2019 SUSTAINABILITY REPORT

SUSTAINABLE GROWTH: CONNECTING PEOPLE, CULTURE AND BUSINESS

Algar Telecom

Environmental Performance

Our environmental management is based on three principles:

1. Reduction of environmental impact in line with the priorities established by the Materiality Matrix, and an analysis of the greenhouse gases emitted by the Company

According to our Relevance Matrix, the management of the emission of greenhouse gases and residues is our priority to mitigate environmental impacts. Since 2018, we have a photovoltaic power generation plant and we implemented the sustainable fleet project, through which our vehicles are fueled preferentially with ethanol, renewable fuel, helping reduce greenhouse gases. The diagnosis of our issue is consolidated in reports based on the GHG Protocol methodology and audited annually.

2. Incentives for pro-environment initiatives throughout our relationship network, a principle known as Sustainable Influence;

We mobilize our stakeholders for the mitigation of environmental impacts in their activities. Our actions are focused, especially on employees, clients and suppliers. Transcending the fact that we have socio-environmental covenants, we have developed a program for communication and training on sustainable practices that are easy to replicate and encourage new behaviors towards citizenship and sustainability

3. In our operations we always seek to comply and to obtain certification for our business

We have the support of an external consultant, who, through a platform of solutions for integrated management, daily follows the Brazilian law, pertinent to the sector and information and updates on standards and laws in the municipalities where we operate. To ensure that our performance complies with legal requirements, we annually carry out an external audit at Algar Telecom. In addition, we periodically carry out an internal audit with respect to environmental management compliance practices and report to top management.

In 2019, Algar Telecom invested around R$873 million in environmental protection, and about 50% went to energy efficiency projects, in particular, equipment maintenance and cutting energy consumption to optimize them, since this is the area of the organization responsible for the majority of emissions.

Consumption of electricity

GRI 302-1

Our biggest source of greenhouse gas emissions is energy consumption. Aware of this, we aim at the efficiency of our operations, creating projects, monitoring and following indicators that ensure positive results. Of the total invested in environmental protection, around 50% was used for energy efficiency projects, focusing on clean energy sources We have policies on energy

efficiency, and we review them every year.

We list some of these initiatives below:

- Energy consumption is monitored systematically, by an online tool, which shows how much electricity is used in each of our buildings.
- Acquisition of energy from renewable sources through contracts in the Incentivized Energy Market.
- Gradually replacing fluorescent lamps, when going off, for LED lamps and continuously modernizing and automating the plant's air conditioning equipment..
- Capim Branco Plant, located in Uberlândia (MG), was built to meet the energy needs of Algar Telecom's operations and is part of the Energy Efficiency Program, initiated by the Company in 2010. The project supplies power to 280 Algar Telecom stations in Minas Gerais and, in 2019, it was responsible for meeting nearly 16% of the Company's total annual energy consumption needs..
- The construction of Capim Branco Plant 2 started in 2019. The generation capacity of the plant will be of 5W and the plant is expected to be delivered in 2020.
- The Coworking Project included the total or partial demobilization of 18 offices, exchanged for shared work environments, making it possible to cut several costs and help save electricity.
- To optimize and modernize the infrastructure, in 2019, we deactivated 12 sites and 300 equipment distributed in 140 stations.

Affordable and clean energy – ODS 7

In 2019, we invested R$428 million in energy efficiency projects, which corresponds to around 50% of the total invested in environmental protection, focused on clean energy generation, efficiency and optimization of energy consumption, since it is the largest source of emissions.
We implemented a photovoltaic power generation plant, which, added to other initiatives is able to meet up to 18% of Algar Telecom's total energy consumption needs. We also purchased energy from renewable sources through contracts in the Incentivized Energy Market, with these initiatives, about 50% of the energy we consume came from renewable sources. Some major highlights and progress were:

- Maintenance of energy policies and governance of efficiency indicators and plans for investments in clean energy – monitored by senior management;
  Real-time monitoring of electricity consumption in all buildings;
- Growing use of clean energy in the supply of vehicles and generators, with integrated and online monitoring of all units;
- Over 2.3 million in costs avoided with energy efficiency projects;
- Reducing the Opex in energy and rental of real estate.

Greenhouse gas emissions

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

Our inventory is published and audited. The publication is made in the public record of emissions, in the Brazilian GHG Protocol Program platform, which currently is the largest database of corporate inventories in Latin America. The audit is carried out by Totum Institute, which operates both in the regulated market, through various accreditations with the Brazilian Certification System, and in self-regulatory initiatives. The audit carried out made by an independent third party adds more credibility, reliability and transparency in the process of measuring and reporting our greenhouse gas emissions.

In 2019, we emitted 6,642 tons of greenhouse gases, 1,042 tons emitted directly (scope 1), 4,302 tons emitted indirectly (energy – scope 2) and 1,298 tons emitted indirectly of scope 3 (represents emissions in activities over which Algar Telecom has no interference).

Even with the operations expanded in the country's Northeast, with commercial operation in all capitals of the region and arrival to new locations, we managed to keep our emissions nearly stable, with a 1.5% increase in Algar Telecom's total emissions. This results from efforts to improve the energy efficiency of our operations and prioritizing the use of ethanol to refuel our flex fleet, a less polluting renewable fuel.

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

Environmental Indicators	2017	2018	2019	Δ 2019/2018
Direct Greenhouse Gas Emissions - Scope 1	1,693	870	1,042	20%
Indirect Greenhouse Gas Emissions - scope 2*	4,909	4,138	4,302	4%
Indirect greenhouse gas emissions - Scope 3	1,28	1,537	1,298	-16%
Total Emissions	7,882	6,545	6,642	1.5%

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

Climate action – SDG 13

We contribute with the SDG "climatic action", promoting the communication and awareness of sustainable themes for our network of relationships, especially for the community in which

we are inserted. We influence our partners through the Supplier Relationship and Compliance Program. More than creating socio-environmental covenants, the company created a program for communication and training on sustainable practices that are easy to replicate and strongly encourage new behaviors towards citizenship and sustainability. The program works on themes to help reduce impacts on climate changes that happen as a result of our activities.
We have a Sustainability Committee with employees from all areas where Algar Telecom operates. The Committee has a key role within the organization and was recognized by the Exame's Sustainability Guide, which was already one of the highlights and helped us receive, for the seventh consecutive year, the award as the country's most Sustainable Telecom. This Committee's purpose is to help mobilize the entire Company towards sustainability through awareness on the consumption of energy, water, paper and plastic cups, planting seedlings, among others. With this, we were able to stimulate our entire internal network, generating significant results in recent years:

- Reducing and/or eliminating the use of disposable cups in most of our offices;
- We managed to reduce our emissions by more than 20% since 2013, the year when we started to make the inventory of greenhouse gases;
- More than 6,000 tons of CO_2 equivalent were avoided by standardizing that our fleet would be refueled with ethanol;
- 70% of waste generated in the company is recyclable and used by cooperatives.

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ISO 14001

We are ISO14001 certified, a standard related to environmental management system. The Company is annually audited to renew this certificate by TÜV NORD Brasil Company, one of the first ISO 9001 certification bodies in Brazil. In 2019, we were certified for the ninth consecutive year.

Waste management and reverse logistics

In line with the National Solid Waste Policy (PNRS), we apply reverse logistics for the electronic devices which we release into the market, ensuring that they are properly disposed of. We have collection points for people – whether or not our customers – to deposit batteries, cell phones (including those of other operators) or any other electronic devices. The material is taken from the collection points periodically and put through a process of separation, and parts that can be reused are returned to the manufacturers. In 2019, we collected more than 1.6 ton of electronics.

Subsequently, the remaining items are sent to specialist recycling companies which handle potentially hazardous products. During the period, we also collected more than 197 tons of paper, cardboard and plastic for recycling.

Sustainable Production and Consumption – SDG 12

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

To contribute to the goal of achieving sustainable management and efficient use of natural resources by 2030, we make investments in renewable sources, such as the photovoltaic plant and purchase of energy in the Incentivized market, reported in the initiative of energy efficiency. We also seek to substantially reduce the generation of waste through the Solid Waste Management Plan filed in the city halls of the municipalities where we operate. Currently, the profile of waste generation of the company’s administrative activities is 70% recyclable, in addition to internal awareness initiatives regarding conscious consumption of energy, water, paper and disposable cups.

We also collaborate with the goal of encouraging companies, especially large and transnational companies, to adopt sustainable practices by 2030. In this sense, we carried out actions to inspire our stakeholders to have sustainable practices.