



2019

SUSTAINABILITY
REPORT

**SUSTAINABLE GROWTH:
CONNECTING PEOPLE,
CULTURE AND BUSINESS**



Algar
Telecom



Operating Segments

GRI 102-4, 102-6

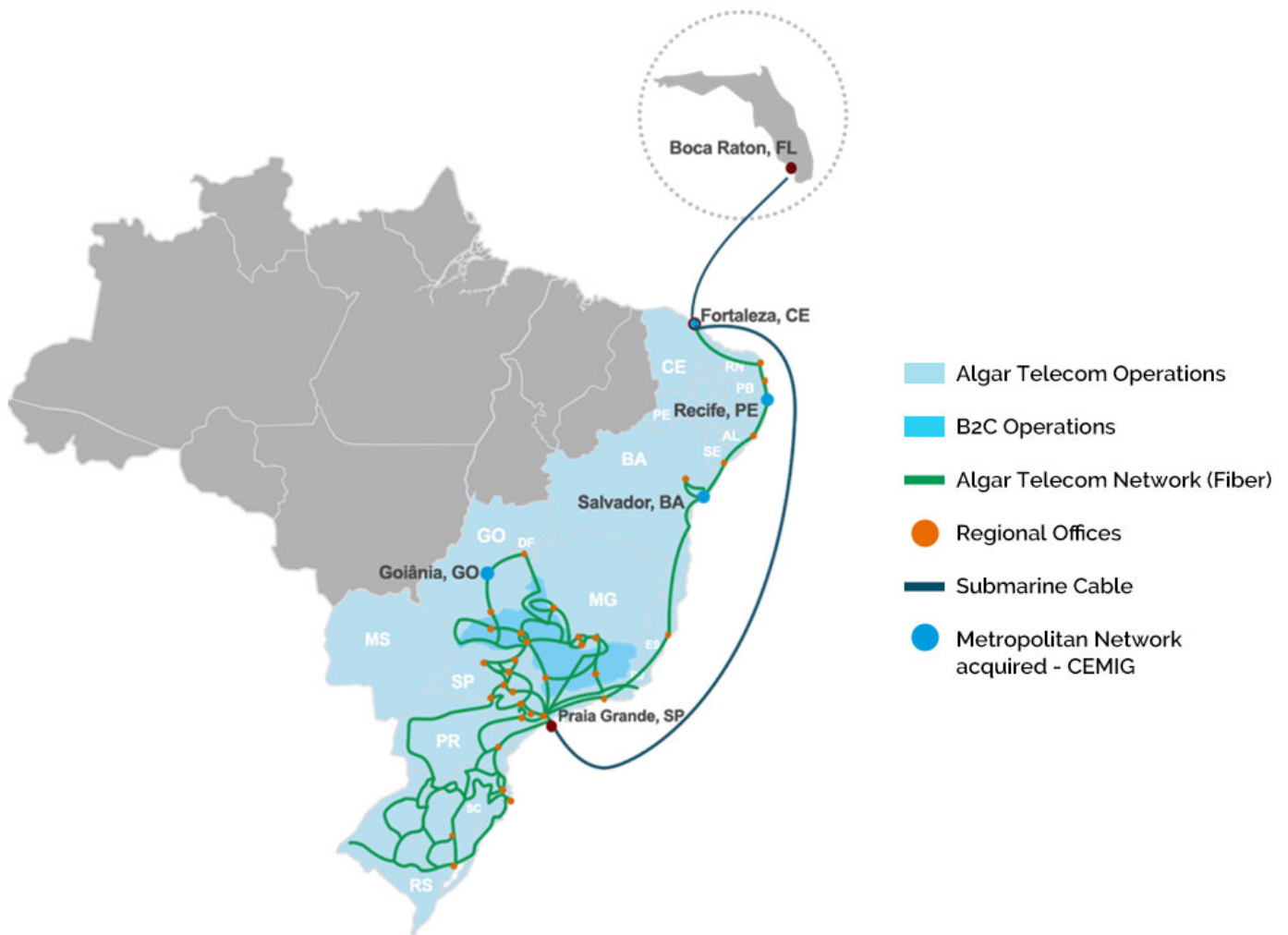
We are part of the everyday lives of individual consumers, small, micro and medium companies, large corporations, and Brazil's telecommunications industry, providing safe, modern and robust integrated solutions with backup always close at hand. The combination of an extensive infrastructure built with modern optical fiber technology, with quality products and services recognized by our customers, as well as our close and advisory service, is reflected in our contracts with corporate customers, with a high retention rate.

In addition, the most recent survey (2018) carried out by the consultants expertise showed that 94% of our large and medium-sized B2B customers were satisfied or very satisfied with our products and services. The survey is carried out every two years, and a new cycle should be carried out in 2020.

Our retail business (B2C) shows similar results, and the ReclameAQUI website (for consumer complaints) recognized us as one of the best companies for consumers in telecommunications. This is our third consecutive year in the ranking due to the good service provided in the internet, landline and mobile business divisions.

The solutions adopted to improve the customer experience also helped us achieve the recognition, on a monthly basis, for three consecutive years, with the RA1000 Seal, granted by ReclameAQUI. To be qualified with the RA1000 Seal, the company must meet five criteria, including having response and solution rates equal to or greater than 90%. The performance of companies who receive the seal is monitored daily and those that keep the seal for 14 consecutive days undergo a new analysis at the end of that period.

Performance map



Corporate customers (B2B)

We provide an extensive infrastructure, built with modern technology and supported by a network of approximately 77,900 km of optical fiber, with:

- 66,900 km, with capillarity and access in the Southeast, South, Center-West and Northeast regions of Brazil, including 33,500 km in metropolitan areas and connecting more than 13,600 buildings (on-net buildings);
- 11,000 km of submarine cable connecting the cities of Praia Grande (SP) and Fortaleza (CE) with Boca Raton (Florida, USA).

Our regional offices ensure greater proximity to corporate customers; in addition, our sales and advisory services include our own units with technical and commercial advisors, enabling us to grow in this market and also to deliver more added value to our customers.

B2B customers are the main focus of growth for Algar Telecom. We operate to expand our networks in Brazilian regions where there are low rates of penetration of data services, identifying them by georeferencing the number of potential corporate customers. In addition, we have invested in the densification of the already installed networks, allowing gains in scale and efficiency in the services provided.

Considering these goals, in 2019, we implemented 2020 Mission, a program of excellence to increase market penetration in the B2B segment, ensuring operational efficiency and profitability

of investments. The program received the support of an external advisory firm and included standardizing and reassessing processes, towards an integrated management model, based on best practices.

After implementing 2020 Mission, the sales team had an increase of around 50 professionals, totaling 280 consultants. Onboarding training has been standardized, ensuring that the daily work of consultants are focused on providing the best customer service. The initiative also allows a better managerial control of the consultants team and everyday initiatives, by automating the monitoring indicators in the area.

Initially, 2020 Mission was implemented in 21 locations in the corporate segment. The forecast is to expand the program in 2020 and replicate the model of good practices to the other locations served by this segment.

Our portfolio of services for corporate clients includes:

- *Data links with dedicated IP,*
- *VOIP services,*
- *Ethernet services,*
- *Clear channel,*
- *Network security services.*

We also offer the following standardized technology products to provide a complete service to our customers:

- *Cloud computing,*
- *Dedicated Hosting,*
- *Cloud Backup,*
- *Office 365,*
- *Managed Wi-Fi, Security,*
- *Management, SD-WAN,*
- *Network Management,*

- *Network management,*
- *IoT,*
- *Connectivity service*
- *IoT Management,*
- *Management (financial, tax and service),*
- *SaaS.*

Retail customers (B2C)

We are leaders in the provision of telecommunications services in 87 municipalities in the states of Minas Gerais, São Paulo, Goiás, and Mato Grosso do Sul. In these regions, we have a market share of 73% in fixed broadband and 33% in mobile, according to Anatel's figures for December 2019.

For these customers, the Company has been investing in expanding its optical fiber network and offering broadband fiber plans. In 2019, the total homes passed reached 69% of all households, up by 34% over 2018 and, at the end of the year, 57.7% of B2C customers had a fiber broadband. The growth in total homes based enabled not only an increase in the number of customers with fiber, but also the migration of customers to higher speed plans and higher ARPU.

In addition to the quality of services, Algar Telecom prioritizes a close and personalized relationship with its customers and, to achieve this competitive advantage throughout the concession area, we have Algar Franquias ([click here](#) to find out more).

Our portfolio of services for individual clients includes:

- Broadband internet,
- Mobile Landlines,
- Fixed telephony,
- Paid TV.



Poverty eradication - SDG 1

We started our business in 1954, offering landlines in Minas Gerais. We currently offer complete telecommunications solutions to 16 states in Brazil and the Federal District.

Algar Telecom has the philosophy of serving the region, in order to contribute to achieve the goal of having access to basic services and new technologies by 2030, we offer fixed and mobile broadband in all regions where we operate in retail, regardless of city size. We promote access to basic service and appropriate telephony and internet technologies to the communities of our concession region in more than 87 municipalities, to more than 1.2 million customers.

We are very proud to have been the first operator in the interior of Brazil to sell prepaid plans and the first to sell cell phones effectively, with unlocked devices and initiatives that favor less-

avored communities. We have affordable plans for the low-income population, maintaining its superior quality in providing services and excellence in respect of all its customers, once telephony is a vital service for inclusive education and viability of job and income generation.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Industry, innovation and infrastructure - SDG 9

Algar Telecom worries about providing quality technology to the regions where it operates. We provide access to broadband (fixed to mobile) in all municipalities served in the retail region, from large cities (with a population above 50,000 citizens) to small ones (population below 20,000 citizens). By the end of 2019, 51.4% of our customer base already had an Internet with optical fiber with speeds above 40 MB. In the mobile network, our customer base in the locations served was distributed as follows: 100% with 3G technology, 83% with 4G and 43% with 4.5G. We remain committed to the improvement of sustainable and quality infrastructures, able to guarantee services of easy access to the community in an equitable way.

Algar Telecom is constantly committed to bringing the best quality of infrastructure and services to its customers. Next was created in 2019 within the organization to leverage the company's technological transformation. The Program's purpose is to promote the transformation of infrastructure in line with the business strategy, through an efficient architecture that promotes simplification and sustainable and agile growth of networks and systems, integrating new partners, besides focusing on automation, virtualization, and evolution of networks and systems, through Open Telco. In 2019, the project fully deactivated 12 sites and 300 equipment distributed in 140 stations.

Algar Telecom also takes its services, supporting economic development and human well-being, through Algar Franquias. The company was Brazil's first telecom to create this model, allowing the organization's services to reach 65 locations and 9 clusters in the last two years. In 2019 alone, we went from 10,000 to 23,000 GPON customers, that is, an 143% increase. In addition, through franchisees, we generate new jobs for cities. Currently, our franchisees have more than 300 employees.

For the end customer, the presence of an Algar Telecom Franchise translates into very high-quality connectivity, with all the development it brings. With the advantage of being fully present in the locality, Algar Telecom's franchisee provides a closer service and can provide offers adapted to the regional reality. This is the embodiment of "People serving people", the

motto of Algar Group and Algar Telecom.