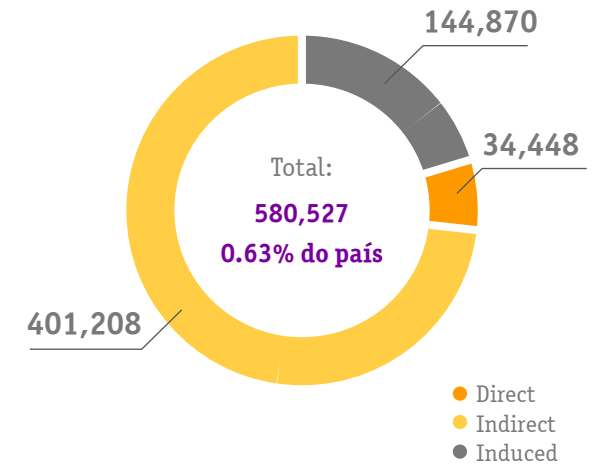
We used a PwC study to quantify our contribution to GDP and the opening of new job vacancies in Brazil. In 2018, the survey showed that for every euro we generate directly, we contributed to the generation of another 1.64 euros in the Brazilian economy. Thus, we contributed as 1.07% of national GDP.

At the same time, we contributed to the opening of 580.5 thousand jobs, representing 0.63% of the country's total.

Impact on GDP (€ million)



Impact on job creation



Through this initiative we contribute with the SDG:



# Connecting the country

GRI 103-1 / 103-2 / 103-3 / 203-1

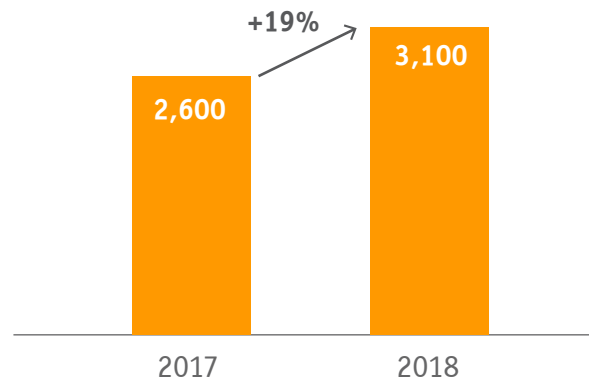
The main resource we have to make digitalization increasingly inclusive is the expansion of the network infrastructure that carries our signal to customers across the country. In 2018, we invested R\$ 6.88 billion in the expansion of our fixed and mobile networks, 1.4% higher than the previous year. Through the installation of new RBSs (radio base stations), popularly known as antennas, we expand the reach of our mobile signal. Currently, our 3G network covers 4,417 municipalities, the widest-reaching network in the country.



During 2018, we focused our efforts on expanding the 4G service, which provides greater capacity for data traffic and more speed, delivering the best customer experience. During the year, our network reached 500 new cities, totaling 3,100 across the country. Therefore, we cover 88% of the Brazilian population with our 4G service.

We also expanded our 4G+ offer (also known as 4.5G, the trade name of the LTE Advanced Pro technology), which anticipates some 5G features, the next generation in mobile signal, such as faster internet, greater data transmission capacity and more stable. In 2018, we added the new frequency of 700 MHz to the product, allowing coverage increase. At the end of the year, the service reached 1,000 cities.

## Cities covered by 4G

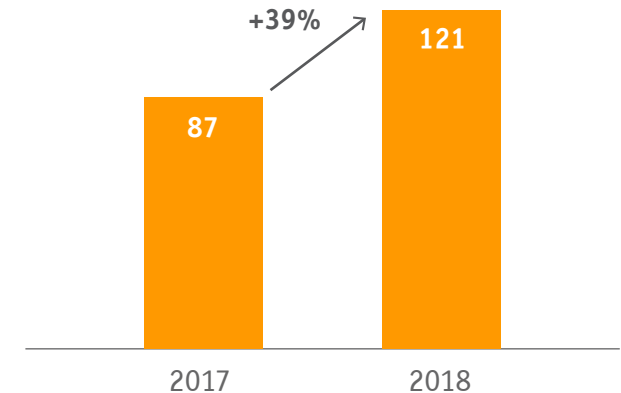


Regarding our fixed signal, our strategy was to focus on the expansion of fiber optic network, which allows for faster data traffic and higher signal quality. In 2018, we continued to take our network to new cities, such as Jaboticabal and Votuporanga. We then totaled 121 cities and 8.7 million households covered by the end of the year.

Through fiber optics, we offer our services of Ultra Broadband, HDTV and voice service, offering a complete and quality package of services to our customers.

We invested heavily to bring fiber to the consumer home. The focus on this technology is a strategic choice of Telefônica Brasil, in line with the increasing need of customers for data consumption and the

## Cities covered by fiber optics



fact that 26% of internet access in Brazil is done via ultra-broadband, providing a large potential consumer market for this type of product.

In 2018, we announced an additional investment of R\$ 2.5 billion in our fiber optic network. The value is added to the R\$ 4.5 billion that were already planned, totaling R\$ 7 billion of investments in the next three years.

Through this initiative we contribute with the SDG:



# Infrastructure management

The SUSI (Unified Infrastructure Support System) Project, has the objective of monitoring and automating our infrastructure systems. To do so, we use peripheral mechanisms that control and measure processes such as energy consumption, air conditioning and physical access to our facilities.

This automation allows you to check, for example, whether a particular air conditioner is working or whether the temperature in the equipment room is adequate, reducing maintenance costs while optimizing energy consumption.

In 2018, we reached approximately 2,492 RBSs with access control implemented, preventing a total loss of R\$6.55 million, resulting from theft, further ensuring the availability of our network.

Also, we reached 130 technical buildings with automation implemented in the infrastructure equipment, and we already had an energy efficiency gain of R\$129 thousand.

## SUSTAINABLE SITE

In order to install a new RBS in an urban center without affecting the local landscape, we have developed a solution called Sustainable Site. The antenna is installed on top of equipment that is already part of the street infrastructure, such as poles, public phones and store façades, while the other equipment is installed underground.

Sustainable sites do not require a generator and do not use diesel, avoiding the emission of harmful gases and using less energy compared to traditional sites. In 2018, we totaled 191 sustainable sites installed in the country.

Through this initiative we contribute with the SDG:





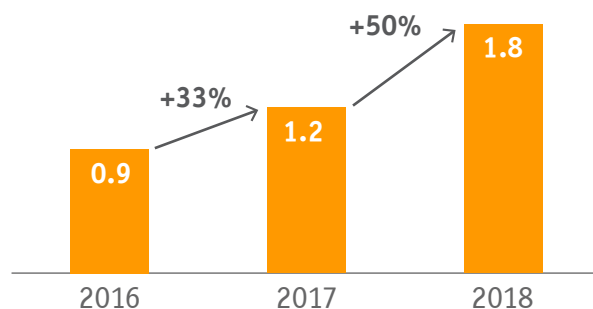
# Telefônica Vivo Foundation

One of the main tools we have to foster digitalization and the development of society are the programs of Telefônica Vivo Foundation.

This is the Telefônica Group's social responsibility initiative, through which we carry out our private social investment, as a focus on the use of disruptive technologies in the education area.

In 2018, we invested \$ 59.3 million in its programs, benefiting 1.8 million people, among children, youth and educators.

## People benefited by Telefônica Vivo Foundation (million)



The Foundation projects are based on the use of the technologies and the innovation of pedagogical practices to create new teaching-learning platforms that can be used to improve the training of teachers and students in Brazil. In all, we directly benefit a thousand schools across the country.

The Connected Schools project, for example, offers an online education platform for free extension courses for the continuing education of teachers from all over the country. In all, there are 34 online courses, certified by renowned institutions such as the State University of Rio Grande do Sul and the Singularities Institute. In 2018, more than 42,600 people enrolled in the project, representing about 2% of the country's total primary and secondary school teachers.

The Digital Class Project is a global initiative to provide quality digital education for children in Africa, Southeast Asia and Latin America. In Brazil, it already reaches 735 schools in different municipalities in the state of Sergipe and in the cities of Manaus (AM) and Viamão (RS).

In recognition to our contribution to the education improvement through the Digital Classroom and Connected Schools projects, we received the Aperipê Order of Merit Medal from the State of Sergipe. The award is granted recognizing institutions that collaborate with the development of the state and the country.

In addition to the educational projects, we have the Pense Grande Program, aimed at spreading the entrepreneurial culture among disadvantaged young people, and Programaê, aimed at promoting computer programming education to kids and young people. Therefore, we support the development and digitalization of the communities where they are inserted.

Through the Volunteer Program, we promote and encourage our employees to participate in solidarity actions focused on education and citizenship throughout Brazil. In 2018, the Program was recognized in the Viva Voluntário Award, granted by the Brazilian Federal Government, in the Business Volunteer category, for the impact generated by its initiatives. The stimulus to the transforming citizen, the training through digital platforms and the contribution to the strengthening of the third sector were among its distinguishing features






Also, the Game do Bem project, which is part of the Volunteer Program, was recognized as the "Best Inspiring Practice" by IAVE (International Association for Volunteer Effort) at the Global Corporate Volunteer Award 2018, when competing with 100 other social initiatives from around the world.

Through this initiative we contribute with the SDG:



## Foundation Projects

	 Education		 Entrepreneurship	 Volunteering
	Children	Teachers	Young People	Employees
Programs	<p><b>Inova Escola:</b> Stimulates experiences and pedagogical practices with the use of technology in schools, offers teachers online and in-person training and disseminates the adoption of customized practices that boost educational innovation.</p>		<p><b>Programaê:</b> a cultural movement created in partnership with the Lemann Foundation, aimed at promoting computer programming education to kids and young people.</p>	
	<p><b>Digital Class:</b> seeks to incorporate innovation in elementary schools through the use of technology and new teaching and learning methodologies. The project offers training for teachers, digital pedagogical contents, technological equipment and monitoring in schools.</p>			<p><b>Volunteer Program:</b> we offer employees the opportunity to participate in in-person or distance volunteering actions throughout the year in different areas.</p>
		<p><b>Connected Schools:</b> contributes to the continuing training of teachers by offering free and certified online courses with innovative content to support their pedagogical practice.</p>	<p><b>Pense Grande:</b> program for the diffusion of entrepreneurial culture with social impact, focusing on digital technologies, for young people from Brazilian peripheries.</p>	
Number of people benefited	1,531,995	66,606*	161,711	15,035

\*the number also includes educators involved with the Pense Grande project.

# 06

## Promise to the Customer

In this chapter you will find:

- Customer Satisfaction
- Digital Channels
- Aura
- DNA Vivo
- Customer Experience Points
- Responsible Marketing



# Customer Satisfaction

GRI 102-43 / 102-44 / 103-1 / 103-2 / 103-3

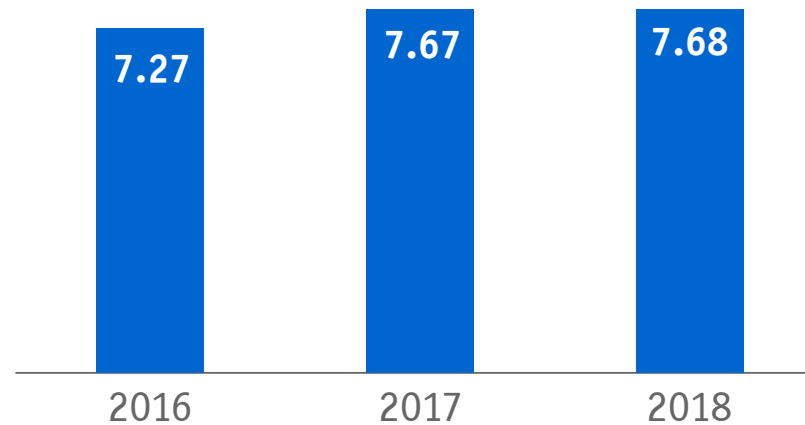
A customer experience is a key factor for the sustainability of our business. In order to continue to grow in the coming years, we need to deliver products and services that are consistent with the needs of each client, providing quality connection and providing appropriate relationship channels to their needs. Therefore, we have sought to establish a trust relationship with the customer, which has guided the Company since the launch of the DNA Vivo program in 2017 (learn more on page 40).

To this end, we have developed a series of initiatives aimed at improving the customer experience on several fronts, from the digitalization of the processes to the implementation of new satisfaction measurement tools.

In order to measure how our customers evaluate our Company, we monitored the Customer Satisfaction Index (CSI), which remained at a good level this year. The Index is calculated using a methodology that measures the perceived quality on a scale of 1 to 10 and is applied throughout the Telefónica Group, based on the American Customer Satisfaction Index (ACSI).

In 2018, we recorded the best historical result for this indicator, with consistent improvements in all lines of business while keeping our Company as the satisfaction leader in the sector.

## CSI score



In addition to this indicator, in 2018 we contracted a new customer experience evaluation platform. In line with the digitalization of our operations, it allows us to search for satisfaction online and immediately, consulting the customers soon after their contact with the Company.

In this way, we can quickly assess their satisfaction, understand where we are not able to satisfy them, and quickly find solutions based on identified opportunities. The evaluation will be operating robustly by the end of 2019.

We also follow up with quality operational indicators, which help to address a series of projects aimed at improving the customer experience, with the main levers being simplicity and digitalization. As a result of this effort, at the end of 2018, 60% of the operational quality indicators registered evolution.

# Digital channels

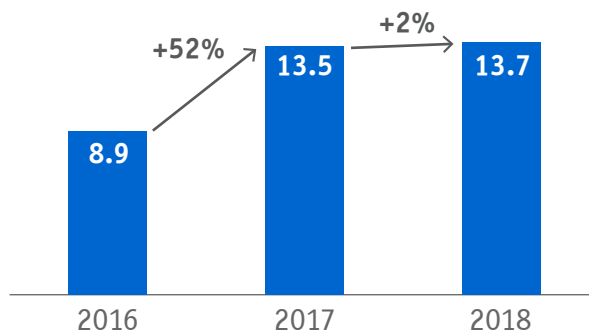
GRI 102-48

At Telefônica Brasil, we consider the relationship with the client an essential activity to increase our value creation to this public, facilitating the understanding of their demands and problem-solving process. Therefore, in 2018, we implemented a series of actions aimed at improving our service, focusing on new digital channels and Call Center digitalization.

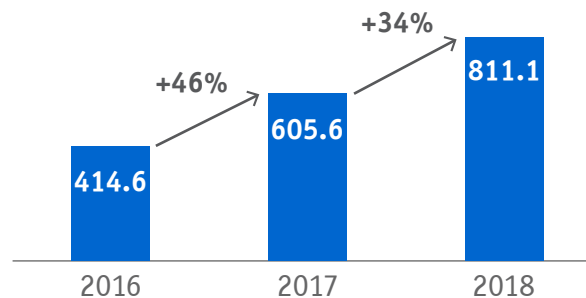
Our main initiative to digitalize the service is the Meu Vivo app, through which customers can ask questions, consult data consumption, change their plan, request a second copy of the invoice, contract or cancel new services among other functionalities.

Since its launch, the app has already been downloaded 46.5 million times (37.4 million downloads of Meu Vivo Mobile and 9.1 million downloads of Meu Vivo Fixed), registering an increase of 34% in accesses and 2% in the number of active users in 2018.

## Meu Vivo unique users (million)



## Meu Vivo accesses\* (million)



\*In the previous Report, in the graph referring to the Meu Vivo accesses, we report the data up the end of December. This year, we chose to report total access data for the whole year, as we consider it to be a metric that best demonstrates public engagement.

In 2018, the app start counting on Aura, our artificial intelligence to interact with the customer (learn more on page 39). Another new feature that helps to increase satisfaction with Meu Vivo is the possibility for the fixed customer to schedule a technician's visit and monitor their location in real time until they arrive at your house.

In order to make the customer's life easier, we used the social networks Facebook, Twitter, Instagram and Youtube as communication channels. At the end of 2018, service by these means grew 42% in relation to the previous year. Still in pilot phase, we started the service via Whatsapp.

We also offer our customers the possibility of receiving their bills through the Meu Vivo app or via e-mail, helping to reduce the consumption of natural resources used for printing, delivering and disposing printed accounts. In order to support the adoption of this solution, we offer 500MB of internet per month to customers who use the digital account. In 2018, we issued 207.5 million digital bills, 58% more than in 2017. Over 20 million customers received this type of bill.

As a result of all these digitalization initiatives, we recorded a 25% drop in traditional service (via call center), the largest reduction in our history. For those customers who still prefer to contact us by phone, we have heavily invested in the humanization and simplification of Interactive Voice Response (IVR), with the use of Persona and automatic features, to encourage self-care. Our bet for 2019 is to grow exponentially in the retention for this channel, with the use of Cognitive Intelligence in some options, further reducing calls that are derived for human service.

Among the several actions for continuous service improvement, we highlight DNA Vivo, which seeks to standardize all of our customer contact points (learn more on page 40), the Behavioral Monitoring, which covers 100% of our operation, and the Training with the use of Neurolinguistic Programming to improve the communication of the human assistant.

Therefore, we managed to improve several indicators that we use to measure the quality of our service, such as scores given by customers after calls, the recall rate and call transfer requests. The initiatives resulted in a decrease in our Anatel demands.

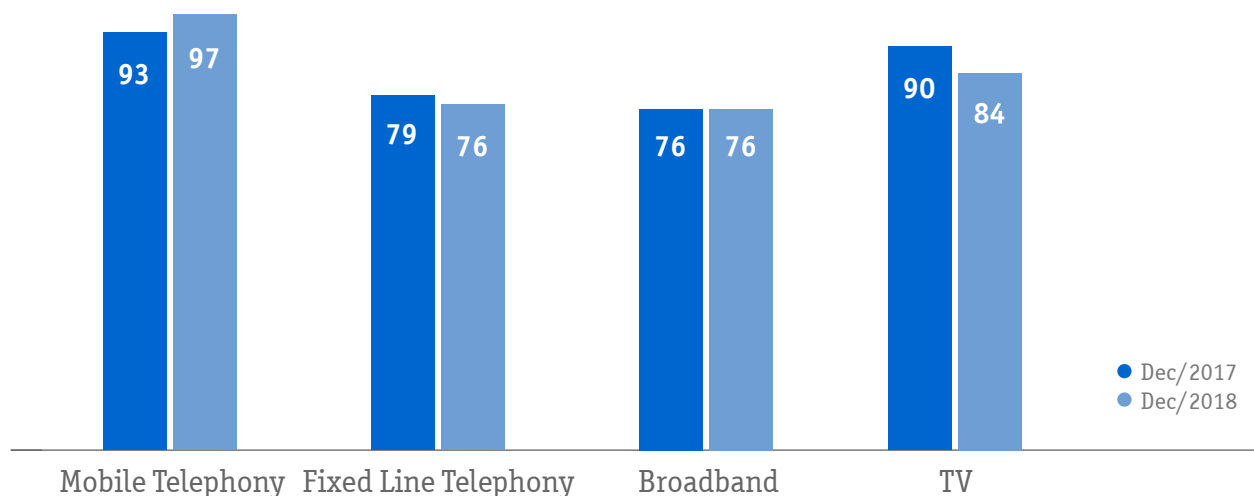


### VALUE PARTNERSHIPS

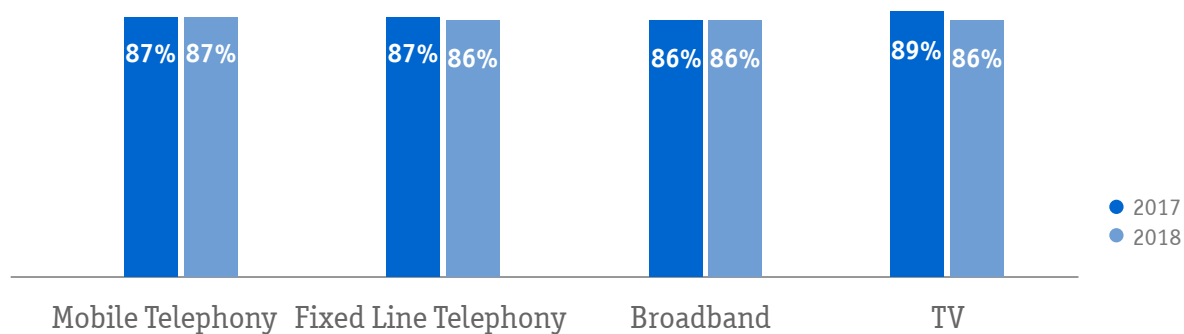
Throughout 2018, we conducted a series of partnerships that reinforced our strategy of being content distributors. Through them, we make available to our customers the possibility of hiring the services of Netflix, Spotify, Telecine, Fox, ESPN, Amazon Prime and Discovery Kids, increasing our value generation for them and their families.

### IDA - Service Performance Index

Anatel indicator that evaluates the operators' activities in relation to criteria such as number of complaints, complaints dealt with within the deadline and number of reopened complaints.



### % Complaints at Anatel dealt with within 5 business days



At Procon, we present a resolution rate of complaints dealt with within 5 business days of 20.9%, 13.1% for fixed phone services and 31.4% for mobile phone services.





# Aura

The launch of Aura – our artificial intelligence for interaction with customers - represented a milestone in the digitalization of our service channels.

Launched in February, Aura uses cognitive intelligence and big data to communicate with our customers intuitively, allowing the management of their data in a transparent and secure manner. The tool is voice or text activated, and answers to customer demands using human language.

With the launch, we became the first operator in the country to offer this type of tool to communicate with customers.

## Aura, Telefônica's artificial intelligence tool

 <b>NATURAL LANGUAGE</b>	Through cognitive intelligence, it learns the customers' language
 <b>REAL TIME</b>	Helps the customer manage their digital life with Telefônica in real time
 <b>MULTI-CHANNEL</b>	Available in the main channels used by customers
 <b>PERSONALIZED SERVICE</b>	Access customer data to provide personalized customer service

Response to customer inquiries and solution of demands regarding data consumption, bills, notification of problems and access to the list of services and data history are among its main features. As Aura is constantly evolving, it should gain new features over the next few years.

Aura is strategically important to our business model because it demonstrates our ability to assimilate an innovative technology - artificial intelligence - in our operations, customer relationships, and the management of our products and offerings. Internally, it brings efficiency gain and cost savings, due to the processes automation. For customers, it generates value from the service simplification, which becomes faster and more transparent, besides improving their experience with us.

Aura already serves more than 1.5 million customers per month and, since February 2018, has carried out approximately 23 million services. Its retention rate is over 80%, that is, eight out of ten customers are satisfied with the response given by Aura and do not need other information.

Aura is available in different service channels: in the Meu Vivo Mobile, My Vivo Fixed and Meu Vivo Companies apps, on Vivo's website, and in partners such as WhatsApp, Google Assistant and Facebook Messenger, among others.

Through this initiative we contribute with the SDG:



Since the end of 2018, Aura has also taken care of the call center in a phone code of the State of São Paulo, in a pilot project. By the end of 2019, we plan to implement it in all our channels and continuously introduce new ways of use it, bringing more and more functions for better customer interaction.

To further improve the quality of service provided by Aura, we inaugurated our Bots Training Center last year. The new area examines whether Aura correctly understands customer inquiries, provides answers that really clarify it, and generates inputs to correct and train the bot, and assess whether Aura's response really clarifies the customer's question, thus ensuring , continuous improvement of users' experience.



## DNA Vivo

Advances in connectivity and digitalization of society have made customers increasingly demanding. If before they evaluated and compared the service provided by the companies of the same sector, now they also compare the lived experience, in a transversal way.

That is why, in December 2017, we started the DNA VIVO Program, which aims to make Telefonica a customer experience reference. The program brings clear principles, guiding our decisions to deliver the best experience in all contact points, from service in store and call centers, to technicians who visit customers' homes.

To do so, we have defined four principles that should guide our relationship:

DNA Vivo principles	
1	<b>Reliable</b>
2	<b>Easy</b>
3	<b>Charming</b>
4	<b>Efficient</b>

The Program is structured on three fronts, with the involvement of our top leadership:

### Transformation journeys

Its objective is to reshape each of the journeys traveled by the customer in their contact with us, in search of the best possible experience. The first step in doing this transformation is to understand in depth how each journey takes place, identifying the pains that customers feel when interacting with us and the barriers our employees encounter in order to deliver a better experience.

To do this, we immerse ourselves in the customer experience, through interviews, listening practices and mystery shopping, a methodology in which an ordinary person uses one of our channels and evaluates the service.

Next, we held the DNA Vivo Laboratory, where the employees were able to carry out experiences to learn the main pains encountered by the customer, making the need for change tangible.

In 2018, in the first wave of the Program, we mapped out six journeys: B2C Pre-Paid, B2C Fixed Service, B2C Post Paid, B2B Advanced Products, B2B Mobile and Installation, Technical Support and B2C and B2B Repair.



We have brought together more than 300 employees from different areas, divided into six functional teams, who immersed in each one of the journeys and developed solutions to improve the customer experience. The solutions were prioritized by the leaders and, after the whole process, we totaled 104 idealized solutions.

As early as 2018, we were able to deliver some of these solutions, including the launch of the Simplify Portal, responsible for facilitating the search for offers and the customer history query, and the B2B Resolve Portal, which allows for our customers to direct their problems.

In November, we began to do the same work with two new journeys: Buy and Fixed Migration of B2C and Post-Purchase of B2B Advanced Products, with delivery scheduled for the first quarter of 2019.

## Culture and behavior

The second wave of VIVO DNA seeks to transform the mindset of our employees so that everyone has a customer-centric view and take into account how the Company's day-to-day decisions can impact them.

Within this front, we started the DNA Vivo Academy, which aims to train employees to lead the transformations of customer journeys, based on a methodology of CX Design (Customer Experience Design). The initial class, composed of 11 employees from different areas, also aims to disseminate the methodology by the Company, supporting the mindset transformation.

## CX metrics

In 2018, we rethought how to understand and measure our customer experience. For this, we implemented a new survey that will give us a real-time view of their satisfaction when they have some interaction with us (learn more on page 36), bringing feedback on improving the experience and pains related to journeys.

From March 2019, we will carry out the survey on the main contact points and work on the retraction and in processes and experience continuous improvement.



# Customer experience points

As we increasingly invest in the digitalization of the customer relationship, we seek to make face-to-face interactions in our shops deeper and more pleasant.

The program Acontece na Vivo started in May 2017, with the objective of guaranteeing even more differentiated experiences to customers and visitors to Vivo stores throughout Brazil. It has several fronts to enhance the proposal of enchantment, with free workshops, events held with partner companies (manufacturers, programmers, among others) and opening of new stores aimed at experience.

## VIVO EASY

The digitalization of our operation and the relationship with the customer enabled the launch of a new product to generate customer value: Vivo Easy.

This is a mobile plan controlled directly by the app, in which customers may fully manage their data package, calls and services in a 100% digital, flexible and immediate way.

The actions are aimed at children's audiences, gamers and lovers of technology, art and culture. By the end of 2018, 260 actions were carried out that attracted more than 18,000 customers and non-customers in 141 Vivo stores. The Uncomplicated Technology workshop alone gathered 3,000 participants across the country, divided into more than 1,500 classes.

Currently, we have 280 own stores and 1,215 points of sale with authorized resellers throughout the country. In addition, our products are available at more than 12,000 points, including retail chains and small businesses, which sell credit to our prepaid customers.

In our stores, we seek to offer the best shopping and interaction experience, with comfort, accessibility and innovation. We adopted sustainable criteria in the construction of new establishments, such as the use of LED lamps to reduce energy consumption, the use of certified wood and recyclable floor.

In those places, we also make available to the customers some of the sustainable initiatives we have developed, such as the Paper Less Project, which seeks to reduce paper contracts (see page 84), Eco Rating, which evaluates the mobile phones sold according to their socio-environmental impact (page 86), Vivo Renova and Recycle with Vivo, which seek to recover and provide the correct destination to used devices and batteries (page 82).



# Responsible marketing

GRI 103-1 / 103-2 / 103-3 / 417-3

At Telefônica, we intend to apply methodologies and workflows that deliver, - throughout our communication chain, - transparency, security and respect for our customers. We recognize the importance of our brand values and ensure that they are transmitted at all our contact points, whether in an ad, in-store service or in the suppliers / employees relationship.

Recognizing our ability to influence society through our communication, we assumed the commitment of promoting responsible, ethical and quality content, adding themes such as diversity, respect and inclusion to our advertising campaigns.



## #TemHorapraTudo

In 2018, we launched the #TemHorapraTudo campaign, which proposes to our clients a reflection on the conscious use of technology and the impact on their daily routines with the time they spend connected. Through films and advertisements that show people choosing to disconnect to take advantage of the present moment, we get the message that every connection, whether technological or not, has its moment and must be lived in its entirety.

In 2018, in order to connect people and bring new looks on technology, we have brought inspiring stories and an even stronger brand opinion. We reflect on the Diversity of our society especially in the 'Family Plans' campaigns, bringing narratives with different family structures, valuing the individualities of each one.



The #MyNameMyGame campaign was developed to launch a movement that encourages discussion on gender equity and discrimination in the gaming universe. The project was designed in dialogue with NGO Wonder Women Tech, institution that is authority in this subject and guided us on how best to expose the differences between women and men in the online games universe.

The campaign, launched in 2018 under the Vivo brand, won two awards at the Cannes festival, the main recognition of the worldwide advertising market.

In addition, we produced the film 'Penteado', which brought the discussion about the importance of representativeness and construction of references. The film addressed issues that permeate a black child's self-esteem, as well as his or her family nucleus, and the important role of media and brands in building beauty standards.

We are always attentive to the code of advertising regulation and following the norms established by the Brazilian Advertising Self-regulation Council (CONAR). In 2018, we have not recorded any fine, penalty or warning concerning marketing communications. Among the five representations that were analyzed by CONAR in 2018, in three, we won the case, in one we entered into an agreement and one has been halted to await the decision of a lawsuit pending in civil courts

# 07

## Sustainable Innovation

In this chapter you will find:

- Digital Transformation
- Digital Services
- Telefônica Open Innovation
- Wayra



# Digital transformation

GRI 103-1 / 103-2 / 103-3

Sustainable innovation is our primary tool to deliver to customers the connections they need to transform their lives, their businesses and their communities. Through innovation, we will become a digital Telco, ready for future challenges and to collaborate for the country's digital transformation.

To this end, the Telefónica Group has developed a structured global strategy to promote End-to-End Digitalization, named because it reaches our entire operation, from internal processes to customer contact. It takes into account the development in fronts such as Big Data, Artificial Intelligence and Digital Security.

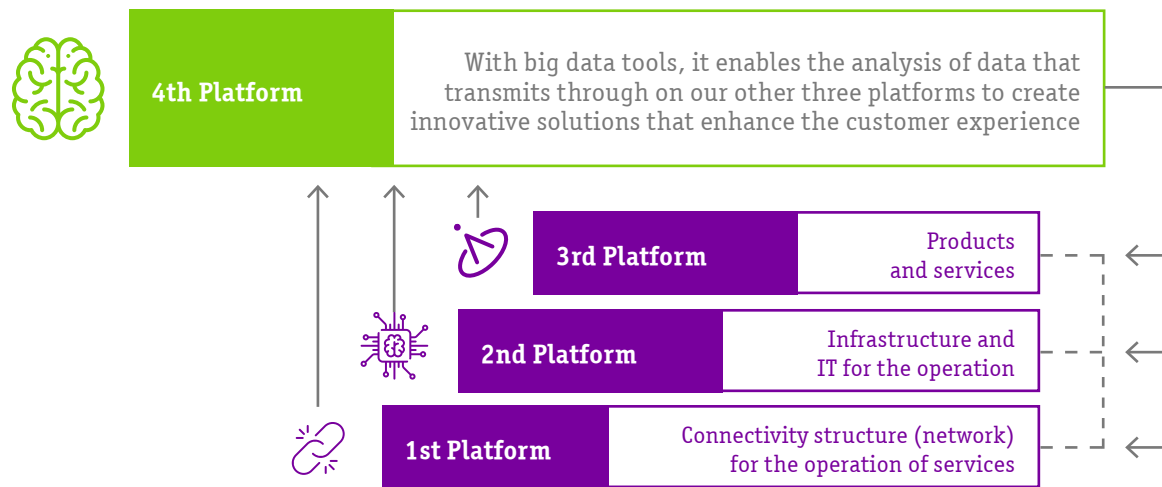
In order to streamline this process, we developed a 4th Platform, transversal to the other three platforms of our business, represented by the network, the IT infrastructure and our products and services (see image below).

The 4th Platform allows the application of big data and artificial intelligence on each of the other three platforms, allowing the development of a series of innovations and benefits in all business areas.

This is an essential tool for our business since we deal with a large amount of data that would otherwise be impossible to process. Through it, we are able to identify where our signal availability is most needed and plan the expansion of the network more efficiently, for example. It will also be possible to detect massive failures in the network with more agility and to quickly act on the correction of problems.

In 2018, we developed a series of new initiatives based on the 4th Platform and Big Data. We are now using these technologies, for example, to improve legal process analysis, find out which are our most important antennas in terms of transmitted data, detect deviations in bills and find the best deals for our customers. We also launched Aura, our artificial intelligence for interaction with customers, which is based on the 4th Platform.

## Telefónica's Platforms



Through this initiative we contribute with the SDG:



## ★ RECOGNITIONS TO INNOVATION

In 2018, we received the Whow! Innovation Award in the telecom category. Organized by Grupo Padrão, it is considered as a recognition to the companies that have stood out in the production of innovation to resize their business in Brazil.

We were also considered the most innovative telecommunications company in Brazil for the "Valor Inovação Brasil 2018" award, conducted by Strategy&, Network PwC strategic consultancy firm, in partnership with the newspaper Valor Econômico, with the support of the National Association for Research and Development of Innovative Companies (Anpei).



# Digital Services

At the same time that we have turned our operations into digital, we are also investing in a more diversified and innovative portfolio for our Corporate Segment (B2B), made up of retail, services and industry.

As well as offering our voice, connection and data services, we have created a full range of digital services, some of them based on the solutions we use in our own business. Here are some of these digital services:

### 🔗 IT solutions

Ensure permanent technological update and the control, integration and standardization of the technologies used.

### ☁️ Cloud services

In partnership with Huawei, allowing companies to store databases and host websites and applications in the cloud.

### 👤 Network management

enables the management, security and good performance in data, voice and video sharing between business units.

### 🔒 Cybersecurity

Provides a structure for the prevention of data theft and attacks, with the support of tools such as antivirus, secure browsers and mobility security solutions.

### 📊 Big Data

from our internal expertise with the theme, we have also developed big data solutions to be used by corporate customers.

Other digital service front that has been gaining prominence in recent years is the M2M communication (Machine to Machine) that establishes the connection of several physical objects in a network, using sensors. Also referred to as IoT (Internet of Things), it allows customers to track and manage the assets connected to the network in real time, through a central computer. With technology, it can, for example, manage the household appliances of a home, the fleet of a company and even the machinery of an industry.

Through this initiative we contribute with the SDG:



## IoT applications offered by Telefônica Brasil



**Fleet Control**



**Security**



**Energy Efficiency**



**Agriculture**



**Smart Cities**



**Industry**

The IoT market is still in its early stages in Brazil but has the potential to grow more and more with increased connection availability of Big Data tools and the use of sensors on equipment. Aware of the strategic value of this technology, we have, since 2017, the Open IoT Lab, a laboratory aimed at the development and testing of new IoT technologies in partnership with Huawei.

# Telefônica Open Innovation

In order to boost our Company's capacity for innovation, we count on the Telefônica Open Innovation (TOI) area, that includes the initiatives developed by the Telefônica Group related to open innovation. The program follows a prospecting and business investment model, seeking innovative solutions produced in society, in the market and in academies, as well as establishing partnerships with public and private institutions for the generation of shared value.

The area develops five initiatives aimed at encouraging new talents, developing startups and investing in innovative solutions. Each was designed to support ideas with varying degrees of development across the entrepreneurial ecosystem. Since the beginning of Telefônica Open Innovation, we have already invested in approximately 800 companies – 70 in Brazil using Wayra.

Among TOI's initiatives, we have the Open Future (former Crowds) spaces, are partnerships with universities or institutions that promote entrepreneurship to pre-accelerate companies without financial investment, aimed at encouraging potential entrepreneurs to get their ideas off paper.

To this end, we apply our business development methodology in the solutions developed in innovation centers and incubators, giving opportunity for good ideas that can lead to startups.

Through this initiative we contribute with the SDG:



In Brazil, we have four active Open Future spaces:

- **Vale da Eletrônica**, in partnership with Inatel (National Institute of Telecommunications), in Santa Rita do Sapucaí (MG), and Ericsson.
- **Crowd Londrina**, in partnership with UEL (State University of Londrina) and Sebrae Paraná.
- **Crowd Rio**, developed in partnership with UFRJ (Federal University of Rio de Janeiro).
- **Crowd Facens Sorocaba**, in partnership with FACE - Centro de Empreendedorismo da Facens (School of Engineering of Sorocaba), in Sorocaba (SP).

In addition to these spaces, we have Wayra, first initiative of the program to financially invest in companies in exchange for a minority shareholding stake. In order to receive this investment, startups need to be in a more advanced development stage, with a product already developed (learn more about on page 48).

Finally, we have investment funds for companies in a faster growing stage:

- **Own fund or Telefônica Ventures**, which invests in companies that represent a strategic opportunity for Telefônica.
- **Third party fund (former Amerigo)**, which invests in professional venture investment funds in Europe and Latin America, which in turn invest in startups. In Brazil, we have the Invest Tech as fund manager.



## Wayra

Wayra is the open innovation hub of the Telefónica Group, designed to connect our Company with the startups ecosystem and agents that foster innovation, generating new business opportunities.

Through it, we can undertake investments between R\$200,000 and R\$500,000 for each startup in exchange for a minority stake. In addition, we offer more than R\$200,000 in services, such as infrastructure, mentoring, training, access to the market, customers and investors, seeking to generate business among startups, Telefónica and other large companies.

The initiative has 11 academies in 10 countries: Spain (Barcelona and Madrid), United Kingdom (London), Germany (Munich), Mexico (Mexico City), Venezuela (Caracas), Colombia (Bogotá), Peru (Lima), Brazil (São Paulo), Argentina (Buenos Aires) and Chile (Santiago).

We search for market solutions that can generate value in the medium and long term for Telefónica, other companies and society. With that in mind, we evaluate the teams involved, the potential of ideas, startups' development degree, the possibility of doing business with Telefónica and the area in which it operates. We are currently looking for companies that develop products and services related to the Internet of Things (IoT), Artificial Intelligence, Advanced Data Analytics, Video & RV-RA, Cybersecurity, Fintechs, Operating Efficiency, Blockchain and Edge Computing, however we are open to different areas which may be in the Company interest.

The goal of the investment is to generate a win-win process that leads to the creation of new products and improvements in Telefónica's operation, while delivering the revenues that the startup needs to grow and consolidate.

Present in Brazil since 2012, Wayra has already invested over R\$12 million in 70 startups from different segments, such as Cloud, Agtech, LegalTech, Big Data.

With the objective of accelerating Telefónica and the country digital transformation, we also sought to establish important partnerships in the market, such as the Agro IoT Lab and the BNDES Garagem.

The Agro IoT Lab 2018 program is a partnership among Vivo, Raízen, Ericsson, Pulse and EsalqTec. Through it, we support startups who develop applications for the field with a focus on Internet of Things (IoT, learn more in page 47).

Six projects were selected:

- **Ativa:** solutions for telemetry and remote management, such as in weather stations and irrigation control.
- **Seive:** fire protection in self-propelled agricultural machinery.
- **IoTag:** a cloud telemetry system that controls a data mining device embedded in agricultural machinery.



- **Trace Pack:** IoT solutions and tracking of high added value products for agribusiness, with full inventory management and greater security and logistic efficiency offers for the customer.
- **Agriconnected:** management and monitoring of agricultural machinery in real time through a device installed in the machines.
- **@Tech:** platform that integrates data from several devices to assist in the cattle breeder management, with indication of the optimal moment for livestock negotiation.

Starting in 2019, startups will have access to Pulse's shared space, Raízen's innovation hub, located in Piracicaba (SP). Companies will also become part of Wayra's ecosystem, with mentoring, workshops and training applied to the business, and may receive future investment.

In 2018, we also won the bidding for the BNDES Garagem Program, in partnership with the corporate accelerator, Liga Ventures. The program provides

support to the development of at least 60 startups through workshops, dedicated content, monitoring and network access to mentors, partners, large corporations and investors.

Registrations have been opened in December, divided into two parts. The BNDES Garagem Criação is focused on participants' ideas, supporting the creation of companies, products' development and their validation in the market. BNDES Acceleration seeks to attract operational startups that have a product developed and offered in the market, focused on the accelerated growth of the company and on the potential of business with companies and partners

### Women's Age

Since 2017, Wayra began to focus on women's entrepreneurship, through the Women's Age movement, led by the Telefónica Group. The initiative carried out a series of actions throughout the year, such as meetings between women entrepreneurs, lectures and mentoring, as well as establishment an indicator to monitor the number of female employees at the supported startups.

Through this initiative we contribute with the SDG:



# 08

## Digital trust

In this chapter you will find:

- Digital Manifesto
- Privacy
- Dialogando
- Digital Security



# Digital Manifesto

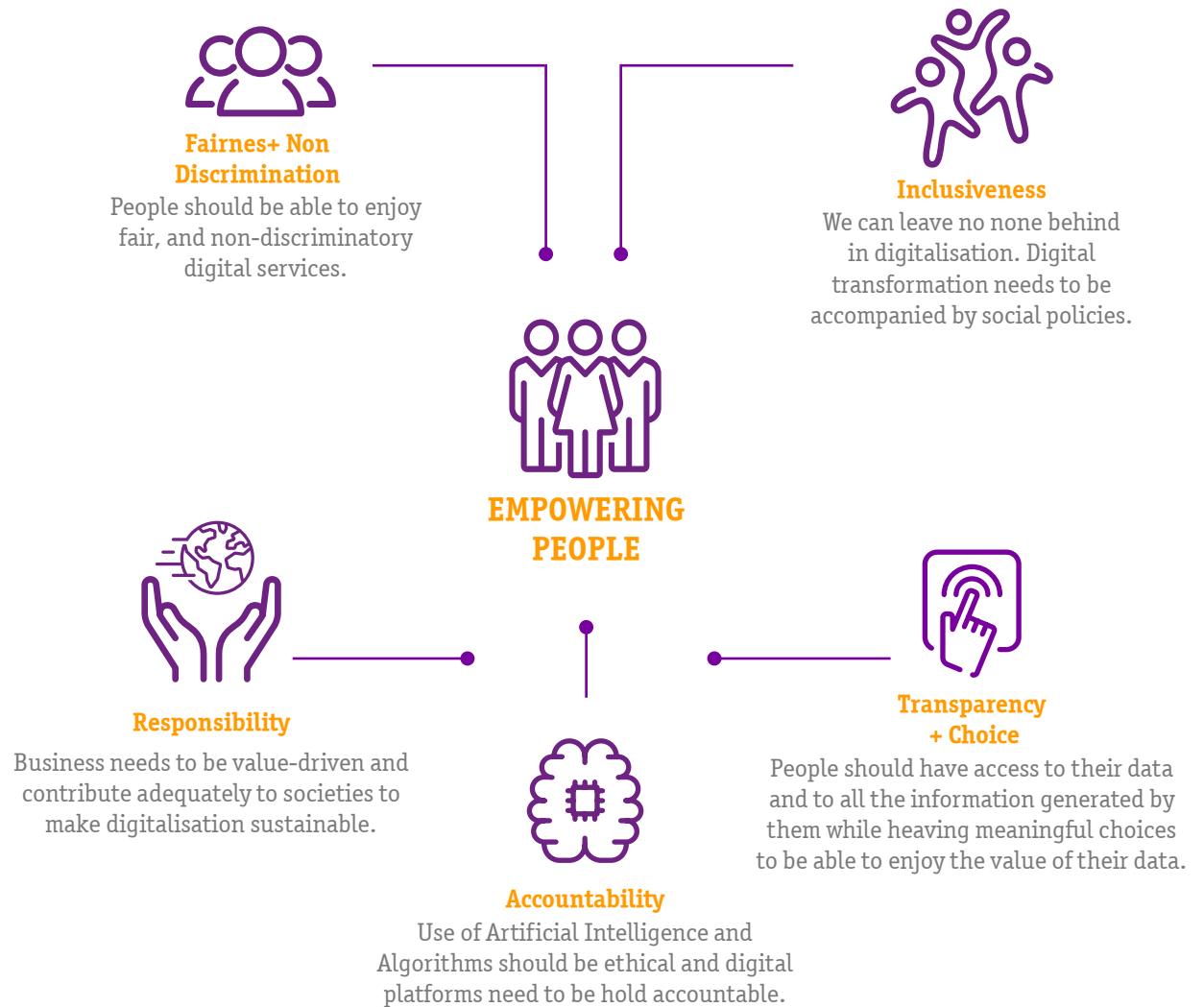
We live in a world in constant transformation, where new disruptive technologies transform people's way of life, their ways of working and relating to each other. As a Company engaged in the theme and aware of its responsibility as one of the promoters for the digitalization of society, the Telefónica Group published its Manifesto for a New Digital Pact in 2018.

In the document, we invited society to discuss new technologies' risks and opportunities, in order to define a new digital pact that will renew social and economic policies and modernize our democracies. Our goal is to help implement a people-centered digitalization, ensuring that citizens are the first ones to benefit and have control over their digital lives.

Through this initiative we contribute with the SDG:



## A new digital deal : Towards a human-centric digitalisation



To guide this debate, the Digital Manifesto considers the principles below (read the full document at <https://www.telefonica.com/manifesto-digital>):

## **Connecting Digital Lives**

Digitalization is considered the Fourth Industrial Revolution and the basis for new services and business models that are transforming the world and revolutionizing various industries. To be sustainable, digitalization must be an inclusive process that guarantees everyone the opportunity to participate in a connected world.

Connectivity is the kickoff to broaden digital inclusion. More than half of the world's population is still not connected to the Internet, and in order to make a significant change in this scenario, broadband implementation should be a priority for public administrations. We advocate the implementation of innovative and sustainable access networks, policies conducive to investment in infrastructure, encouraging Internet use, and developing e-governance services, with new and collaborative business models and better digital public services.

## **Reforming social and fiscal policies for digital societies**

Digitalization and automation pose a challenge to the sustainability of social and well-being policies and will impact not only on employment but also on tax contributions. The interaction between machines and human beings will transform the nature of work and change people's lives.

As a result of new technologies, especially the Internet of Things (learn more on page 47) and artificial intelligence, many functions will be automated in a short time. Professionals should be prepared to acquire new knowledge and engage in new activities in this new digital environment. That is why we propose that governments and companies help society prepare for the digital revolution by modernizing education systems, implementing professional retraining programs, adopting new social policies and adapting taxation to the new digital economy.

## **Creating data confidence**

We advocate a new data ethic; we believe that transparency and variety of choice are necessary requirements for people to control their digital lives and build trust.

The security and confidentiality of data must be guaranteed more than ever in a world where everything and everyone is connected. These changes must be accompanied by efficient public policies that ensure data privacy and re-establish digital trust.

## **Encouraging more equitable platforms and accountable algorithms**

Society demands that all companies respect their laws and values, as well as their equitable contribution to national welfare, employment and taxes.

Global platforms must adopt responsible behavior to ensure an open and sustainable internet

experience and prevent privileged access to data, Artificial Intelligence, algorithms, and new technologies from turning these platforms into persistent bottlenecks in the digital experience.

We expect responsible and auditable behavior, whose data are treated as a competitive asset, not allowing a few platforms to become new gatekeepers of users' digital experience, with a disproportionate influence on citizens' lives and even with the ability to condition the public opinion.

The use of Artificial Intelligence (AI) and algorithms should focus on the human being, respect ethical standards and avoid unjustified discrimination and anti-competitive results.

## **Modernizing rights and policies**

The rapid changes brought about by digitalization left public policies and legal frameworks outdated. This is disrupting people's rights, consumer protection and fair competition. Therefore, we believe that urgent modernization is necessary.

We propose a digital rights charter to ensure people-centered digitalization and protect online and offline citizens' rights.

It is necessary to establish the roles. While businesses and markets need to be able to innovate, authorities must uphold established values and be able to intervene quickly to protect people.

The new regulatory paradigm should combine self-regulation, policy guidelines, and better supervision based on activities rather than business. And we must seek international solutions that encompass global and regional cooperation to avoid data flow disruption.



## ARTIFICIAL INTELLIGENCE PRINCIPLES

In October, Telefónica Group published the document Artificial Intelligence Principles, in which we commit to using Artificial Intelligence (AI) and the big data with integrity, transparency and respect for human rights.

In order to create technologies that benefit everyone, we are committed to developing AIs that are:

- Fair
- Transparent and explicable
- People-centered
- With privacy and security since its initial project
- Working with partners and suppliers

## Privacy

GRI 103-1 / 103-2 / 103-3

In our new digital transformation scenario, our customer's confidence in how we collect and manage your personal information is an essential asset for our long-term sustainability. The more we digitize our operations, our products and the communication channels, the more we are responsible for the data collected, and we need to have total transparency in the way we manage it.

Therefore, Telefónica Group has a Global Privacy Policy, whose guidelines cover the Company's operations in all the countries where it has operations. The document ranks the actions to be taken in the processing of personal data, by the Group Companies, in order to preserve the basic principles of lawfulness, transparency, security, storage life limitation and commitment to the rights of the interested parties.

In the governance of this process, we have the Global Privacy Committee, created in 2013, responsible for the implementation and update of the Global Privacy Policy.

The unfolding of the theme in Brazil is carried out jointly by the areas of Big Data, Information Security, Legal, VP of People and Sustainability. In addition, we have a Data Protection Policy (Protection of Telephone and Telematic Communications and Personal Data of Subscribers), which must be followed by all employees. Annually, they reinforce their commitment to information privacy by signing a confidentiality agreement.

We have regulations, internal procedures and awareness actions that ensure the information privacy and the restricted access to data, as stipulated by the Global Privacy Policy.

In 2017, we began to apply the Global Course on Privacy and Security in Brazil, mandatory for all employees during their integration process. In 2018, we had 22,679 graduates, equivalent to 73% of our staff.

In order to increase transparency in our actions and digital trust in our business, our customers may learn how we handle their data in the Privacy Center, a space in Vivo's website dedicated to bringing detailed information related to privacy and security. On the page, they can learn what data we collect and which we do not collect. Data collection is performed by our customer service and operating systems and fixed and mobile network elements, always with the objective of offering better services and improving the performance of our network and products.

## Information Collected



### Registration data

*Such as name, address, SSN, among others, informed by our customers when hiring our services.*



### Our products and services usage history



### Made and received calls history



### Service data in stores and call centers

## Information not collected



### Social media activities

## Goals

**Improve network performance and increase the quality of our services**

**Fix crashes in mobile, landline and TV network services faster**

**Elaborate plans, services and more personalized offers**

**Assess demand by geographic region**

**Help in our strategic decisions**

**Improve customer relationship, sending direct marketing and more relevant offers**

## Emerging risks

In our risk matrix, we highlight as emerging risks the possible leakage of information classified as confidential by the Company or information of our customers.



At the Privacy Center, the user may also find information about consent and their rights of access, rectification, opposition and cancellation of personal information. The page can be accessed by the link [www.vivo.com.br/centrodeprivacidade/](http://www.vivo.com.br/centrodeprivacidade/)

## INTERNETLABS

In 2018, the survey *Who Defends Your Data?*, conducted in partnership by InternetLabs and the Electronic Frontier Foundation, recognized our Company as the telecom company best informs Brazilian users about how their data are treated.

In 2018, the Brazilian government approved the General Law of Protection of Personal Data (LGPD), which deals with how personal information should be treated, in order to protect the fundamental rights of freedom and privacy. From its publication, we started the LGPD Project, with the objective of analyzing and implementing the necessary changes in our operation so we may adapt to the new legislation. The improvements should be implemented by 2020, the year the law comes into force.

# Dialogando

Digitalization is already part of the routine of 4.1 billion people around the world, opening up a series of new opportunities for users. But because it is such a large phenomenon, it also brings with it some risks. At Telefônica Brasil, we are aware of our responsibility as promoters of digitalization and we believe that we have the role of guiding our customers and other users in this new scenario. To this end, we developed the Dialogando platform, with content that brings together Internet, behavior and education experts to reflect on the consequences of adopting new technologies.



The portal brings diverse content on the conscious and safe use of the internet and electronic devices, contributing with reflection and raising awareness from society. The NGO SaferNet, a benchmark against crimes and violations of Human Rights on the Internet, is among the main partners of the platform.

The platform was created in Brazil and today is present in 15 other countries where the Telefônica Group operates, including Spain, Ecuador, Mexico, Uruguay, Venezuela, Colombia, Nicaragua, Guatemala and Panama. Between 2017 and 2018, the number of visits to the platform grew 95% in Brazil.

## Topics covered in the Dialogando Portal in 2018



*Fake News*



**Technology in health**



*Online consumption*



**Creative economy**



**Digital Accessibility**



**Addiction to games**



**Piracy**



**Women and the use of technology**

# Digital Security

GRI 103-1 / 103-2 / 103-3

In order to increase our customer's confidence in our ability to store and manage their personal data, we have a Digital Security Department, dedicated to ensuring the security of this data, in order to avoid fraud, leaks and cyber-attacks. The area acts in partnership with several others in the business, promoting structuring actions and training, in order to reduce the risks to which we are exposed.

Throughout the year, we developed a Strategic Digital Security Plan, with the objective of guiding our projects in the next three years. It is based on 4 pillars:

## Pillars of Digital Security at Telefônica Brasil



### TO ANTICIPATE

To protect ourselves against cyber attacks, we need to know the main threats on the market and the tools to combat them. This pillar unites Digital Security intelligence activities.



### TO PREVENT

In this pillar, we invest in the development of tools and adherence to procedures that will defend us against cyber attacks.



### TO DETECT AND REACT

As much as our Company invests in the first two pillars, we still may be at risk of suffering an attack. In that case, we need to be able to detect it and react quickly.



### TO RECOVER

When we suffer an attack, it is possible that some damage is done to our systems. We need to have mechanisms and procedures to recover quickly, without affecting our services.



From these pillars, we plan actions on several structuring fronts, such as the Cyber Defense, which proposes initiatives to make our internal environment more robust, expanding our prevention capacity and response to attacks. The Data Protection front seeks to develop new mechanisms and technologies that allow us to protect the information we store, both from the customer and the Company itself.

We have also drawn up initiatives to increase security when accessing our systems and in software development. In addition, we have a Digital Resilience front, focused on Business Continuity Management (GCN) and Disaster Recovery (RD) in case of cyber-attacks. Thus, we ensure that our customers are not affected by this type of event.

To mitigate the risks associated with our suppliers dealing with customer information, we require a number of conformities, particularly regarding the servers and systems they use. We conduct annual audits in their operations and, if we find flaws, we propose improvement plans (learn more on page 69).



# 09

## Our talents

**In this chapter you will find:**

- Valuing our Employees
- Culture Transformation
- Diversity
- Training
- Health and Safety



# Valuing our employees

GRI 102-8 / 103-1 / 103-2 / 103-3 / 401-1

Telefônica Brasil employees have a key role in our ability to bring a quality connection to customers and contribute to the digitalization of the country. Without the dedicated work of our teams, with talents and values aligned to the new digital age, we would not be able to continue to innovate and sustain ourselves in the long run.

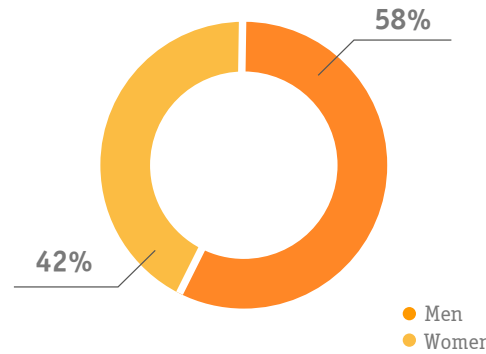
In order to maintain and engage these teams, we create value for employees, through benefits, training, internal recognition and a diverse and comfortable environment, where they feel free to be who they are.

We closed 2018 with 32,638 effective employees in our staff. The figure represents a reduction of 2.93% in our staff, referring to internal restructuring processes.

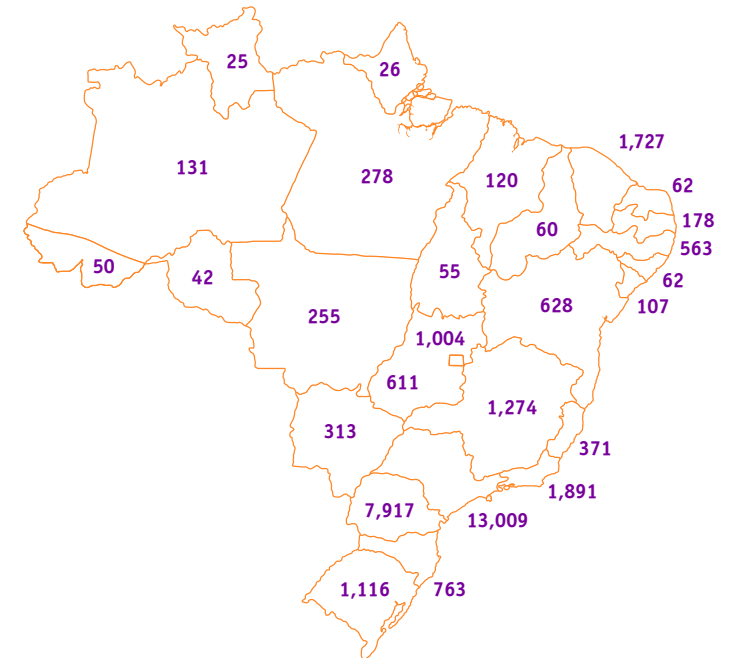


**32,638 employees**

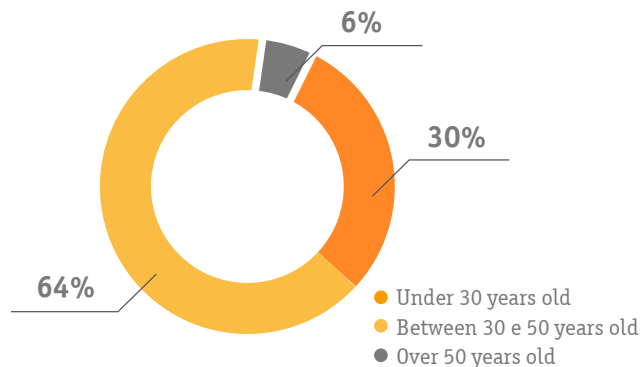
**Employees by gender**



**Employees by state**



**Employees by age group**



**VEM DE VOCÊ**

The Vem de Você (It Comes From You) Program, which seeks to value the diversity and authenticity of our employees, embracing different ways of dressing and behaving. The intention is for people to feel more comfortable, expressing their personality in the work environment, engaging our teams and enhancing their innovation capacity.

Through this initiative we contribute with the SDG:



\*The information about employees considers the companies: Telefônica Brasil, SP Telecon, ACT, Innoweb.

In addition, we have 27 interns and 379 apprentices, totaling 33,044 employees throughout the country.

In our operation, in the same period, we also counted on 122,011 service providers - called allies - for which we seek to apply the same values that guide the management of our employees (learn more on page 71).

To find increasingly qualified professionals who are aligned with our values and our corporate culture, we improved our selection process, using new technologies to relate with the candidates while valuing attributes related to the digital culture.



Hiring and dismissals in 2018				
Category	Total hires	Hiring rate	Total dismissals	Turnover rate*
Men	3,207	16.8%	3,813	18.4%
Women	3,188	23.5%	3,566	24.9%
Under 30 years old	3,554	36.4%	2,984	33.5%
Between 30 and 50 years old	2,754	13.1%	4,020	16.1%
Over 50 years old	87	4.7%	375	12.5%
<b>Total</b>	<b>6,395</b>	<b>19.6%</b>	<b>7,379</b>	<b>21.1%</b>

 **AWARDS**

Recognizing our people management practices in 2018, we were awarded as one of the top 20 companies to work for, in the Large Companies category during the 22nd Great Place to Work Award.

\* We now report the turnover rate and no longer the dismissals rate. The turnover rate was calculated considering:  $(\text{total hires} + \text{total dismissals}) / 2 / \text{total employees}$ .



## Culture transformation

In 2018, we deepened the process to transform our corporate culture, implementing new ways of relating and working, with the goal of aligning our teams with the values we defend, such as diversity, originality and dialogue. Therefore, we believe we will enhance the Company's digital transformation, improving our innovation capacity.

Throughout the year, we continued the process to adopt the agile model in the Company with the creation of new squads for some business areas. Conceived in Silicon Valley, the model was created focusing on the development of innovation and digital transformation projects. It is based on the formation of differentiated multidisciplinary teams for each project, with less internal hierarchies and based on the individual talents of each employee, in order to simplify and expedite the deliveries.

The agile model began to be implemented in the Company in 2016, initially in the digital area, but today it is adopted in some areas, such as IT, B2B and B2C. This movement should continue to expand in the coming years.

In 2018, we also implemented the Vivo Coworkers initiative. With no fixed places, we transformed Telefónica buildings into a great shared work place. In doing so, we encouraged the circulation of employees in the different spaces of the Company, increasing the collaboration between the areas, with information and knowledge sharing.

Through this change, we optimized the use of spaces in our operations, emptying some buildings and generating savings of resources such as energy and water (learn more on page 74).

According to Vivo Coworkers, we leverage our Mobility project, which allows employees in primarily administrative areas to do work remotely once a week. With that, we optimize their time, reducing the need for commute, increasing their quality of life.



This new work model is made possible thanks to new digital tools, which allow the teams to communicate at a distance, with no productivity loss. By the end of 2018, 43% of the eligible public joined the Mobility program.

Our digital transformation process also allowed us to evolve our employee assistance tools. Over the year, we continued to migrate our resolution of doubts and questions to Vivi, a virtual assistant programmed with artificial and cognitive intelligence.

# Diversity

GRI 103-1 / 103-2 / 103-3 / 405-1 / 405-2

At Telefônica Brasil, we believe that our team's diversity is a key factor to create an environment that stimulates innovation and creativity, where people with different life histories and ways of thinking coexist in search of joint solutions. Moreover, since we intend to be a Company capable of serving the entire Brazilian population, we understand that we need to reflect the diversity of this population in our teams.

Globally, we implemented a Policy for Diversity and Inclusion, which establishes the search for diversity in the following aspects: cultural, gender, race, sexual orientation, generation, religion, ability and disability. We are committed to offering equal career opportunities for women, with goals monitored quarterly by the Global Diversity Council.

In Brazil, in April 2018, we started the Vivo Diversidade Program and published the Vivo Diversidade Manifesto, defining and disseminating our commitment to the topic for all employees. The Program has two main objectives - to strengthen an inclusive culture and increase representativity at Telefônica Brasil - and is structured in four pillars: Gender, Race, People with disabilities and LGBT+. Each of these pillars is the subject of a subcommittee of the Company, which has the leadership of a Vice President and reports to the Diversity Committee, with the role of discussing and structuring the Program. In addition to these formal structures, it also foresees the existence of affinity groups, which debate and disseminate the theme among the Company's areas.



## TECHNICAL WOMEN

The Technical Women Project worked in the training and hiring of 15 technical women to carry out the care at the customers' home. Thus, in addition to supporting the participation of women in traditionally male positions, we provide an option for female customers who feel safer when being served by women.

Before the Program start, we conducted a diagnosis of Telefônica Brasil, which sought to analyze demographic data and understand the perception of several employees at all hierarchical levels. Based on this research, we developed our performance platform.

Among the initiatives, we conducted Inclusive Culture training and published a Diversity Guide for the Leadership. The directors and vice presidents underwent a training on Unconscious Bias, with the objective of raising awareness of the actions taken automatically while encouraging the valorization of diversity in times of hiring, recognition, progression and career promotion.

In the Gender pillar, we have the goal of increasing women's participation in the organization, reaching 30% of the directive staff (Directors and Vice-Presidents) by 2020.

Through this initiative we contribute with the SDG:



For this, all the promotion processes to managerial positions must have a female candidate among the three finalists, besides applying blind curriculum, which excludes gender information.

We also set up milk collection and storage areas where new mothers - who have just returned from maternity leave - may feel comfortable collecting and reserving milk, making it easier for them to return to work. At the same time, we extended the paternity leave from five days to 20 days, allowing a greater participation of the man in that family moment.



At Race Pillar, we hired a consulting firm to study the best way to promote the hiring of black employees. From this diagnosis, we will set a goal and work on the theme in the coming years.

In the pillar of people with disabilities, we have published a People with disabilities Relationship Guide and a Diversity & Inclusion Guide for these employees, as well as researching ways to improve the accessibility in our facilities. As a value-added service, we offer the "Guide to Wheels" app, which points out and ranks accessible places locations close to the user. We also hired a strategy consulting and talent attraction firm for people with disabilities, to study how to promote the hiring of these professionals.

Finally, in the LGBT+ pillar, we extended medical care to dependents of homosexual couples and began to use the social name of transgendered employees in badges and e-mail addresses.

Throughout the year, we have also joined a number of initiatives related to diversity and inclusion, such as the Business and LGBT+ Rights Forum, Pact for Inclusion of the Business Network for Social Inclusion, Business Coalition for Racial and Gender Equity and the Business Conduct Standards to address discrimination against lesbian, gay, bisexual, transvestite, transgender and intersex people, of the Free & Equal movement, from the UN, in addition to the ElesPorElas (HeforShe) movement of the Solidarity for Gender Equality, from UN Women (learn more about each of these initiatives on page 62).

As a result of these actions, at the end of 2018, women accounted for 42% of the total number of employees and 30% of the management positions.

We consider the difference between the wages of men and women an important diversity indicator of a company and, therefore, the gender of our employees is not a factor in the definition of their remuneration. See on the following table, the ratio between the compensation paid to women and men in 2018:

## Diversity of Telefônica Brasil's employees

Functional Level	Total	Men	Women	Under 30 years old	Between 30 and	Over 50 years old
50 years old	Over 50 years old	93%	7%	0%	0%	100%
and Fiscal Council	14	93%	7%	0%	0%	100%
Directive managers	114	81%	19%	0%	78%	22%
Middle managers	3,426	70%	30%	6%	86%	8%
<b>Other</b>	<b>29,098</b>	<b>57%</b>	<b>43%</b>	<b>33%</b>	<b>62%</b>	<b>5%</b>
<b>Total</b>	<b>32,638</b>	<b>58%</b>	<b>42%</b>	<b>30%</b>	<b>64%</b>	<b>6%</b>

## Compensation paid to women and men

Functional Level	Ratio between the average salary of women and men	Ratio between compensation* paid to women and men
Directive managers	87%	86%
Middle managers	97%	100%
Other	83%	83%

\* Includes salary, Profit Sharing Program/Bonus and Variable Compensation.

# Training

GRI 103-1 / 103-2 / 103-3 / 404-1

Telefônica Brasil has promoted a series of internal changes and transformations in recent years, focusing on the digitalization of processes and updating their work methodologies. In order to keep our employees at the forefront of these changes, we conduct a series of face-to-face and online training to update their knowledge and skills.

In 2018, we invested approximately R\$ 59 million in education with more than 300 thousand active employees participation and 330 thousand partners participation in our training actions, totaling 1,4 thousand hours of training for our own employees and 440 thousand hours of training for partners, online and in person.

Average hours of training per active employee	
Men	31.43
Women	41.01
Directive managers	12.30
Middle managers	20.12
Other	37.20
<b>Total</b>	<b>35.53</b>

To offer our training, we have a corporate Learning Management System (LMS), the SuccessFactors, with online courses on subjects such as innovation, technology, career and self-development. There are more than 200 titles available to employees anytime, anywhere.



Among the face-to-face training, we followed the Educational Development Program, which aims to contribute to the training and development of professionals, leveraging the results of the organization. More than 900 employees benefited with the financial support of the program, being 49% in Higher Education, 26% in Graduate and 25% in Languages Learning between English and Spanish.

For the fourth consecutive year, we promoted the Self-Development Week, which this year was named #VivoAprendendo. Its main theme was Mindset Digital, with the aim of generating reflection on employees on themes that influence their careers, taking them out of the comfort zone and stimulating future behaviors and skills, such as soft skills, creativity and innovation. Participants were able to sign up through an app made especially for the event, we used face recognition to confirm attendance at lectures and workshops. We carried out 26 actions in 9 cities, reaching 1,190 attendees and 956 online.

Recognizing the importance of attracting new talents to sustainability and business growth, in 2018 we invested in our program aimed at this audience: the Young Talents. Our trainee program had more than 22,000 registrations for 32 positions.

Over the course of 18 months, it offers the opportunity to work on the Company's strategic projects, as well as participating in a vast development and training trail that accelerates professional maturity. In addition, we have an internship program, which has become an important source of talent for the company.

We continue to seek the development of leaderships, with face-to-face and online programs, directed at various levels:

- **Corporate Mentoring Program:** we have expanded the program to accelerate the development of an even greater number of our leadership, preparing it for Telefônica's current and future challenges. The program was attended by 150 mentors and 150 mentees, sharing knowledge and exchanging experiences, resulting in a true two-way growth process.
- **Leaders Academy:** promotes culture and the organizational strategy and aims to empower leadership and potential managers through face-to-face and online training. In 2018, 120 in-class classes were held in 21 different subjects, with a total of 2,088 participations. In October,



we launched the Online Platform of the Leaders Academy, which is available to 100% of the coordinators, section managers and division managers, with a portfolio of 150 diverse content.

- **Telefónica University (Barcelona):** through international development programs, we strengthen our connection with the global strategy of the Telefónica Group and we prepare executives for business challenges. In 2018, we sent 277 leaders to the Telefónica University in Barcelona to participate in 7 different courses.
- **Coaching Program:** an action focused on executive development. In 2018, we directed 91 executives, based on the results of performance appraisals, to Coaching sessions with renowned market consultants.

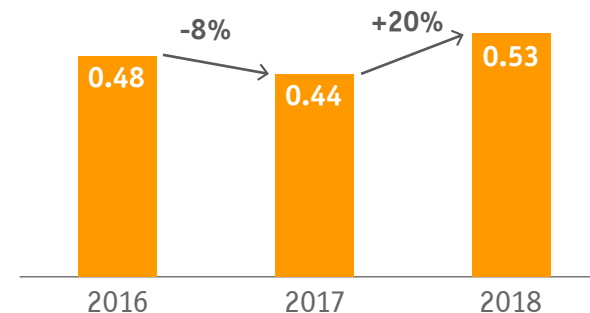
## Health and safety

GRI 103-1 / 103-2 / 103-3 / 403-1 / 403-2

Through our Occupational Health and Safety actions we guarantee compliance with Brazilian labor laws as well as the promotion of employees' well-being and quality of life. To achieve that, we rely on teams working throughout the country, specialized in safety, accident prevention and dissemination of the strategic topics in the area.

In 2018, the Telefónica Group published the Global Health and Safety Policy, which was attended by Telefônica Brasil in its elaboration and establishes the guidelines and norms of the theme in our business.

### Accident rate



### Occupational health and safety indicators

	Men	Women	Total
<b>Accident rate<sup>1</sup></b>	0.755	0.218	<b>0.530</b>
<b>Lost days rate<sup>2</sup></b>	40.774	3.367	<b>25.089</b>
<b>Absenteeism rate<sup>3</sup></b>	0.0444	0.0687	<b>0.0546</b>

<sup>1</sup> Number of Typical Work Accidents over total hours worked times 200,000. Total hours worked take into account the actual total working hours.

<sup>2</sup> Total days lost due to accidents divided total hours worked times 200,000.

<sup>3</sup> Total lost days due to any illness or accident, with more than one day of absence by medical certificate, excluding maternity leave, divided by the total number of days not worked.

<sup>4</sup> Lost days rate, in the case of men and the total, included 6,000 days related to a fatal accident, due to Brazilian legislation. Health and safety rates differ from the overall report because of the local update routine.

The increase in accident rate is due to the improvement in the process of monitoring the operation in the field and the crossing of medical certificates with identification of associated pathologies, thus reducing underreporting.

In 2018, we recorded two fatalities among our employees, affected by urban violence and traffic accidents, the last one occurring during the journey between work and home<sup>1</sup>.

According to the medical analysis, the occurrences of absence for health are related to the different causes, and eventual relationships to occupational causes have been contested with the welfare state. Therefore, in the year 2018 there were no cases of occupational disease leave.

Through our Ally Management, we also monitor compliance with the Health and Safety legal obligations of our service providers. We perform monitoring of key companies to assess their performance and instruct these teams to adopt best health and safety practices.



All our operational units with more than 50 employees have an Internal Commission for Accident Prevention (CIPA), in accordance with industry regulations in Brazil. In 2018, 62 CIPAs were established, offering direct assistance to 77% of our employees.

<sup>1</sup> The commuting accident was not considered in the rates and in the Global report, because it was off working hours.

Also in 2018, we conducted the SIPAT (Internal Week for the Prevention of Work Accidents and Promotion of Occupational Safety), with content made available to all employees online and to 23,686 in person. We also managed to take health actions to the family, in a playful way, with the availability of an App with the theme "Safety and Quality of Life Connected with You!". This was available on the internet for 898 hours and had a total of 98,596 games played by employees and family members.

We continue to promote the Weekly Safety Dialogue (DSS), an informational material sent to employees working in the field, aiming to develop a safety culture for the adoption of safe behaviors. In addition, we conducted more than 115,000 hours of normative training.

We also carried out a series of initiatives to promote healthy living habits among our employees, such as: health coaching, nutritional services, psychology and psychotherapy, support programs for pregnant women and meditation rooms.

Through this initiative we contribute with the SDG:



# 10

## Responsible Partnerships

Neste capítulo você vai encontrar:

- Sustainable Supply Chain
- Ally Management



# Sustainable Supply Chain

GRI 102-9 / 103-1 / 103-2 / 103-3 / 204-1 / 308-1 / 308-2 / 409-1 / 414-1 / 414-2

Through this initiative we contribute with the SDG:



At Telefônica Brasil, we consider the establishment of sustainable and mutually beneficial relations with our supply chain a central aspect for the perpetuity of our business. If we do not have processes that guarantee contractual compliance by our suppliers, we will not be able to deliver our products and services with the quality desired by the customer.

Therefore, we consider the identification and management of the risks associated with the participation of the suppliers in our activities, an essential task to maintain the fulfillment of the legal requirements, the satisfaction level of the customer and our reputation. And we seek to promote good management practices and sustainability in the chain.

In addition, through our business with our supply chain, we have expanded our positive impact in the communities where we operate, promoting development and job creation. By encouraging good socio-environmental practices among suppliers, we have also been able to increase our capacity to positively impact society and the environment.

During 2018, we connected with 1,301 suppliers, for whom we paid approximately R\$ 23.5 billion. Our supply chain encompasses the most diverse segments, such as Telecommunications, Call Center, Transportation, Furniture, Electrical Energy and Training. By prioritizing the relationship with Brazilian companies, we have expanded our generation of value to the country.

Volume of business with suppliers	2018
Total number of Suppliers	1,301
Local Suppliers	97.77%
Total spend with suppliers (R\$ billion)*	23.5
Expenses with local suppliers	99.65%

\* The information differs from the Global report, as it considers only Telefônica Brasil S.A.

\*\* Spending on suppliers refers to amounts granted in all years with a budget in 2018.

Also during the hiring process, we seek to promote the chain's sustainability by providing partners with copies of our Sustainability Policy for the Supply Chain (learn more on page 70) and the Responsible Business Principles (page 24). Companies only participate in the competition process if they accept the guidelines of these documents, as well as sign our anti-corruption certificate.

In order to register in the Telefônica Group, all suppliers need to prove Financial, Tax and Legal Regularity, and we have contractual clauses so that they undertake to act in strict compliance with tax, labor and environmental legislation.

In order to manage our supply chain, we focus on the most significant suppliers to the company, either because of the risk they bring to our business or because of the impact on our operation.

For suppliers considered relevant within this matrix, we work following three pillars:



Regarding the Monitoring pillar, the Telefónica Group has joined the JAC (Joint Audit Committee), a coalition involving the world's largest telecom companies to assess the compliance of their shared supply chains. JAC audits these companies' main suppliers. In 2018, two suppliers were audited in Brazil.

We are also partners with Ecovadis, a platform present in more than 150 countries that has developed a methodology for assessing and monitoring the social and environmental performance of suppliers. The initiative scores each company registered in its systems, allowing the evolution of our monitoring of the supply chain. Throughout 2018, we continue to encourage our main suppliers to join the system and for 2019 we have the goal of increasing the number of respondents by at least 20%.



### MINERALS FROM CONFLICT ZONE

We have no direct business relationship with mineral extraction suppliers, but we work to strengthen control over these materials in our value chain. Our policy is based on the Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, of the Organization for Economic Co-operation and Development (OECD), which is contemplated in the Sustainability Policy in the Supply Chain and is transferred to our suppliers.

	2016	2017	2018
Suppliers assessed by the Ecovadis methodology	0	14	109

Since 2017, we monitor the due contractual execution of critical suppliers to the Environmental Management System (EMS), in Brazil. The monitoring enables a better control and preventive actions against legal environmental risks associated with the activities of our suppliers, also meeting the requirements of ISO 14001. Critical suppliers are identified from the environmental impacts of the activities, products and services they carry out. Currently, we have 198 monitored supplier contracts, and 88 improvement action plans being supervised

	2016	2017	2018
Suppliers contracts evaluated in EMS	0	199	198
Improvement plans monitored	0	79	88

The privacy and data protection of our customer data is a strategic topic for our business (learn more on page 53), which demands attention from our management not only in internal processes, but also in the supply chain links that deal with this type of information. Therefore, we monitor the execution of the suppliers' contract involved in this topic, making visits and identifying action plan for possible adjustments. In 2018, we made 64 compliance visits with 57 improvement plans being monitored.

	2016	2017	2018
Privacy and information security audits	52	57	64
Improvement plans monitored	51	54	57

In relation to the Development pillar, the Sustainability Policy for the Supply Chain, which contains the Minimum Principles and Criteria of Responsible Business that our suppliers must follow.

## Sustainability Policy for the Supply Chain

### MINIMUM CRITERIA FOR RESPONSIBLE BUSINESS:

Any individual, company or organization that wishes to be part of Telefônica's supply chain must comply with the Minimum Criteria for Responsible Business



#### Ethics

- Compliance with the law
- Anti-corruption
- Conflicts of interest
- Complaints Channel



#### Environmental

- Compliance with the law
- Life cycle and preventive measures
- Environmental policy
- Environmental management
- Climate change
- Waste
- Hazardous substances and chemicals
- Consumption of materials and resources
- Air emissions



#### Social

- Employment relationship
- Working hours
- Salary
- Forced labor and human
- Trafficking
- Child labor
- Freedom of association and right to collective bargaining
- Non-discrimination
- Health and safety conditions
- Minerals from conflict zones



#### Privacy and Confidentiality of Information

- Information
- Personal data

In 2018, we held two workshops for our main suppliers. One of the events addressed topics such as social and environmental risk management in the chain and compliance in commercial relations, with the participation of 55 suppliers representatives. The other workshop was specific to logistics providers, which had participants from eight companies. In it, we addressed the fight against child sexual exploitation on Brazilian roads and the emission of greenhouse gases.

We also have a Responsible Business Channel available on our supply chain portal, where the supplier can ask questions and raise issues related to compliance with Telefônica's Business Principles. In the case of complaints regarding noncompliance with our policies and current legislation, we provide a Consultation and Complaints Channel, which can be accessed anonymously.

In the Partnership and Innovation pillar, we have some projects developed in partnerships with suppliers, seeking operational efficiency and innovation in our processes. The Eco Rating Project (page 86) and the electronic signature of documents are some examples (page 84).

The main initiative of this front, however, is the Global Workshop on Energy and Climate Change, held annually with the aim of boosting the Telefônica Group's energy transformation. In 2018, it happened between November 19 and 23, in Buenos Aires, Argentina. The event brought together employees from 15 countries and strategic suppliers to share energy efficiency initiatives and evaluate our goals for reducing energy consumption and greenhouse gas emissions. At the end of the meeting, the best projects already implemented were recognized, among them the Energy Certificates Purchase project (learn more on page 76).

## Ally Management

GRI 102-8 / 102-9 / 308-2 / 409-1 / 414-2

The allies are service providers and outsourced workers who render services to Telefonica Brazil. They are called allies for the importance they have in our operation, particularly in serving customers and maintaining networks - two essential services for our sustainability.

In 2018, we had 122,011 allies providing services to Telefônica. This expressive number is explained by the very nature of our business as a telecommunications company and is admitted by the law that governs the sector in Brazil.



Number of Allies		
Area	2017	2018
Call Center	46,042	37,741
Dealers	24,732	27,075
Other	17,208	17,514
Health professionals	124	115
Network	37,411	39,566
<b>Total</b>	<b>125,517</b>	<b>122,011</b>



Because of the importance of these services for our business, we have a series of initiatives and procedures to manage the hiring of these suppliers. Ally Management is the area responsible for monitoring these suppliers' compliance with legal requirements, safety standards and commitment with the Responsible Business Principles. We have an Allies Committee, with the task of presenting to the internal areas the status of the contractual fulfillment of the allies with respect to the aforementioned aspects.

The allies were also presented to DNA Vivo, a program that seeks excellence in customer service by all means where they can contact Telefônica Brasil (learn more on page 40). Since allies are responsible for a significant portion of these contacts, it is important that they are also imbued with that purpose.

In order to evaluate their social impact, we carried out document monitoring in 200 of these suppliers, in search for pending payments on social charges.

We held on-site audits to verify contractual compliance with respect to meeting labor, social security and safety at the workplace legislation by these suppliers.

Moreover, inspections on location are also held in partnership with the Telefônica Group, focusing on the sustainability of these suppliers. The main impacts observed in these assessments are: health and safety, environment, ethics, slave and child labor, human resources and others.

	2016	2017	2018
Allies' Sustainability Audits	19	21	21

Through this initiative we contribute with the SDG:





# 11

## Environmental responsibility

In this chapter you will find:

- Environmental Management
- Climate Change
- Climate Risks
- Energy Consumption
- Reverse Logistics
- Waste
- Paper Less Project
- Eco Rating
- Responsible Network
- Circular Economy



# Environmental management

GRI 102-11

Telefônica Brasil's focus on digitalization of society has a positive impact on the environment. By providing quality connection and facilitating communication between people and companies in Brazil, we help shorten distances, reduce travel and facilitate control over energy consumption, contributing directly to a low carbon economy. We believe in the power of digital technology to create new opportunities for sustainable development, leading to greater energy efficiency and the best use of natural resources.

In addition, we continuously seek to mitigate the environmental impact of our operation through operational controls and reduction in our energy consumption, CO<sub>2</sub> emissions and waste generation. We also look for ways to go beyond the boundaries of our activities, engaging our entire value chain, from suppliers to customers, in our sustainability vision.



These guidelines are part of the Telefônica Group's Environmental Policy, which governs the EMS (Environmental Management System), implemented in our operations. It enables a better control of risks and compliance with environmental laws, avoiding possible environmental liabilities, fines and damages to reputation.



## RETHINKING THE OCCUPATION OF SPACES

In 2018, we reevaluated our space use model in our buildings, seeking a more efficient way to use the spaces. Through initiatives such as Coworking and Mobility (learn more on page 61), we have been able to allocate the same number of employees in a smaller environment without losing efficiency and quality of life.

As a result of these efforts, we vacated four buildings: in São Paulo, Brasília, Curitiba and Porto Alegre. The initiative generated savings of R\$ 17 million, in rent expenses alone. But it has also helped to reduce our consumption of water and energy, waste generation and employee mobility.

Currently, the EMS covers the planning, implementation, maintenance, operation and deactivation processes of the mobile and fixed line networks in 51 municipalities in which we operate. These municipalities - where the system was installed, - were chosen considering factors such as the strategic importance to the organization, the number of sites and population served. In 2018, through an external audit, we obtained the ISO 14001: 2015 for maintenance certification.



The EMS allows us to conduct an Annual Audit Plan (PAA) in order to verify the effectiveness of operational controls, management of aspects and impacts of our operation and compliance with legal requirements. In 2018, the auditing cycle included all regions and 27% of the municipalities covered by the EMS. Since 2016, 70.5% of the municipalities were audited.

We also carried out 12 internal audits, being six of Environmental Management System and six of Environmental Legal Compliance. In relation to suppliers, we carry out documentary audits in order to assess those considered critical to the EMS (learn more on page 72).

Aimed at raising awareness of our Environmental Policy among our employees, during 2018 we held 1,215 hours of environmental training, addressing topics such as ISO 14001, chemical storage, solid waste management, black smoke monitoring, response to environmental emergency, among others.

# Climate change

GRI 103-1 / 103-2 / 103-3 / 305-1 / 305-2 / 305-3 / 305-4

Climate change caused by greenhouse gas (GHG) emissions represents one of the main risks to the sustainability of our business and of society as a whole. We believe that one of the key tools to mitigate the impact of these changes is the country's digitalization as new technologies that increase efficiency and reduce distances help reduce emissions from society as a whole.

The Net Positive survey conducted by the Telefónica Group in partnership with Carbon Trust showed that the use of our products and services prevented 119.5 thousand tons of CO<sub>2</sub>e from being emitted by customers in 2017 and 120.9 in 2018, divided as follows.

Emissions from customers avoided by digitalization (in tons of CO <sub>2</sub> e)		
	2017	2018
Fleet management	21.3	20.1
Workforce Management	1.0	0.9
Telecommunications	96.8	99.5
Audio / Video conferencing	0.2	0.2
Cloud and Visualization Services	0.2	0.2
<b>Total</b>	<b>119.5</b>	<b>120.9</b>

The volume accounted for about 60% of our direct and indirect carbon emissions (scopes 1 and 2) in 2017, and 119% of emissions in 2018, demonstrating the power that the digitalization promoted by our products and services has to fight climate change. We should, in the coming years, include other categories of services in the estimate, which should further increase the calculated value.

In addition to developing innovative products and services, the Telefónica Group has a global commitment to reduce energy consumption and GHG emissions in its own operation by 2030.



## Climate Change Goals of the Telefónica Group | 2015-2030

**Reduce by 50% energy consumption from traffic by 2020.**

**Lower absolute emissions by 30% by 2020 and by 50% by 2030.**

**Save 90 million euros in energy efficiency projects by 2020.**

**Invest in renewable energy as a sustainable source for our business, using 50% of the electricity from renewable sources by 2020 and 100% by 2030.**

**Reduce CO<sub>2</sub> emissions in our supply chain by 30% per euro purchased by 2025 compared to 2016 (Scope 3).**

**Avoid 10 tons of CO<sub>2</sub> in customers for each ton emitted by Telefónica in 2025 (Net Positive).**

Through this initiative we contribute with the SDG:



To track the goals outlined in the Climate Change Objectives, the Telefónica Group has a Renewable Energy Plan and an Energy Efficiency Plan.

In order to make its commitment public, the Telefónica Group has joined the RE100 initiative, a global and collaborative effort involving large organizations committed to reaching 100% of renewable energy consumed in their operations (learn more on page 78).

In Brazil, in 2018, we continue to increase the proportion of renewable energy consumed in our operation, contributing to reduce our emissions and making our growth compatible with a sustainable strategy.

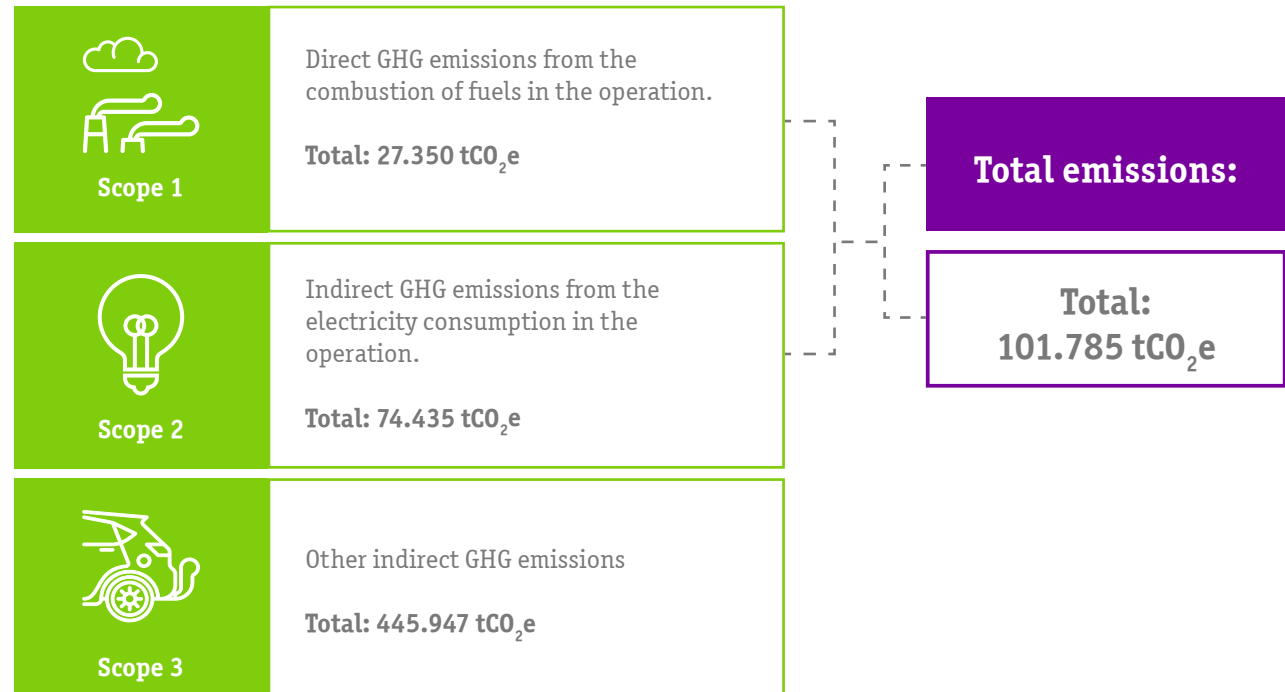
In order to achieve the global CO<sub>2</sub>e emission reduction targets, we started to purchase, as of October, Renewable Energy Certificates (RECs) in the Brazilian market. These certificates are issued by enterprises that produce energy from renewable sources by injecting it directly into the local electricity grid. When we buy the certificate, we certify that the energy we consume from the electricity grid originates from that specific producer. In the case of the certificates we buy, 100% refer to wind energy.

Our plan is, as early as 2019, to use the Certificates to ensure that 100% of our electricity consumption comes from renewable sources.

Renewable Energy Goals					
	2017	2018	2019	2020	2030
Goal	27%	35%	45%	50%	100%
Achievement	27%	44%	-	-	-

In order to assess and mitigate our impact, we monitor the emissions generated by our activities, according to the international guidelines of the GHG Protocol, and make this information available on the Brazilian Program platform. Since 2012, our inventory has qualified for the Gold Seal, the highest classification applicable on this platform.

### Greenhouse Gas Emissions (GHG) Inventory

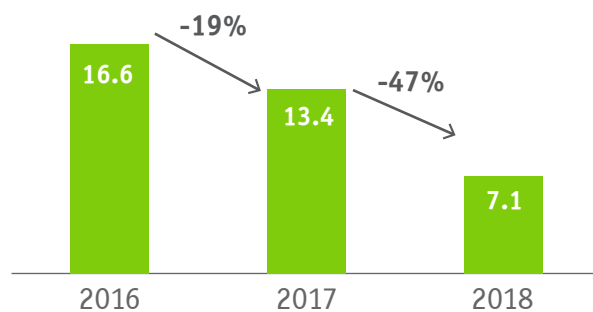


Scope 3 was calculated by means of a study carried out globally by the British company Carbon Trust, which estimated emissions from our value chain as a consequence of our activities.

Scope 3 emission (tCO <sub>2</sub> e)			
Category	2017	2018	Variation
Purchase of products or services	204,792	214,888	4.7%
Capital goods	147,149	142,901	-3.0%
Activities related to energy consumption	39,720	43,429	8.5%
Business trips	13,954	5,142	-63.2%
Use of products sold	14,155	39,587	64.2%
<b>Total</b>	<b>419,770</b>	<b>445,947</b>	<b>6.2%</b>

Throughout 2018, the purchase of electricity from renewable sources prevented us from emitting 59,264 tCO<sub>2</sub>e from Scope 2 in our operation (learn more on page 76). As a result of our efforts, in 2018 we reduced by 47% the emission of CO<sub>2</sub>e per data traffic.

### Emissions per data traffic\* (tCO<sub>2</sub>e/Pb)



\* The calculation of emissions by traffic does not take into account Scope 3 emissions.

In 2018, we began a study to calculate the Carbon Footprint, in partnership with Carbon Trust, from the services we offer to our customers, mobile and fixed, data and telephony, in order to inform them how each of the services used emit CO<sub>2</sub>e.

In this way, they will be informed about their individual impacts on the consumption of telecommunications services. The result should be published in 2020.



# Climatic risks

We monitor the risks related to climate change according to the mapping of the main risks related to our sustainability management. In partnership with the Corporate, the Risk Management area validates the climatic risks mapping, as well as other environmental risks, attributing: risk description, temporal proximity, valuation in local currency, probability, risk state, controls and actions.

## Among the risks listed are:

- Flood in technical sites in environments with increased rainfall;
- The lack of supplies on sites that require water for cooling;
- Greater need for refrigeration and increased energy consumption;
- Reduction of equipment and infrastructure shelf life;
- Greater risk of fire;
- Problems in signal transmission due to increased rainfall;
- Cuts in electricity supply;
- Increased risk of health and safety of workers at technical sites; and
- Inability to access remote sites due to increased rainfall and problems with access and roads.

In addition to direct impacts, climate change can also have indirect impacts. For our business, the most relevant are those linked to electricity.

In Brazil, hydropower represents over 65% of the energy matrix, and after reduced rainfall, the availability and cost of electricity may suffer variations that impact our business.



We manage this risk through the purchase of energy in the free market and through the acquisition of renewable energy (see more on page 80), encouraging the increase in generation from other renewable energy sources in the country, which may prevent hydropower dependence in the future.

The Information and Communication Technologies (ICTs) sector is expected to have an increased demand for coverage of the telecommunications service, due to the growing need for connections, but also difficulties in the delivery of these services are expected, due to possible technical and signal interruptions due to climate change. In 2017, we conducted a study on the Company's

adaptation needs in relation to the effects of climate change and, over the next few years, we will take actions to unfold the opportunities raised.

In addition, we have a strategy to mitigate the emissions from our operations, which provide for the exchange of water-cooling equipment by dry models, low carbon purchase instruction to prioritize efficient electrical equipment and air conditioning with lower emission of greenhouse gases and an Energy Efficiency plan, to reduce energy consumption (learn more on page 79)



# Energy consumption

GRI 103-1 / 103-2 / 103-3 / 302-1 / 302-3 / 302-4

In order to achieve the global goal of reducing our energy consumption by traffic by 50% by 2020 (learn more on page 80), our management focuses on improving the energy efficiency of our operations and prioritizing renewable sources. To guide our projects within this theme, we have an Energy Management team and a Global Energy Management Policy.

In line with this Policy, we have the Sustainable Fleet project, which provides for the replacement of fuel used by our fleet of 2.883 vehicles in the state of São Paulo, with the use of ethanol instead of gasoline. In addition to resulting in savings due to the lower price of ethanol, the substitution also reduces our emissions, because it is not a fossil fuel.

Fuel consumption in the fleet*				
Type	2017		2018	
	Liters	Energy(GJ)	Liters	Energy (GJ)
Gasoline	5,877,540	189,492	4,801,897	154,813
Diesel	195,836	6,952	181,277	6,435
GLP	-	-	65	2
Ethanol	7,073,979	151,029	6,904,418	147,409

\* The conversion factors of the National Energy Balance of 2018 were used. The percentages of biofuels were not discounted.

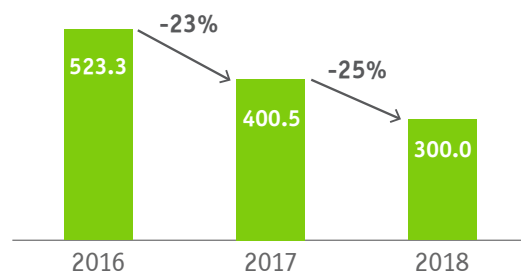


In 2019, we plan to offset 100% of our fleet emissions through the purchase of carbon credits.

The Global Energy Management Policy also guides the Energy Efficiency solution we sell to our B2B business customers, with the goal of intelligently managing their electricity consumption (learn more on page 79).

In 2018, we had an increase in data traffic in our network, which also led to the 1.6% rise in the energy consumption of our operation compared to last year. Despite this increase, we are more efficient and consuming less and less energy per data traffic.

### Energy Consumption per Data Traffic (GJ/Pb)



Energy Consumption (GJ)			
	2016	2017	2018
<b>Energy generated by fuel combustion in operations*</b>			
Diesel	52,606	57,595	57,997
Gasoline	6,493	6,210	10,496
<b>Electricity purchased</b>			
Total consumption of electricity	5,586,431	6,406,131	6,505,730
Free market (purchase of renewable energy)	1,398,399	1,670,546	1,759,382
Percentage of Free Market Energy	25%	26%	27%
Renewable Energy Certificates (I-RECs)	-	-	1,124,392
Percent offset with certificates	-	-	17%
Percentage of renewable energy	25%	26%	44%
<b>Total energy consumed in operations</b>			
<b>Total</b>	<b>5,645,530</b>	<b>6,469,936</b>	<b>6,574,223</b>
<b>Expenses with electricity (R\$ million)</b>	<b>725.0</b>	<b>819.8</b>	<b>762.7</b>

\* The conversion factors of the National Energy Balance of 2018 were used. The percentages of biofuels were not discounted.

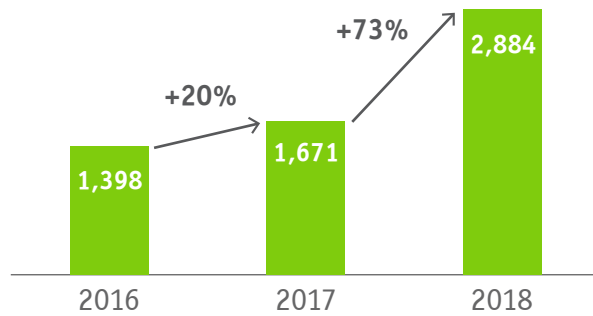
Throughout the year, we increased the renewable energy share in our energy matrix, both through the purchase of energy in the Free Market, which grew 5.3% in relation to the previous year and by beginning to purchase Renewable Energy Certificate. In this way, we now have 44% of renewable energy in our electricity consumption, with Free Market energy coming from hydroelectric sources and the Certificates coming from wind power.

Through this initiative we contribute with the SDG:





## Renewable energy (in thousands of GJ)



Our energy consumption data is audited by an independent firm (AENOR).

During the year, we implemented a series of initiatives to reduce the energy consumption in our operations. Through the SUSI (Unified Infrastructure Support System) Project, which monitors and automates our infrastructure systems, we saved 8,089 GJ in 2018 (learn more on page 32). On the other hand, the Power Saving Features project, which seeks to reduce the energy consumption in our network at times with lower data traffic, contributed to the reduction of 8,199 GJ in our consumption during the year.

## WATER

Water consumption in our operations is mainly related to refrigeration systems and domestic use in drinking fountains, lavatories and toilets. We have eco-efficient equipment to avoid waste and water reuse system in some buildings. In addition, we periodically promote awareness campaigns for our employees. We constantly evaluate our operational buildings and stations, disconnecting unnecessary water consumption connections.

In 2018, our water consumption totaled 1.23 million cubic meters, volume 10.3% higher than in the previous year. The amount is sufficient to supply approximately 21 thousand families in a year. Of this total, 98.4% was purchased from public supply companies and the remainder collected directly from surface water. Throughout the period, we closed the connections that were no longer used, replaced operation equipment models that do not use water and we also reinforced the efforts to treat leaks faster, avoiding wastes.

	2016	2017	2018
Water consumption (m <sup>3</sup> )	1,120,700.00	1,099,693.19	1,226,299.19



# Reverse Logistics

GRI 301-3

The digitalization of the country supported by Telefônica Brasil brings with it an environmental challenge: the generation of electronic waste. These materials, from used electronic equipment, are often disposed of without proper care, going to landfills, polluting the environment.

To reduce this impact, we have several Reverse Logistics initiatives, which propose by analyzing and dismantling this kind of waste, separating its several components and ensuring the proper disposal of each one of them, either by recycling, using them in new products or by sending them to special landfills

For the electronic devices marketed in mobile telecom business, we have implemented, since 2007, the Recicle com a Vivo program (Recycle with Vivo), helping our customers to deposit used mobile phones, batteries and accessories at urns in our stores and resellers. After collection, we guarantee Reverse Logistics and they are environmentally adequately disposed of.

In 2018, the urns received 5.0 tons of equipment, equivalent to 76,600 items. Over the last 10 years, we recycled almost 4 million items - 961,800 cell phones - through the Program, totaling almost 105 tons.

In 2018, the financial result obtained in the operation of Recycle with Vivo was R\$ 9 thousand, from the sale of equipment for recycling. The amount was allocated to Fundação Telefônica Vivo to finance social entrepreneurship projects that offer training in entrepreneurial skills to young people from the outer areas of the city (learn more on page 33).

Vivo Renova proposes to our customers the exchange of their used smartphones and tablets by newer models, offering discounts by delivering the old devices. Through this program, we collected 11.9 tons of devices, equivalent to 84.2 thousand items. Since the project began in 2013, we have reused approximately 300 thousand devices.

In the fixed line telecom business, the customer must deliver the defective equipment to us or return it once the contract ends. These materials go through a triage and, depending on our evaluation, are recovered to return to operations with full technical capability or dismantled and properly disposed. Customers may schedule the collection of equipment that is no longer used, at the website [www.vivo.com.br/devolverequipamento](http://www.vivo.com.br/devolverequipamento)

In 2018, we removed 966.0 tons of fixed line equipment, 438.0 tones were destined for recycling and 528.0 tones were recovered and returned to the customer's house.

Equipment for reverse logistics*		
Project	Weight (tons)**	Items
<b>Mobile line</b>		
Recicle com a Vivo	4.99	76,649
Vivo Renova	11.93	84,227
<b>Fixed line</b>		
Recycled	438.03	1,168,089
Recovered	527.96	1,408,229
<b>Total devices that have gone through Reverse Logistics</b>		
<b>Total</b>	<b>982.91</b>	<b>2,737,194</b>

\* Reverse logistics includes equipment that is directed to recycling (Recicle com a Vivo and Recycled) and to reuse (Vivo Renova and Recovered).

\*\* The weight in tons considers the values referring to the different types of equipment.

Through this initiative we contribute with the SDG:



# Waste

GRI 103-1 / 103-2 / 103-3 / 306-2

Due to the Company's size, distributed throughout the country, the generation of waste in our operations may present a significant environmental impact from our business. To mitigate this impact, we seek to extend the life cycle of the materials we use, prioritizing their recovery and reuse. When this is not possible, we send the greatest volume possible for recycling.

In this case, the materials are sold to approved suppliers, which ensure proper recycling. Suppliers considered critical by our Environmental Management System are monitored in supplier management processes to ensure compliance with waste management.

The materials sent to landfill represent 3% of the total waste presented in the table below. They comprise fiber optics waste, which we are still studying the best way to recycle, and a small percentage of cell phones and items collected in our urns, which cannot be recycled or reused.

Through this initiative we contribute with the SDG:



Waste disposal by type and method (tons)				
	Type	2016	2017	2018
<b>Recycling</b>				
Paper and cardboard <sup>1</sup>	Non hazardous	48.7	15.3	37.7
Cables and metals	Non hazardous	6,366.6	6,339.0	5,713.9
Batteries	Hazardous	1,312.2	1,590.0	1,104.9
Fluorescent lamps	Hazardous	11.3	3.7	2.6
WEEE (Waste of Electrical and Electronic Equipment) – operational <sup>2</sup>	Non hazardous	812.7	757.0	1,179.9
WEEE – administrative <sup>2</sup>	Non hazardous	294.2		
WEEE – customer	Non hazardous	345.5	528.4	438.0
Customers' mobile telephones	Non hazardous	6.3 <sup>3</sup>	8.1	5.0
<b>Total</b>	<b>-</b>	<b>9,197.5</b>	<b>9,241.5</b>	<b>8,482.0</b>
<b>Landfill</b>				
Cables and metals	Non hazardous	143.0	352.0	298.6
Customers' mobile telephones	Non hazardous	0.0	0.1	0.1
<b>Total</b>	<b>-</b>	<b>143.0</b>	<b>352.1</b>	<b>298.7</b>
<b>Reuse</b>				
WEEE – customer	Non hazardous	607.3	449.0	528.0
Customers' mobile telephones	Non hazardous	-	11.0	11.9
<b>Total</b>	<b>-</b>	<b>607.3</b>	<b>460.0</b>	<b>539.9</b>

<sup>1</sup> The calculation for 2017 and 2018 only includes the Ecoberrini building.

<sup>2</sup> As of 2017, we calculated operational and administrative WEEE together.



## Paper Less project

In line with the digitalization of our operation and the digital products and services we offer our customers, we implemented the Paper Less Project, which seeks to reduce the consumption and storage of paper in all areas of the Company. In this way, we use the technologies developed in our business to reduce our environmental impact.

Paper Less' proposal is to reduce our document printing by up to 70% between 2014 - the year of the first document digitization initiatives - and 2021, down from 4.4 million printed sheets a month to 1.3 million. The project involves all of the Company's operations, from administrative processes to B2C and B2B stores and sales, and also includes outsourced operations and some suppliers.

At the same time, the Project brings an unprecedented counterpart in the telecommunications sector: the planting of native trees of the Atlantic Rainforest in a reforestation area in countryside of São Paulo. This planting is the product of a partnership with the SOS Mata Atlântica Foundation, which will be responsible for maintaining and monitoring the reforested area. Thus, in addition to reducing the environmental impacts related to paper consumption, digital contracts also contribute to the reforestation of native species.

### Paper Less Project fronts



**DIGITALIZATION OF CONTRACTS**



**DIGITALIZATION OF OLD DOCUMENTS**



**SPECIALIZED PRINTING MANAGEMENT**

### Paper Less Project Counterpart



**PLANTING OF NATIVE TREES IN PARTNERSHIP with SOS Mata Atlântica**

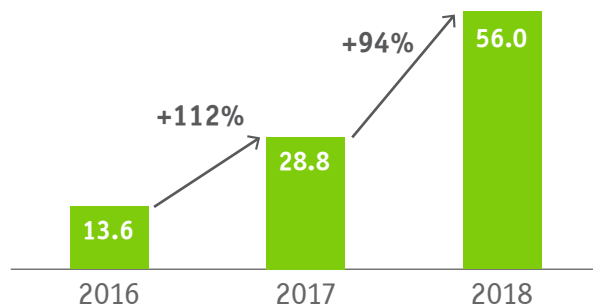
The first front began in 2014 and proposes to digitize the contracts signed with B2C and B2B customers, from the replacement of paper documents in stores by digital versions on tablets and smartphones. Through the tool, the customer can scan their documents and create a biometric signature to accept in the contract. At the end of the process, a copy of the digital contract is stored in a Telefônica repository and the customer receives a copy of the document in his or her email.

Currently, digital contracts are used in all our stores, resellers and authorized stores. In 2018, they also began to be employed in the signing of administrative documents, in the hiring of HR and in suppliers contracts.



In 2018 alone, we signed 11 million digital contracts, resulting in savings of 56 million sheets of paper. Since the beginning of the Project, 133,789,740 sheets have been saved.

### Sheets of paper saved with digital contracts (millions)



Regarding digitalization of contracts, the partnership with SOS Mata Atlântica provides for the planting of one native tree for every 23 thousand sheets of paper saved through digital contracts.

In the first half of 2018, the Company advanced the planting of the seedlings for the contracts that are scheduled to be digitized by the end of the project, resulting in the planting of 24 thousand trees, distributed in an area of 9.6 hectares, equivalent to ten soccer fields.

The second front, however, plans to digitize old documents from various areas of the Company, reducing its paper files from the current 550,000 boxes to 50,000 by 2022.

The documents began to be analyzed, cataloged and digitized in November 2018. If the source area authorize their disposal, they are turned into shredded paper and sold for recycling. The amount collected from the sale will be reverted to the planting of seedlings in partnership with SOS Mata Atlântica.

Each digitally generated document is pre-certified in a notary's office, guaranteeing its legal validity, and is submitted to a blockchain record, a digital technique that protects against tampering over time and provides information security.

The process is followed by the legal and regulatory areas, because in some cases paper documents cannot be discarded for compliance issues.

The third front, specialized print management, will begin in April 2019, with a new printing outsourcing contract, which provides for outsourced and specialized management of equipment, generating more efficiency and reducing the costs and volume

of printing. As a counterpart to the agreement with the new supplier, Telefônica proposes the planting of 5,000 native trees per year. By the end of the five-year contract there will be 25 thousand seedlings planted.



Through this initiative we contribute with the SDG:



# Eco Rating





At Telefônica Brasil, we are aware of our responsibility to reduce the socio-environmental impact of all links in our value chain, including our customers. That is why we have developed the Eco Rating label, which classifies the mobile phones marketed in Vivo stores according to environmental and social criteria, increasing customers' access to information that leads to more responsible purchasing decisions.

The assessment methodology was developed by Telefônica Group in the United Kingdom in conjunction with the NGO Forum for the Future which works to promote sustainable development.



The assessment follows a methodology that ranks devices on a scale of 0 to 5, focusing on more than 100 sustainability criteria. To reach the score of each cell phone, the Eco Rating methodology evaluates four modules:

## Eco Rating classification criteria

 <p><b>CORPORATE SCORE</b></p>	<p>Evaluates the Company's management that produces the device according to sustainability criteria. How is the cell phone produced? Does the Company act to reduce its emissions? Does it respect labor rights?</p>
 <p><b>LIFE CYCLE ANALYSIS</b></p>	<p>Measures the environmental impact of the device throughout its life cycle, from the consumption of raw materials and transportation, to the use and the end of life.</p>
 <p><b>RESPONSIBLE DESIGN</b></p>	<p>Ensures that cell phones are durable, that they can be repaired and receive appropriate technical assistance, with proper use of the battery. In addition, it assesses whether the devices were made with easily recycled raw materials.</p>
 <p><b>FUNCTIONALITY</b></p>	<p>Analyzes whether the device has specific features that replace the use of other devices, such as digital camera, GPS and tablet.</p>

Through this initiative we contribute with the SDG:



In 2018, we increased the number of mobile phones assessed, reaching 69.6% of new products with the seal in our stores.



Eco Rating evolution			
	2016	2017	2018
% of devices sold with the seal	36.8%	71.5%	72.9%
% of billing represented by devices with the seal	28.1%	54.5%	56.0%
Average Eco Rating score of devices sold	3.20	3.17	3.14

## Responsible network

The greatest environmental impact of our operation is related to network infrastructure, used to take connection to our customers, mainly because of electricity consumption, and waste generated during maintenance processes.

To reduce this impact, we rely on structured operational controls to manage all environmental aspects, described in the following chart:

Through this initiative we contribute with the SDG:

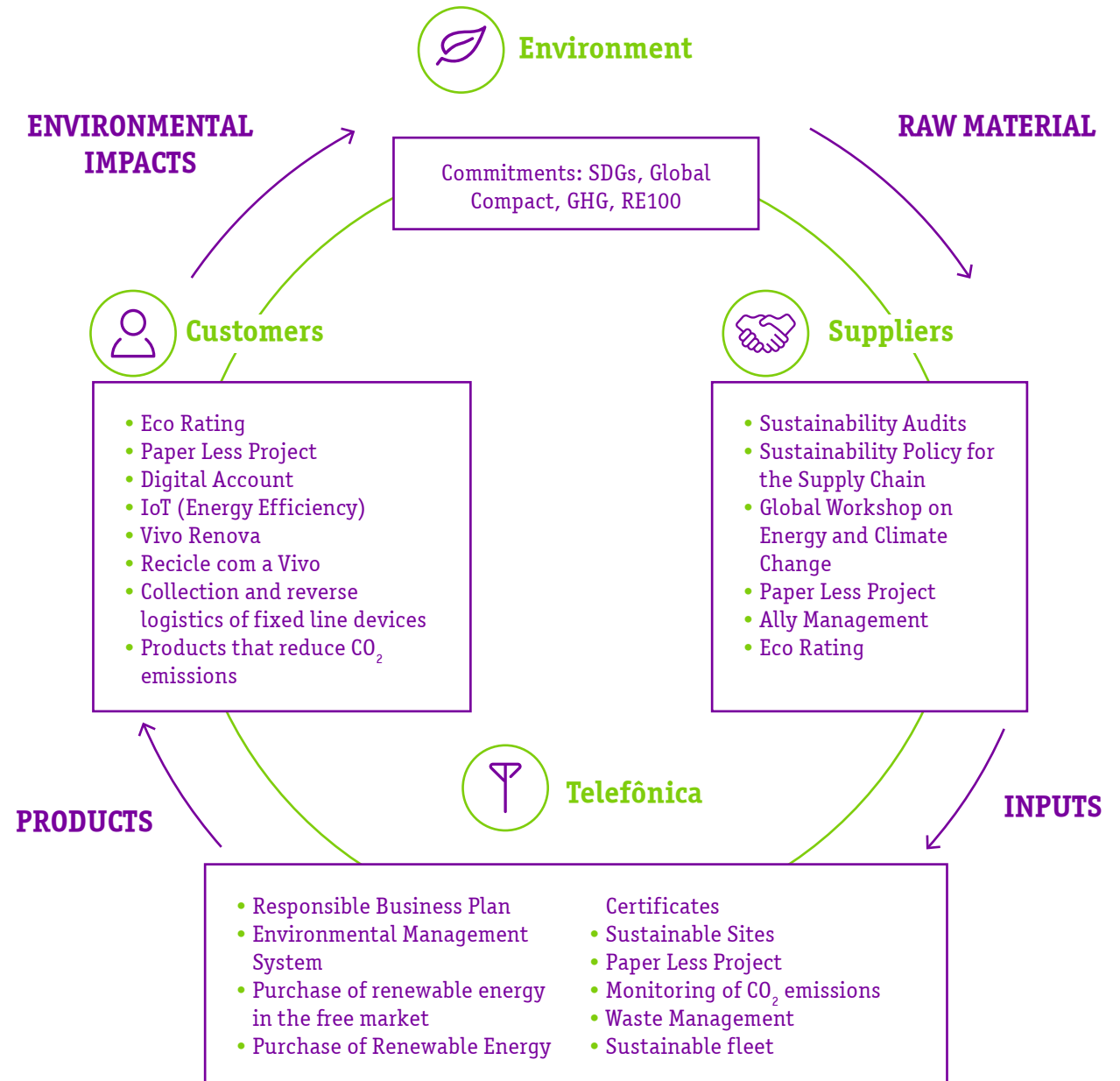


## Responsible management of network infrastructure

PLANNING AND CONSTRUCTION	Operation and maintenance	Dismantling
2,264 environmental licenses	3,825 electromagnetic field measurements	1,180 tons of electronic waste recycled in the operation
R\$ 5,413,678 invested in environmental licenses	R\$ 651,481 spent on electromagnetic field measurements	17 Tons of waste from collected devices
191 measures to reduce visual impact	23,779 shared structures	R\$ 63,244,199 in profits from the sale of scrap
R\$ 1,711,970 invested to reduce visual impact	R\$ 23,453.80 invested in environmental audits of ISO 14.001	
R\$ 1,922,473 invested in environmental impact studies	1,108 tons of hazardous waste properly disposed	
3 remote bases with use of renewable energy		

# Circular economy

Our environmental management is integrated, developing actions aimed at reducing the impacts of the entire value chain, from suppliers to the customers.





# 12

## Financial results

In this chapter you will find:

- Mobile Business
- Fixed Line Business
- Revenue
- Ebitda and Net Income
- Shareholder Value Added (SVA)
- Debt
- Capital Market



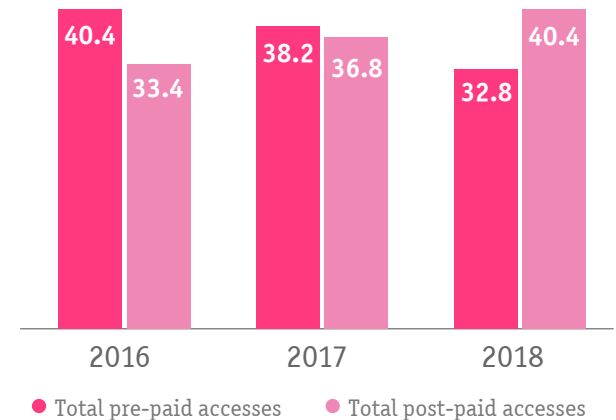
# Mobile business

The total accesses to our mobile telecommunications network reached 73.2 million at the end of the year, representing a reduction of 2.4% compared to 2017. Of this amount, 55.2% were post-paid accesses, representing growth of 9.9% in the year, reflecting our focus on customers who generate greater value and contribute to the increase in business profitability.

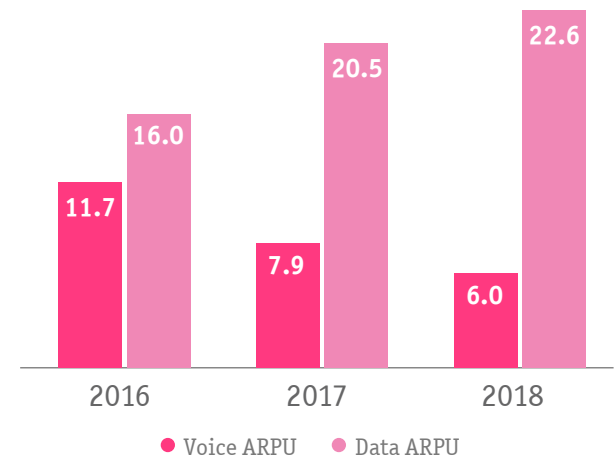
The ARPU (average revenue per user) grew 0.5% year-over-year, boosted by higher data consumption, which had an increase of 10.1% in its ARPU. Voice ARPU decreased by 24.1%. We remained the leader in the post-paid segment, with market share of 40.5%, and in terminals with 4G technology, with a 31.3% rate.



**Mobile network accesses (in millions)**



**Mobile network ARPU (R\$/month)**



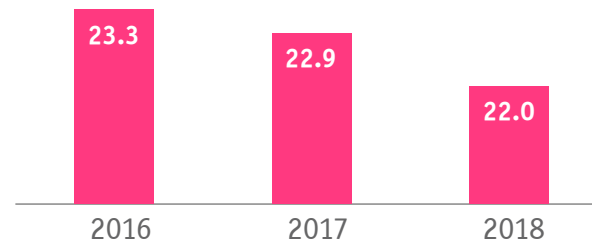


## Fixed Line Business

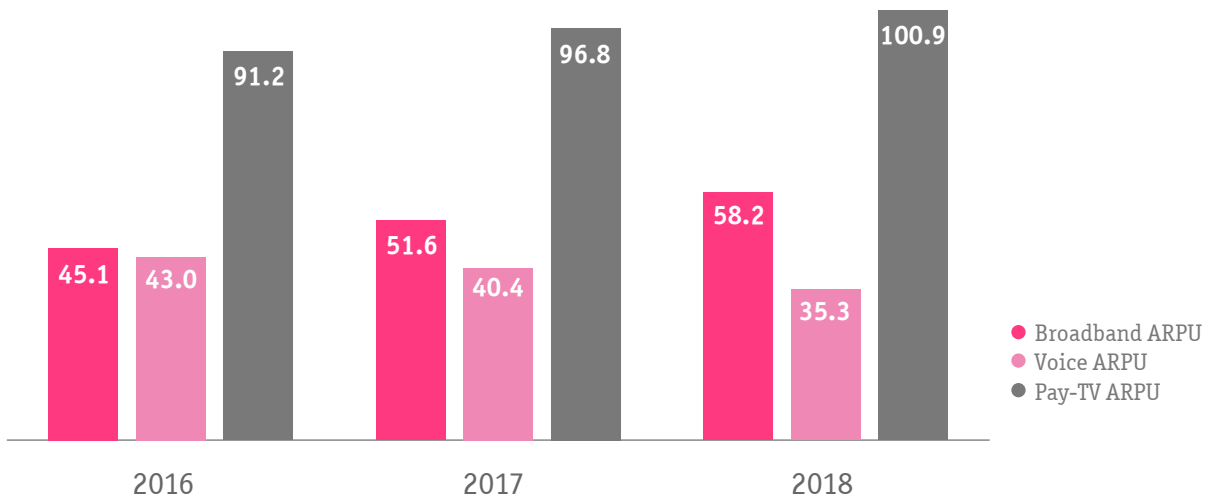
We recorded 22.0 million accesses to our fixed telecommunications network, presenting a reduction of 3.6% in relation to the previous year. This reduction is justified by the performance of voice accesses, which fell 6.0%, and Pay-TV accesses, which fell 1.3%. Fixed Line Broadband, however, grew 0.3% in the year.

In relation to the ARPU, voice services continued their downward trend, down 12.5%, while Pay-TV and Broadband grew 4.2% and 12.8%, respectively.

Fixed line network access (in millions)



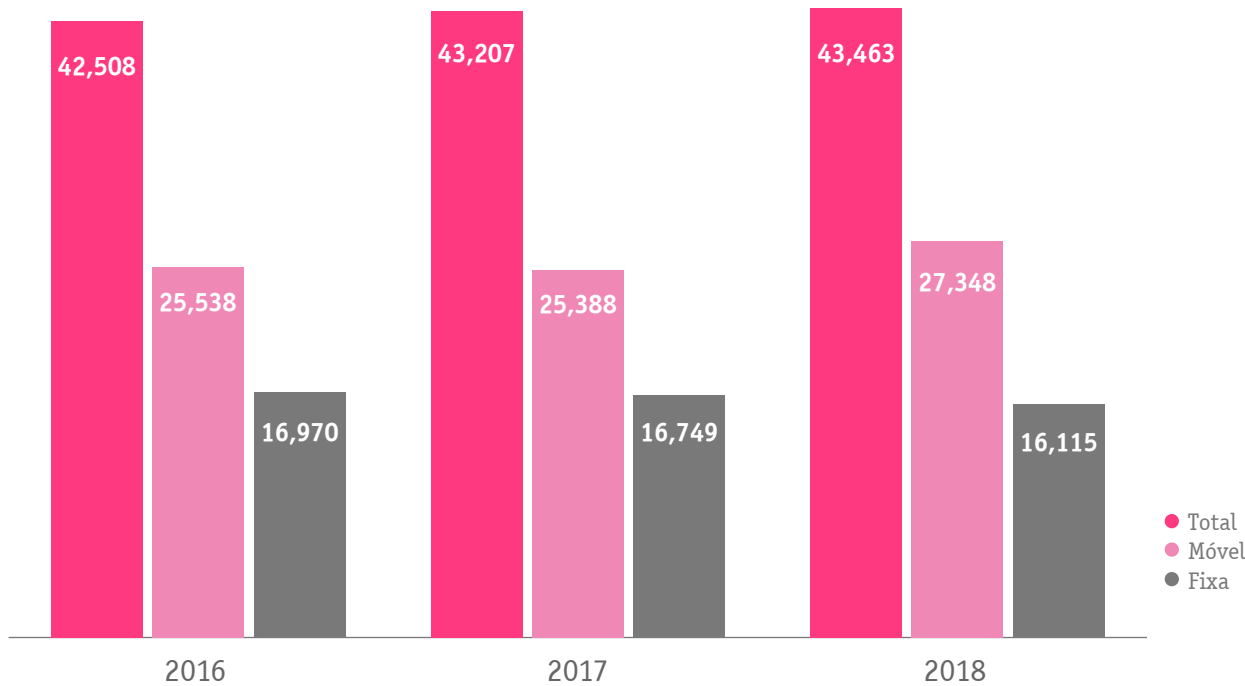
Fixed line network ARPU (R\$/month)



# Revenue

In 2018, we recorded a Net Operating Revenue of R\$ 43.5 billion, 0.6% higher than in 2017. The largest revenues from digital mobile data and services, as well as fixed broadband, contributed to this growth. The result was negatively impacted by the reduction of fixed-to-mobile calls and the reduction in interconnection fees, in both fixed and mobile lines, determined by the regulator.

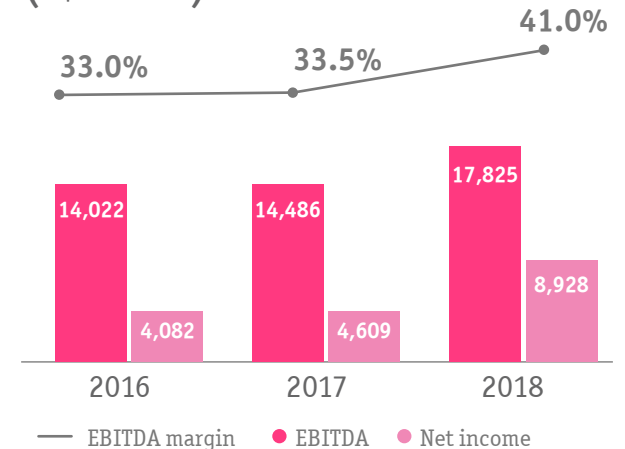
## Net revenue (R\$ million)



# EBITDA and Net Income

EBITDA was R\$ 17.8 million in 2018, an increase of 23.0% over 2017. In turn, the EBITDA Margin reached in 2018 was 41.0%, an increase of 7.5 pp in relation to the margin of the previous year. Contributed to the result higher revenues from mobile and ultra-broadband services, as well as efficiency and digitalization measures adopted by the Company and non-recurring effect related to a judicial decision in favor of the Company relative to the tax contingency. The result positively influenced our Net Income, which reached R\$ 8.9 billion, a result 93.7% higher than in the previous year.

## Ebitda and Net Income (R\$ million)



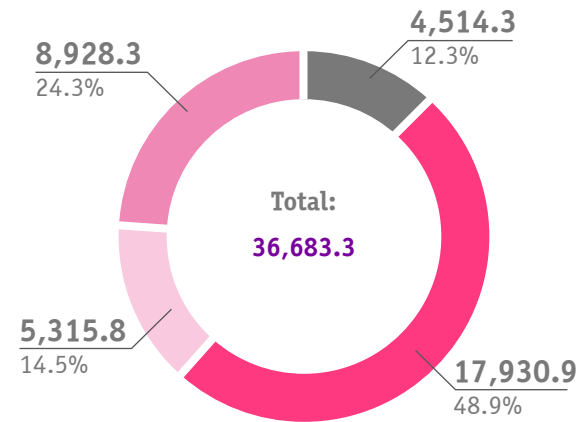


# Shareholder Value Added (SVA)

GRI 201-1

Telefônica’s added value totaled R\$36.7 billion in 2018, an increase of 11.5% compared to the previous year. Of this total, 48.9% was allocated to the payment of taxes, fees and contributions.

SVA (R\$ million)



- Personnel
- Taxes, fees and contributions
- Return on third-party
- Return on own-party capital

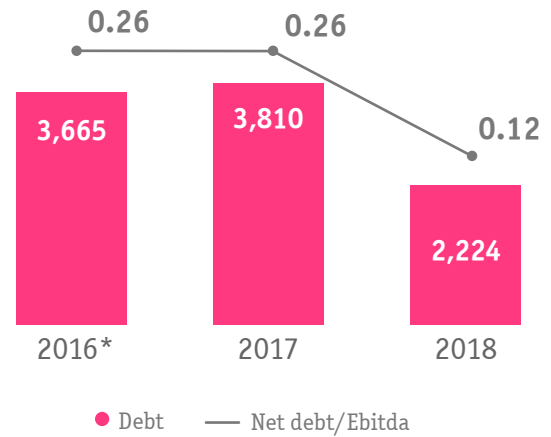
# Debt

GRI 102-48

We closed the year with a net debt of R\$ 2.2 billion, representing 0.12 of EBITDA.

Compared to 2017, net debt decreased R\$ 1.6 billion, mainly due to the higher cash generation in the period.

Debt (R\$ million)



\* Information restated due to the alignment of the classification criteria of the contingent consideration guarantee asset.

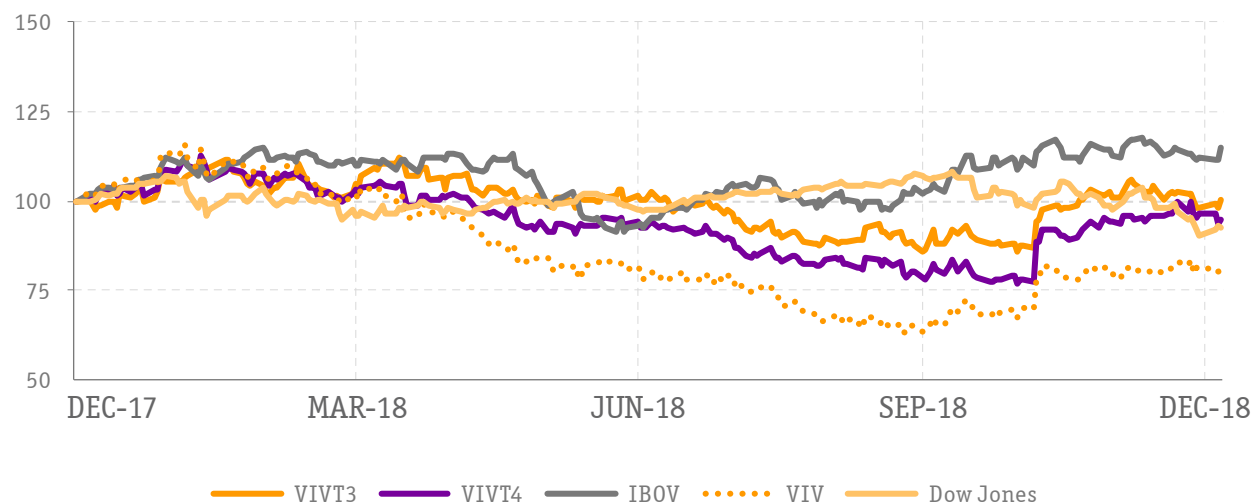
# Capital market

## Telefônica Brasil's Ownership Structure

Shareholder	Common shares	Preferred shares	Total
Controlling group	540,033,264 (94.47%)	704,207,855 (62.91%)	1,244,241,119 (73.58%)
Minority	29,320,789 (5.13%)	415,131,868 (37.09%)	444,452,657 (26.28%)
Treasury	2,290,164 (0.40%)	983 (0.00%)	2,291,147 (0.14%)
<b>Total</b>	<b>571,644,217</b>	<b>1,119,340,706</b>	<b>1,690,984,923</b>

Our common and preferred shares traded on B3 under the tickers VIVT3 and VIVT4, presented an appreciation of 0.2% and a devaluation of 4.9% in the year, respectively. Our ADRs on the New York Stock Exchange (NYSE) depreciated by 19.6% compared to 2017. Dividends and interest on equity to be paid to our shareholders in 2019, referring to the 2018 fiscal year, totaled R\$7.0 billion.

## Shares Performance - Telefônica Brasil (Base 100 in 12/31/2018)



# 13

## GRI Annex

In this chapter you will find:

- Materiality: definition and boundaries
- GRI Content Index
- Credits and Corporate Information



# Materiality: definition and boundaries

GRI 103-1

Material Topics	Aspects	Relevance	Boundaries
Environment	Climate changes	Ability to mitigate GHG emissions and manage risks and opportunities arising from climate change.	<b>INTERNAL BOUNDARIES</b> <ul style="list-style-type: none"> <li>• Executives</li> <li>• Telefónica Group</li> </ul> <b>EXTERNAL BOUNDARIES</b> <ul style="list-style-type: none"> <li>• Society</li> <li>• Market Pairs</li> <li>• Customers</li> <li>• Investors</li> </ul>
	Energy consumption	Operations energy consumption management, ensuring the energy efficiency of the network infrastructure, offices and stores.	
	Waste Management	Ability to manage waste generated throughout the life cycle of products and services, especially electronic waste.	
Promise to the Customer	Customer Experience	Ability to provide a quality service, giving customers a satisfactory signal with few failures, while focusing on the constant improvement of service channels.	<b>INTERNAL BOUNDARIES</b> <ul style="list-style-type: none"> <li>• Executives</li> <li>• Telefónica Group</li> <li>• Employees</li> </ul> <b>INTERNAL BOUNDARIES</b> <ul style="list-style-type: none"> <li>• Executives</li> <li>• Telefónica Group</li> <li>• Employees</li> </ul>
	Responsible Marketing	Adoption of responsible marketing and communication tools, respecting industry regulation and consumer privacy.	
Ethics	Anti-Corruption and Ethics	Procedures to ensure ethical business conduct and prevent corruption.	<b>INTERNAL BOUNDARIES</b> <ul style="list-style-type: none"> <li>• Executives</li> <li>• Telefónica Group</li> <li>• Employees</li> </ul> <b>EXTERNAL BOUNDARIES</b> <ul style="list-style-type: none"> <li>• Society</li> <li>• Market Pairs</li> <li>• Suppliers</li> <li>• Investors</li> </ul>



Material Topics	Aspects	Relevance	Boundaries
Talent Management	Health and safety at Work	Procedures adopted to guarantee the safety and well-being of employees under the responsibility of the Company, including outsourced employees.	<b>INTERNAL BOUNDARIES</b> <ul style="list-style-type: none"> <li>• Executives</li> <li>• Telefónica Group</li> <li>• Employees</li> </ul> <b>EXTERNAL BOUNDARIES</b> <ul style="list-style-type: none"> <li>• Society</li> <li>• Market Pairs</li> <li>• Customers Investors</li> </ul>
	Attraction and Retention of Employees	Ability to generate jobs, attract new employees and retain talent.	
	Diversity	Mechanisms to increase the diversity of employees at various levels of the organization, to the governing bodies.	
	Training	Focus on employees' development in order to update their skills and abilities.	
Digital Trust	Cybersecurity	Mechanisms to guarantee the safety of the Company, its employees, customer and suppliers against cyber-attacks. The theme includes the protection of vulnerable groups, such as children and young people.	<b>INTERNAL BOUNDARIES</b> <ul style="list-style-type: none"> <li>• Executives</li> <li>• Telefónica Group</li> </ul> <b>EXTERNAL BOUNDARIES</b> <ul style="list-style-type: none"> <li>• Society</li> <li>• Market Pairs</li> <li>• Customers</li> <li>• Investors</li> </ul>
	Privacy	Procedures to enhance consumer privacy by protecting their data from theft and leakage while providing transparency to what information is used by the Company.	
Sustainability in the Supply Chain	Sustainability in the Supply Chain	Ability to manage the environmental and social impacts of suppliers, ensuring the compliance and sustainability of the chain.	<b>INTERNAL BOUNDARIES</b> <ul style="list-style-type: none"> <li>• Executives</li> <li>• Telefónica Group</li> </ul> <b>EXTERNAL BOUNDARIES</b> <ul style="list-style-type: none"> <li>• Society</li> <li>• Suppliers Investors</li> </ul>
	Combating forced and child labor	Practices aimed at combating work analogous to slavery and child labor.	
Contribution to Progress	Sustainable Innovation	Research and development of new technologies that may lead to the launching of products, services and businesses that positively impact the society.	<b>INTERNAL BOUNDARIES</b> <ul style="list-style-type: none"> <li>• Executives</li> <li>• Telefónica Group</li> <li>• Employees</li> </ul> <b>EXTERNAL BOUNDARIES</b> <ul style="list-style-type: none"> <li>• Society</li> <li>• Market Pairs</li> <li>• Suppliers Investors</li> </ul>
	Digitalization of Society	Contribution to the development of the industry, the local economy and the society as a whole by providing quality connection and innovative services.	

# GRI Content Index

GRI 102-55

Content	Reference (page) / Direct Response	Global Compact	
<b>General Standard Disclosures</b>			
<b>ORGANIZATIONAL PROFILE</b>			
102-1	Name of the organization	Pg. 12	-
102-2	Primary brands, products, and services	PG. 12	-
102-3	Location of the organization's headquarters	Pg. 12	-
102-4	Number of countries where the organization operates	Pg. 12	-
102-5	Nature of ownership and legal form	Telefônica Brasil S.A. is a publicly-held corporation with shares listed on the B3 and the NYSE.	-
102-6	Markets served	Pg. 12	-
102-7	Scale of the organization	Pg. 12	-

	Content	Reference (page) / Direct Response	Global Compact																											
102-8*	Profile of employees and other workers	<p>In addition to the information on pages 59 to 71, we divide our employees in the following categories:</p> <table border="1" data-bbox="1167 355 1767 587"> <thead> <tr> <th colspan="3" data-bbox="1167 355 1767 400"><b>Employees by gender and functional category</b></th> </tr> <tr> <th data-bbox="1167 400 1458 448"><b>Employment contract</b></th> <th data-bbox="1458 400 1615 448"><b>Men</b></th> <th data-bbox="1615 400 1767 448"><b>Women</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="1167 448 1458 496">Effective</td> <td data-bbox="1458 448 1615 496">19,055</td> <td data-bbox="1615 448 1767 496">13,583</td> </tr> <tr> <td data-bbox="1167 496 1458 544">Interns</td> <td data-bbox="1458 496 1615 544">16</td> <td data-bbox="1615 496 1767 544">11</td> </tr> <tr> <td data-bbox="1167 544 1458 587">Apprentices</td> <td data-bbox="1458 544 1615 587">142</td> <td data-bbox="1615 544 1767 587">237</td> </tr> </tbody> </table> <table border="1" data-bbox="1167 624 1767 807"> <thead> <tr> <th colspan="3" data-bbox="1167 624 1767 668"><b>Employees by gender and type of employment</b></th> </tr> <tr> <th data-bbox="1167 668 1458 716"><b>Type of employment</b></th> <th data-bbox="1458 668 1615 716"><b>Men</b></th> <th data-bbox="1615 668 1767 716"><b>Women</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="1167 716 1458 764">Full time</td> <td data-bbox="1458 716 1615 764">16,365</td> <td data-bbox="1615 716 1767 764">8,491</td> </tr> <tr> <td data-bbox="1167 764 1458 807">Part time</td> <td data-bbox="1458 764 1615 807">2,690</td> <td data-bbox="1615 764 1767 807">5,092</td> </tr> </tbody> </table> <p>Data for control and closing of the monthly headcount is taken from the SAP ERP of the HCM (Human Capital Management) module.</p>	<b>Employees by gender and functional category</b>			<b>Employment contract</b>	<b>Men</b>	<b>Women</b>	Effective	19,055	13,583	Interns	16	11	Apprentices	142	237	<b>Employees by gender and type of employment</b>			<b>Type of employment</b>	<b>Men</b>	<b>Women</b>	Full time	16,365	8,491	Part time	2,690	5,092	6
<b>Employees by gender and functional category</b>																														
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Full time	16,365	8,491																												
Part time	2,690	5,092																												
102-9*	Organization's supply chain	Pg. 68 and 71	-																											
102-10	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	On November 30, 2018, at the Company's Extraordinary General Meeting, the merger of the Company's wholly-owned subsidiary, TData, into Telefônica Brasil was approved. Thus, from that date on, TData ceased to exist.	-																											
102-11	Precautionary approach or principle addressed by the organization	Although it does not officially apply the precautionary principle, Telefônica Brasil has a Risk Management (page 27) and an Environmental Management System (page 74) that take into account the Company's socio-environmental risks.	-																											

	Content	Reference (page) / Direct Response	Global Compact																														
102-12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	Pg. 20	-																														
102-13	Memberships of associations and national or international advocacy organizations	<p>Entities are listed on page 20. The amounts paid to each one of them are described below:</p> <table border="1" data-bbox="1167 491 1845 959"> <thead> <tr> <th data-bbox="1167 491 1397 539">Entity</th> <th data-bbox="1397 491 1621 539">2017</th> <th data-bbox="1621 491 1845 539">2018</th> </tr> </thead> <tbody> <tr> <td data-bbox="1167 539 1397 587"><b>SindiTelebrasil</b></td> <td data-bbox="1397 539 1621 587"><b>8,081,417.12</b></td> <td data-bbox="1621 539 1845 587"><b>8,055,210.38</b></td> </tr> <tr> <td data-bbox="1167 587 1397 635"><b>Telebrasil</b></td> <td data-bbox="1397 587 1621 635">561,524.81</td> <td data-bbox="1621 587 1845 635">567,757.32</td> </tr> <tr> <td data-bbox="1167 635 1397 683"><b>ASIET</b></td> <td data-bbox="1397 635 1621 683">394,356.00</td> <td data-bbox="1621 635 1845 683">395,772.00</td> </tr> <tr> <td data-bbox="1167 683 1397 730"><b>ABTA</b></td> <td data-bbox="1397 683 1621 730">359,548.81</td> <td data-bbox="1621 683 1845 730">317,350.00</td> </tr> <tr> <td data-bbox="1167 730 1397 778"><b>Telcomp</b></td> <td data-bbox="1397 730 1621 778">201,334.61</td> <td data-bbox="1621 730 1845 778">37,527.04</td> </tr> <tr> <td data-bbox="1167 778 1397 826"><b>Brasscom</b></td> <td data-bbox="1397 778 1621 826">36,716.64</td> <td data-bbox="1621 778 1845 826">97,715.73</td> </tr> <tr> <td data-bbox="1167 826 1397 874"><b>ABERJE</b></td> <td data-bbox="1397 826 1621 874">10,006.00</td> <td data-bbox="1621 826 1845 874">23,880.00</td> </tr> <tr> <td data-bbox="1167 874 1397 922"><b>IBRAC</b></td> <td data-bbox="1397 874 1621 922">6,237.00</td> <td data-bbox="1621 874 1845 922">6,995.20</td> </tr> <tr> <td data-bbox="1167 922 1397 959"><b>Total</b></td> <td data-bbox="1397 922 1621 959"><b>9,651,140.99</b></td> <td data-bbox="1621 922 1845 959"><b>9,502,207.67</b></td> </tr> </tbody> </table>	Entity	2017	2018	<b>SindiTelebrasil</b>	<b>8,081,417.12</b>	<b>8,055,210.38</b>	<b>Telebrasil</b>	561,524.81	567,757.32	<b>ASIET</b>	394,356.00	395,772.00	<b>ABTA</b>	359,548.81	317,350.00	<b>Telcomp</b>	201,334.61	37,527.04	<b>Brasscom</b>	36,716.64	97,715.73	<b>ABERJE</b>	10,006.00	23,880.00	<b>IBRAC</b>	6,237.00	6,995.20	<b>Total</b>	<b>9,651,140.99</b>	<b>9,502,207.67</b>	-
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<b>STRATEGY</b>																																	
102-14	Statement from the most senior decision-maker of the organization	Pg. 4 and 5	-																														
<b>ETHICS AND INTEGRITY</b>																																	
102-16	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Pg. 12 and 19	10																														
102-17*	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	Pg. 19	10																														

Content		Reference (page) / Direct Response	Global Compact
<b>GOVERNANCE</b>			
102-18	Governance structure of the organization, including committees	Pg. 18	
<b>STAKEHOLDER ENGAGEMENT</b>			
102-40	List of stakeholder groups engaged by the organization	<p>We consulted our shareholders, executives, employees, suppliers, service providers and business partners, as well as representatives of the user council and civil society organizations, through online interviews and face-to-face workshops.</p> <p>Moreover, at the end of 2018, we conducted a face-to-face consultation process with employees, suppliers and customers to learn in which issues our Company is able to positively or negatively impact these relations (process described on page 8).</p>	-
102-41	Percentage of total employees covered by collective bargaining agreements	Among our employees, 30,942 (94.8%) are covered by collective bargaining agreements. Employees holding executive positions do not fit into this type of agreement.	3
102-42	Basis for identification and selection of stakeholders with whom to engage	Pg. 8	-
102-43	Organization's approach to stakeholder engagement, including frequency of engagement	Pg. 8 and 36	-
102-44	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	Pg. 8 and 36	-
<b>REPORTING PRACTICES</b>			
102-45	List all entities included in the organization's consolidated financial statements	<p>The full list of entities included in the Financial Statements can be found on page 67, Item 2, d, in the document: <a href="http://ri.telefonica.com.br/pt/documentos/1813-DFP-2018.pdf">http://ri.telefonica.com.br/pt/documentos/1813-DFP-2018.pdf</a></p> <p>Governance, environmental and social information in this Report represents 87.4% of the scope of the financial statements.</p>	-

Content		Reference (page) / Direct Response	Global Compact
102-46	Process for defining the report content and the Aspect Boundaries	Pg. 8	-
102-47*	List all the material Aspects identified in the process for defining report content	Pg. 8	-
102-48	Effects of any restatements of information provided in previous reports	Pg. 37	-
102-49	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Pg. 8	-
102-50*	Reporting period	Pg. 8	-
102-51*	Date of most recent previous report	From January 1, 2017 to December 31 2017.	-
102-52*	Reporting cycle	Annual	-
102-53	Contact point for questions regarding the report or its contents	Pg. 8	-
102-54	Reporting assumptions according to the GRI Standards	This report was prepared in accordance with the GRI Standards: Core option.	-
102-55	GRI Content Index	Pg. 98	-
102-56*	External Assurance	Pg. 8	-
<b>MANAGEMENT APPROACH</b>			
103-1	Identified material aspects and boundaries	Pg. 19, 31, 36, 43, 45, 53, 56, 59, 62, 64, 65, 68, 75, 79, 83 and 96	-
103-2	Management on the material aspects	Pg. 19, 31, 36, 43, 45, 53, 56, 59, 62, 64, 65, 68, 75, 79 and 83	-
103-3	Evolution of management	Pg. 19, 31, 36, 43, 45, 53, 56, 59, 62, 64, 65, 68, 75, 79 and 83	-

Content	Reference (page) / Direct Response	Global Compact	
<b>Economic Disclosures</b>			
<b>ECONOMIC PERFORMANCE</b>			
201-1*	Direct economic value generated and distributed	Pg. 93	-
<b>INDIRECT ECONOMIC IMPACTS</b>			
203-1*	Development of significant infrastructure investments and services supported	Pg. 31	-
203-2*	Significant indirect economic impacts, including the extent of impacts	Pg. 30	-
<b>PROCUREMENT PRACTICES</b>			
204-1*	Proportion of spending on local suppliers at significant locations of operation	Pg. 68	-
<b>ANTI-CORRUPTION</b>			
205-1*	Operations assessed for risks related to corruption	The number of operations that go through assessment for risks related to corruption is described on page 19. The risks identified are confidential and compose the Company's risk map.	10
205-2*	Communication and training about anti-corruption policies and procedures	The number of participants in the training on Responsible Business Principles is described on pages 19. In 2018, 100% of the employees received communications regarding the fight against corruption.	10

Content	Reference (page) / Direct Response	Global Compact	
<b>Environment Disclosures</b>			
<b>MATERIALS</b>			
301-3*	Reclaimed products and their packaging materials	Pg. 82 This indicator global reporting considers only the equipment that is destined to reuse (Vivo Renova and Recovered), the others are reported in Recycling. The global reporting also shows the average weight in tons per equipment, while the table reported in this indicator shows the values referring to the different types of equipment.	8
<b>ENERGY</b>			
302-1*	Energy consumption within the organization	Pg. 79	7 e 8
302-3	Energy intensity	Pg. 79	8
302-4	Reduction of energy consumption	Pg. 79	8 e 9
<b>EMISSIONS</b>			
305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	Pg. 75	7 e 8
305-2	Indirect greenhouse gas (GHG) emissions (Scope 2)	Pg. 75 Scope 2 emissions were calculated as location-based.	7 e 8
305-3	Indirect greenhouse gas (GHG) emissions (Scope 3)	Pg. 75	7 e 8
305-4	GHG emissions intensity	Pg. 75	8



Content		Reference (page) / Direct Response	Global Compact
<b>EFFLUENTS AND WASTE</b>			
<b>306-2*</b>	Total weight of waste by type and disposal method	Pg. 83	8
<b>SUPPLIER ENVIRONMENTAL ASSESSMENT</b>			
<b>308-1</b>	New suppliers that were screened using environmental criteria	We do not screen suppliers based on environmental criteria. Although it is not a requirement for supplier selection, we have launched campaigns inviting some companies to carry out the Ecovadis assessment (learn more on page 68). The Telefónica Group has a plan of actions defined according to the Degree of Risk presented by the supplier registered in the platform, however the operationalization of this process is not yet implemented in Brazil.	8
<b>308-2</b>	Significant actual and potential negative environmental impacts in the supply chain and actions taken	Pg. 68 and 71	8

Content	Reference (page) / Direct Response	Global Compact																																																																																																				
<b>Disclosures sociais</b>																																																																																																						
<b>EMPREGO</b>																																																																																																						
401-1*	Total number and rates of new employee hires and employee turnover by age group, gender and region	<p>In addition to the numbers on page 59, we also divide the information by state:</p> <table border="1" data-bbox="1014 443 1897 1353"> <thead> <tr> <th>State</th> <th>Total hires</th> <th>Hiring rate</th> <th>Total dismissals</th> <th>Turnover rate*</th> </tr> </thead> <tbody> <tr><td>AC</td><td>18</td><td>36.00%</td><td>18</td><td>36.00%</td></tr> <tr><td>AL</td><td>19</td><td>30.60%</td><td>21</td><td>32.30%</td></tr> <tr><td>AM</td><td>36</td><td>27.50%</td><td>35</td><td>27.10%</td></tr> <tr><td>AP</td><td>14</td><td>53.80%</td><td>12</td><td>50.00%</td></tr> <tr><td>BA</td><td>98</td><td>15.60%</td><td>121</td><td>17.40%</td></tr> <tr><td>CE</td><td>411</td><td>23.80%</td><td>599</td><td>29.20%</td></tr> <tr><td>DF</td><td>99</td><td>9.90%</td><td>201</td><td>14.90%</td></tr> <tr><td>ES</td><td>58</td><td>15.60%</td><td>100</td><td>21.30%</td></tr> <tr><td>GO</td><td>93</td><td>15.20%</td><td>122</td><td>17.60%</td></tr> <tr><td>MA</td><td>33</td><td>27.50%</td><td>27</td><td>25.00%</td></tr> <tr><td>MG</td><td>260</td><td>20.40%</td><td>290</td><td>21.60%</td></tr> <tr><td>MS</td><td>49</td><td>15.70%</td><td>62</td><td>17.70%</td></tr> <tr><td>MT</td><td>83</td><td>32.50%</td><td>124</td><td>40.60%</td></tr> <tr><td>PA</td><td>73</td><td>26.30%</td><td>61</td><td>24.10%</td></tr> <tr><td>PB</td><td>11</td><td>6.20%</td><td>23</td><td>9.60%</td></tr> <tr><td>PE</td><td>75</td><td>13.30%</td><td>85</td><td>14.20%</td></tr> <tr><td>PI</td><td>31</td><td>51.70%</td><td>26</td><td>47.50%</td></tr> <tr><td>PR</td><td>2,100</td><td>26.50%</td><td>2,498</td><td>29.00%</td></tr> <tr><td>RJ</td><td>284</td><td>15.00%</td><td>370</td><td>17.30%</td></tr> </tbody> </table>	State	Total hires	Hiring rate	Total dismissals	Turnover rate*	AC	18	36.00%	18	36.00%	AL	19	30.60%	21	32.30%	AM	36	27.50%	35	27.10%	AP	14	53.80%	12	50.00%	BA	98	15.60%	121	17.40%	CE	411	23.80%	599	29.20%	DF	99	9.90%	201	14.90%	ES	58	15.60%	100	21.30%	GO	93	15.20%	122	17.60%	MA	33	27.50%	27	25.00%	MG	260	20.40%	290	21.60%	MS	49	15.70%	62	17.70%	MT	83	32.50%	124	40.60%	PA	73	26.30%	61	24.10%	PB	11	6.20%	23	9.60%	PE	75	13.30%	85	14.20%	PI	31	51.70%	26	47.50%	PR	2,100	26.50%	2,498	29.00%	RJ	284	15.00%	370	17.30%
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\* We now report the turnover rate and no longer the dismissals rate. The turnover rate was calculated considering:  $((\text{total hires} + \text{total dismissals})/2)/\text{total employees}$ .

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**OCCUPATIONAL HEALTH AND SAFETY**

403-1*	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Pg. 65	-
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Content		Reference (page) / Direct Response	Global Compact																												
403-2*	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism and total number of work-related fatalities, by region and by gender	<p>In addition to the indicators reported on page 69, we also discriminate OSH data by region:</p> <table border="1"> <thead> <tr> <th>Region</th> <th>Accident rate</th> <th>Lost days rate</th> <th>Absenteeism rate</th> </tr> </thead> <tbody> <tr> <td><b>NORTHEAST</b></td> <td><b>0.479</b></td> <td><b>4.698</b></td> <td><b>0.0649</b></td> </tr> <tr> <td><b>NORTH MIDWEST</b></td> <td>0.793</td> <td>7.516</td> <td>0.061</td> </tr> <tr> <td><b>SÃO PAULO</b></td> <td>0.462</td> <td>49.184</td> <td>0.0378</td> </tr> <tr> <td><b>SOUTHEAST</b></td> <td>0.567</td> <td>10.279</td> <td>0.0484</td> </tr> <tr> <td><b>SOUTH</b></td> <td>0.544</td> <td>11.952</td> <td>0.0728</td> </tr> <tr> <td><b>Total</b></td> <td>0.53</td> <td>25.089</td> <td>0.0546</td> </tr> </tbody> </table> <p>The OHS area monitors employees' region differently than the rest of the HR department.</p> <p>The accident rate was calculated using the OHSAS system.</p>	Region	Accident rate	Lost days rate	Absenteeism rate	<b>NORTHEAST</b>	<b>0.479</b>	<b>4.698</b>	<b>0.0649</b>	<b>NORTH MIDWEST</b>	0.793	7.516	0.061	<b>SÃO PAULO</b>	0.462	49.184	0.0378	<b>SOUTHEAST</b>	0.567	10.279	0.0484	<b>SOUTH</b>	0.544	11.952	0.0728	<b>Total</b>	0.53	25.089	0.0546	
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<b>Training and Education</b>																															
404-1	Average hours of training per year per employee by gender, and by employee category	Pg. 64	6																												
<b>Diversity and Equal Opportunity</b>																															
405-1	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	Pg. 62	6																												
405-2	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Pg. 62	6																												

Content	Reference (page) / Direct Response	Global Compact	
<b>FORCED OR COMPULSORY LABOR</b>			
409-1*	Operations and supplier identified as having significant risk for incidents of forced or compulsory labor and measures to contribute to the elimination of all forms of forced or compulsory labor	Our audits did not identify any operation or supplier as having significant risk for incidents of forced labor. (get to know our audits on pages 68 and 71). Among the measures taken to contribute to the elimination of compulsory labor are the dissemination of the Responsible Business Principles in the supply chain, contract clauses and the Sustainability Policy for the Supply Chain (learn more on pages 19 and 70).	4
<b>SUPPLIER SOCIAL ASSESSMENT</b>			
414-1	New suppliers that were screened using social criteria	Pg. 68	2
414-2	Negative social impacts in the supply chain and actions taken	Pg. 68	2
<b>PUBLIC POLICY</b>			
415-1	Total value of political contributions by country and recipient/beneficiary	Telefônica Brasil does not make contributions to political parties, as established in our Responsible Business Principles.	10
<b>MARKETING AND LABELING</b>			
417-3*	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes	Pg. 43	-
<b>CUSTOMER PRIVACY</b>			
418-1	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	The information is confidential.	-

\* Disclosures assured by PwC.

# Credits and Corporate Information

## **Coordenação Geral do Relatório**

Área de Sustentabilidade da Telefônica

## **Consultoria GRI, coordenação editorial, redação do conteúdo e design**

RICCA Sustentabilidade

## **Fotos**

Banco de imagens Telefônica