

# Telefonica Brazil SA

ISIN CODE: BRVIVTACNPR7

Overall score 37/100

Sector: Telecommunications  
Emerging Market

Companies in sector panel: 48

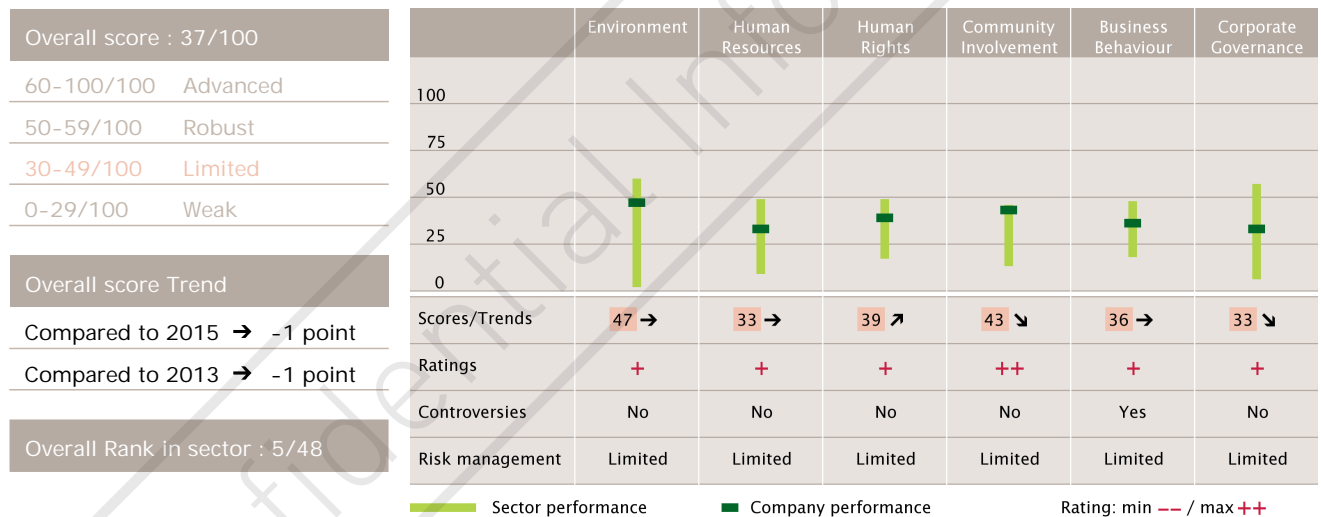
Information rate: 80% (Sector average: 57%)  
Company cooperation level: Responsive \*

## General information

Telefonica Brazil ("Telefonica Brasil") operates in the provision of fixed telephony services in São Paulo state and mobile telephony throughout the Brazilian territory. The Company is present in more than 3,700 cities throughout Brazil. Through the acquisition of Vivo in 2011, Telefonica Brazil became the largest integrated operator in Brazil, both by numbers of clients, as by revenue. Telefonica Brazil is part of the Spanish Telefonica group. The Company was founded in 1998 and is headquartered in Sao Paulo.

Main Economic Segment**	Turnover 2012
Telephony services	52.8 %
Data transmission and value added services	28.6 %
Interconnection changes	8.9 %

## Overall CSR performance & trends



- Telefonica Brasil's overall CSR performance is limited (37/100) and has remained stable compared to the previous review.
- Telefonica Brasil's reporting approach to addressing its ESG impacts appears to be homogeneous. In fact, the Company displays a limited performance in all of the three pillars: Social, Environment, and Governance. These performances reflect Telefonica Brasil's overall limited level of commitment and systems reported to be in place to address its various CSR responsibilities.
- As of December 2015, the Company was involved in two controversies relating to non-accessibility to services and to breach of contractual clauses. Telefonica Brasil has only been transparent on one case.

### Company inclusion in Vigeo Indices\*\*\*

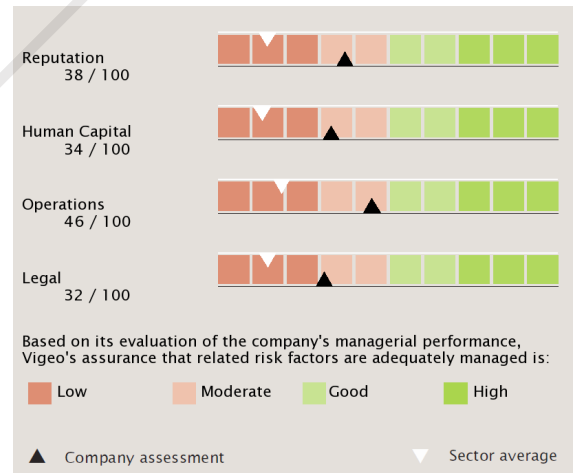


\* On a 4-level scale: proactive, responsive, partially responsive, not responsive  
 \*\* See detailed economic indicators in Selected financial data section  
 \*\*\* Based on the most recent Index at the date of publication

## Management of Risks and Opportunities


		Weaknesses		Strengths	
Weight of the Sustainability drivers	3	<ul style="list-style-type: none"> <li>Information to customers</li> <li>Career management</li> </ul>	<ul style="list-style-type: none"> <li>Fundamental human rights</li> <li>Anti-competitive practices                             <ul style="list-style-type: none"> <li>Health and safety</li> <li>Access to services &amp; base stations impact</li> <li>Energy</li> </ul> </li> <li>Board of Directors</li> <li>Customer relations</li> </ul>		
	2	<ul style="list-style-type: none"> <li>Executive remuneration</li> </ul>	<ul style="list-style-type: none"> <li>Audit &amp; internal controls</li> <li>Social standards in the supply chain                             <ul style="list-style-type: none"> <li>Shareholders</li> <li>Corruption</li> </ul> </li> <li>Non-discrimination and diversity</li> <li>Fundamental labour rights</li> <li>Reorganisation</li> </ul>		<ul style="list-style-type: none"> <li>Environmental strategy</li> </ul>
	1			<ul style="list-style-type: none"> <li>General interest causes</li> </ul>	
		Weak 0 to 29 points	Limited 30 to 49 points	Robust 50 to 59 points	Advanced 60 to 100 points

- Doubts about Telefonica Brasil's ability to mitigate its **human capital** risks could result from its overall limited management of social issues such as **career development, health and safety, fundamental labour rights, and reorganisations**. In fact, the systems reported to be put in place to manage the aforementioned issues are not deemed to be sufficiently effective to ensure the respect of employee rights and to foster favourable working conditions.
- Fundamental human rights** is identified as an area of weakness for Telefonica Brasil. This is an area of particular concern for the Telecommunications sectors given frequent privacy breaches and even the more so in light of the recent revelations of government mass surveillance during recent years, which have put telecommunication companies' handling of customer data under heavier scrutiny. Telefonica Brasil only reported training and informing its employees on information security matters, and such measures alone are not deemed to be effective in preventing privacy and freedom of expression violations. Hence, the Company is deemed to be exposed to reputational and legal risks in the event privacy violations on the part of the Company arise.
- Weaknesses have been observed in composition and functioning of the **Board of Directors**. In fact, only half of the Board is independent, and neither training nor evaluations are held. These elements raise doubts on the Board's ability to effectively and responsibly supervise the Company's strategy and operations.
- Anti-competitive practices** and **Corruption** represent areas of potential weakness for the Company. In fact, the Company did not provide evidence that it has set up sufficiently strong internal control systems, beyond reporting systems, to prevent it from being involved in such practices. Telefonica Brasil might thus be open to significant legal and operational risks.




\* We consider legal security as an element of a company's tangible or intangible assets. We define legal risk as the potential impact - negative or positive - on these assets, considering the management of CSR issues possibly involving the company's legal responsibility. Under no circumstances should our opinion be construed as a due diligence or an assurance in the meaning of regulations such as, for instance, the Sarbanes-Oxley Act in the USA or the Loi de Sécurité Financière in France

## Company performance in all the Sustainability Drivers

Weight of the Sustainability driver		Overall score 37/100		Trend	Score
		<b>Environment</b>		→	47
ENV1.1	2	Environmental strategy		↗	60
ENV2.2	3	Energy		↘	38
ENV2.5	2	Waste			N/R
ENV3.1	2	Disposal of telecom devices			N/R
		<b>Human resources</b>		→	33
HRS1.1	2	Social dialogue			N/R
HRS2.3	2	Reorganisation		→	32
HRS2.4	3	Career management		→	26
HRS3.2	3	Health and safety		↗	41
		<b>Human rights</b>		↗	39
HRT1.1	3	Fundamental human rights		↗	44
HRT2.1	2	Fundamental labour rights		→	34
HRT2.4	2	Non-discrimination and diversity		↗	35
		<b>Community involvement</b>		↘	43
CIN2.1	3	Access to services & base stations impact		↘	40
CIN2.2	1	General interest causes		↘	52
		<b>Business behaviour (c&amp;s)</b>		→	36
C&S1.2	3	Information to customers		→	29
C&S1.3	3	Customer relations		→	33 
C&S2.3	1	Environmental standards in the supply chain			N/R
C&S2.4	2	Social standards in the supply chain		→	42
C&S3.1	2	Corruption		↘	35
C&S3.2	3	Anti-competitive practices		→	43
		<b>Corporate governance</b>		↘	33
CGV1.1	3	Board of Directors		→	38
CGV2.1	2	Audit & internal controls		↘	47
CGV3.1	2	Shareholders		↗	38
CGV4.1	2	Executive remuneration		↘	7

 **Weak** (0-29/100)  **Limited** (30-49/100)  **Robust** (50-59/100)  **Advanced** (60-100/100)

 **Involvement in allegations**  **Involvement in allegations with evidence of corrective measures**

N/R means that this Sustainability Driver is not analysed for this Company

## Selected financial data

Key data	Net revenue	EBIT	Employees
2014	BRL 35bn	BRL 5.1bn	18,419
2013	BRL 34.7 bn	BRL 4.7 bn	18,532
2012	BRL 33.9bn	BRL 7.2bn	19,481
2011	BRL 29.1bn	BRL 5.8bn	21,338
2010	BRL 15.8bn	BRL 3.6bn	6,768
Main shareholders			2014
SP Telecomunicações Participações Ltda.			50.5 %
Telefónica S.A.			25.7 %
Telefónica Internacional S.A.			15.4 %
Geographical breakdown		Net revenue 2014	Employees 2014
Brazil		100 %	100 %
All Economic Segments			Turnover 2012
Telephony services			52.8 %
Data transmission and value added services			28.6 %
Interconnection changes			8.9 %
Sales of goods and equipment			5.6 %
Pay TV and others			4.1 %

## Selected ESG Indicators

	2014
Non-executive Board member(s) responsible for CSR issues	No
Executive remuneration linked to CSR performance	No
3-year energy consumption trend (normalized to turnover)	↓
Percentage of independent Board members	50
Percentage of women on Board	0
Percentage of women in Executive team	0
Percentage of women in workforce	46.2
Percentage of employees covered by collective agreements on working conditions	92.2
3 year trend for safety at work	N/A
Involvement in armament	No
Management of social risks in supply chain	Limited

## Involvement in disputable activities: summary

This section is dedicated to disputable activities in which the company is involved. 9 disputable activities are analyzed (see list below) following 30 parameters. Additional analysis and full database access are available as an option.

For more information please contact us at [customer.service@vigeo.com](mailto:customer.service@vigeo.com)

	Level of involvement	% of revenues
<input type="checkbox"/>	Alcohol	%
<input type="checkbox"/>	Animal maltreatment	%
<input type="checkbox"/>	Armament	%
<input type="checkbox"/>	Hazardous chemicals	%
<input type="checkbox"/>	Gambling	%
<input type="checkbox"/>	GMOs in food & feed	%
<input type="checkbox"/>	Nuclear energy	%
<input type="checkbox"/>	Sex industry	%
<input type="checkbox"/>	Tobacco	%

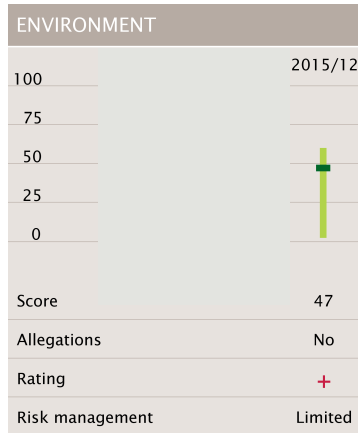
A company's level of involvement (Major, Minor, No) in a disputable activity is based on:

- An estimation of the revenues derived from disputable products or services
- The precise nature of the disputable products or services provided by the company

Confidential Information

## CSR performance per domain

■ Sector performance  
■ Company performance  
 Rating: min -- / max ++

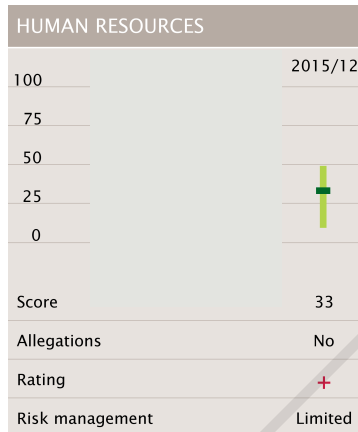


### Key issues

A key Environment issue of the telecommunications sector is the reduction of impacts from energy use (ENV 2.2) by reducing consumption of datacentres and sourcing green energy. The sector also has specific environmental challenges related to the impacts of mobile phones and other telecommunication devices after use (ENV 3.1). The other main issue is waste management (ENV 2.5) particularly due to the significant waste produced during network installation, maintenance and upgrade.

### Company performance

- Telefonica Brasil's performance in the Environment domain is limited in absolute terms, which is consistent with the previous review.
- The Company has set targets to reduce both energy consumption and related GHG emissions and appears to have maintained the implementation of comprehensive measures to optimise the energy-efficiency of its operations. However, reported KPIs for each environmental management area display mixed trends, hinting at the need for further improvement.
- Overall, the Company ranks above its peers.

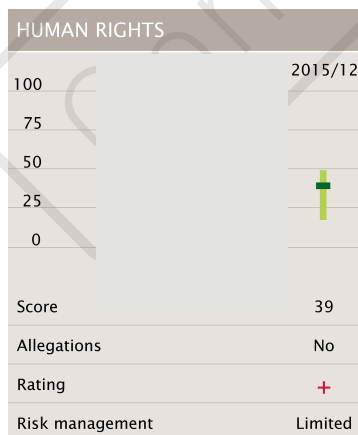


### Key issues

The telecommunications sector faces numerous human resources challenges. The promotion of labour relations (HRS 1.1) and the responsible management of reorganisations (HRS 2.3) are the main areas of concern. The sector still involves major restructurings, which often leads to a high number of lay-offs. Key sector challenges represent employee career management and the promotion of employability (HRS 2.4): training and career development are important in a sector that experiences regular innovations. Another key sector challenge concerns health and safety (HRS 3.2), as sector activities might engender physical (maintenance, network rolling... etc.) as well as stress-related (call centres' staff could be exposed to stressful working conditions) H&S concerns.

### Company performance

- Telefonica Brasil's performance in the Human Resources domain is limited in absolute terms, which is consistent with the previous review.
- In spite of conducting restructurings during the period reviewed, Telefonica Brasil has failed to display a commitment to manage such reorganisations responsibly. Limited measures to improve health and safety have been reported by the Company and disclosed KPIs hint at the need for improvement. Similarly, career management systems appear to be basic and have not been stepped up since the previous review.
- Overall, the Company ranks above its peers.



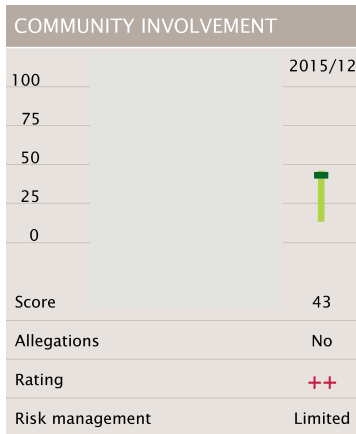
### Key issues

The highly relevant human rights challenge for the telecommunications sector is the preservation of customers' privacy right (HRT 1.1). Ensuring the respect for freedom of association and the right to collective bargaining (HRT 2.1) is also important: the increasing internationalisation and liberalisation of the sector in countries where the respect of this right is not ensured can negatively impact the sector. Another issue for the telecommunications sector is the prevention of discrimination (HRT 2.4): the sector still under-represents women in the companies' top management or in the total workforce.

### Company performance

- Telefonica Brasil's performance in the Human Rights domain is limited in absolute terms, in line with the previous review.
- Measures reported by the Company to ensure the prevention of discrimination and the respect of privacy rights appear to be basic. Moreover, no measures were reported to support Telefonica Brasil's commitment to the respect the rights for freedom of association and collective bargaining.
- Overall, the Company ranks above its peers.

Copyright Vigeo 2015 - Reproduction of this document in whole or in part is prohibited without the express written authorization of Vigeo and is protected by the provisions of the French Intellectual Property Code.

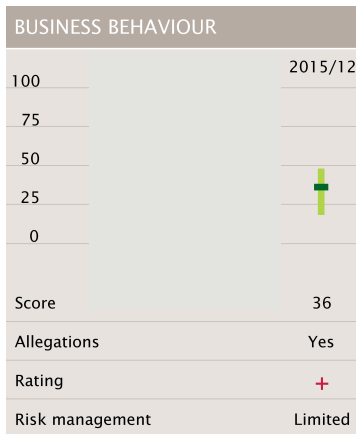


**Key issues**

The key community involvement challenge for telecommunication companies is the accessibility to telecommunication devices and prevention of impacts from base stations' emissions (CIN 2.1). This is done through ensuring digital inclusion: the company should ensure that its products are accessible for vulnerable populations and low income segments. Companies should also focus on mitigating base stations' impact through public consultations, audits or scientific research.

**Company performance**

- Telefonica Brasil's performance in the Community Involvement domain is limited in absolute terms, which is consistent with the previous review.
- The Company has allocated significant resources to promote the accessibility of its products, whereas efforts to mitigate health effects of base stations emissions remain limited. Telefonica Brasil contributes in diverse ways to general interest causes, and KPIs indicate an increase in dedicated resources.
- Overall, the Company ranks well above its peers.

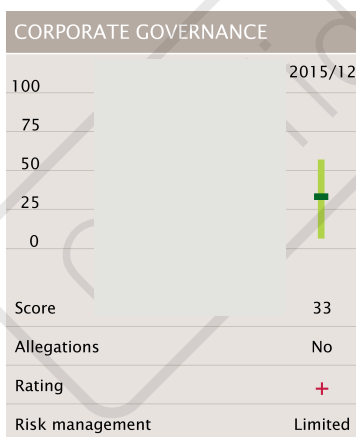


**Key issues**

The telecommunications sector faces specific challenges in terms of Business Behaviour. The main issues are informing customers on the health impacts of mobile phones and the potential adverse effects electro-magnetic fields (C&S 1.2), responsible customer relations (C&S 1.3), where companies have to avoid concerns over unclear contractual and pricing conditions, and the prevention of anti-competitive practices (C&S 3.2). It is also important for companies to integrate environmental (C&S2.3) and social (C&S2.4) factors in the supply chain, prevent corruption (C&S3.1) and be transparent about its lobbying activities (C&S3.3).

**Company performance**

- Telefonica Brasil's performance in the Business Behaviour domain is limited in absolute terms, which is consistent with the previous review.
- The Company's commitments, as well as systems to inform customers about EMF risks, to ensure the integration of social factors in supply chain management, and to prevent the occurrence of corruption and anti-competitive practices remain basic overall and leave room for improvement.
- Telefonica Brasil faced controversies related to responsible customer relations and reported transparently on these.
- Overall, the Company ranks above its peers.



**Key issues**

Corporate governance is critical to ensuring that a well-functioning system of checks and balances protects the interests of all company stakeholders. The effectiveness of the Board of Directors is a key issue to be addressed: this can be gleaned from information on Board composition (independence and competencies) and its way of functioning (regularity of Board meetings, evaluation of performance). Other important corporate governance factors include the effectiveness of the Audit and Internal Controls System, the protection of Shareholders' Rights and the establishment of Executive Remunerations which align executives' and company's interests.

**Company performance**

- Telefonica Brasil's performance in the Corporate Governance domain is limited in absolute terms, which is consistent with the previous review.
- The Board's composition and functioning generally do not align with good corporate governance standards: only half of the board members are independent, and they do not receive training to support them in their duties. No evaluation of the Board's performance is in place. Moreover, the Company does not have a committee responsible for executive remuneration. A notable lack of transparency has been observed in respect of audit and internal controls and the amounts and rules guiding executive remuneration.
- Overall, the Company ranks above its peers.

## Detailed analysis

<b>Environment</b>		<b>9</b>
<b>ENV1.1</b>	Environmental strategy	9
<b>ENV2.2</b>	Minimising environmental impacts from energy use	9
<b>ENV2.5</b>	Waste management	11
<b>ENV3.1</b>	Management of telecommunication devices after use	11
<b>Human Resources</b>		<b>11</b>
<b>HRS1.1</b>	Promotion of labour relations	11
<b>HRS2.3</b>	Responsible management of reorganisations	11
<b>HRS2.4</b>	Career management and promotion of employability	12
<b>HRS3.2</b>	Improvement of health and safety conditions	13
<b>Human Rights</b>		<b>15</b>
<b>HRT1.1</b>	Respect for privacy right and other fundamental human rights	15
<b>HRT2.1</b>	Respect for freedom of association and the right to collective bargaining	16
<b>HRT2.4</b>	Non-discrimination	17
<b>Community Involvement</b>		<b>18</b>
<b>CIN2.1</b>	Access to telecommunication services and impact from base stations	18
<b>CIN2.2</b>	Contribution to general interest causes	19
<b>Business Behaviour (C&amp;S)</b>		<b>21</b>
<b>C&amp;S1.2</b>	Information to customers regarding EMF risks	21
<b>C&amp;S1.3</b>	Responsible Customer Relations	21
<b>C&amp;S2.3</b>	Integration of environmental factors in the supply chain	23
<b>C&amp;S2.4</b>	Integration of social factors in the supply chain	23
<b>C&amp;S3.1</b>	Prevention of corruption	24
<b>C&amp;S3.2</b>	Prevention of anti-competitive practices	25
<b>Corporate Governance</b>		<b>26</b>
<b>CGV1.1</b>	Board of Directors	26
<b>CGV2.1</b>	Audit & Internal Controls	27
<b>CGV3.1</b>	Shareholders	28
<b>CGV4.1</b>	Executive Remuneration	29

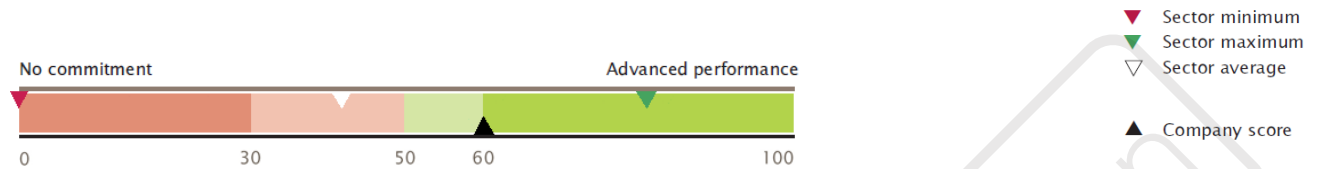


## Environment

Score : 47

### ENV1.1 Environmental strategy

(score: 60, weight: 2)



#### Visibility of commitment to environmental issues

The Company has issued a formalised commitment to environmental protection in its Environmental Policy. Telefonica Brazil is a signatory of the Global Compact and communicates on this principle. In addition, the Group has set quantitative targets as regards the reduction of its energy consumption and related emissions.

#### Relevance of environmental strategy

The Company commits to all its responsibilities in terms of environmental protection:

- Minimising environmental impacts from energy use
- Waste management
- Management of environmental impacts from the disposal of products

#### Ownership of commitment

The commitment applies throughout the Company, supported by senior management.

#### Means allocated to environmental management

The Company has allocated resources to environmental management, including monitoring and communication. Telefonica Brazil monitors its energy consumption and related emissions throughout its operations and conducts awareness raising on environmental protection towards its employees.

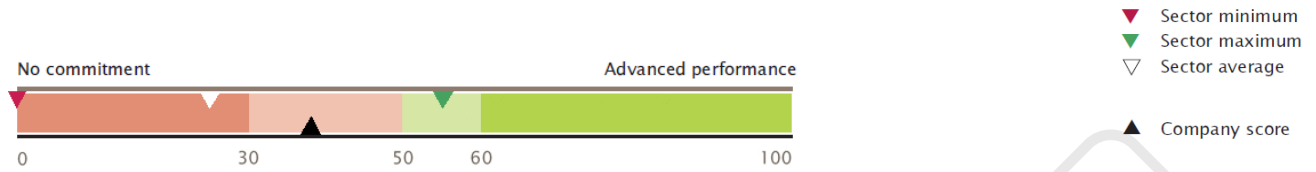
#### Coverage of certified environmental management systems

Information obtained from the Company and public sources regarding the share of sites covered by a certified environmental management system is insufficient. Telefonica Brazil makes references to the application of ISO 14001 standard, but it remains unclear if any part of the Company's operations received such certification.

<b>Leadership</b>	<b>86</b>	<b>Implementation</b>	<b>33</b>	<b>Results</b>	<b>N/A</b>
Visibility	100	Means & resources	65	Performance	N/A
Relevance	100	Scope	N/A	Trends	N/A
Ownership	30	Coverage	0		

**ENV2.2 Minimising environmental impacts from energy use**

(score: 38, weight: 3)



**Relevance of the company's commitment in terms of reducing its energy consumption**

The Company has set quantified targets with regard to its energy consumption, and these cover the entire group.

*Telefonica Brazil's targets in terms of energy consumption reduction for the 2007-2015 period are:*

- 30% reduction in overall consumption of the Company's telecommunications networks
- 10% reduction in consumption of the Company's offices

**Relevance of the company's commitment in terms of reducing its energy-related emissions**

*Telefonica Brazil has set a target to reduce direct and indirect GHG emissions by 20% by 2020. However, the baseline year for this target is unclear.*

**Means allocated**

*The Company works to optimise its production processes, in order to reduce its energy consumption and its related emissions.*

- *Monitoring: Telefonica Brazil monitors its energy consumption and GHG emissions*
- *Energy saving measures in the Company premises: the Company's headquarters use solar energy generated on its roof. LED lighting is reported to be installed.*
- *Optimisation measures for production units: the use of fossil fuels in generators is reduced and substituted with more efficient and cleaner energy sources. A radio base station in Sao Paulo, as well as three other sites in areas where access to power grid is made difficult also use solar panels and wind turbines. Telefonica Brazil also uses small hydroelectric plants and sugar mills (biomass).*
- *Renewable energy use: 26% of the Company's energy consumption in 2014 originated from clean sources.*
- *Environmental certification: the Company's Tamborã® data centre received LEED certification.*
- *The Company collects ideas to improve energy efficiency from its employees, and remunerate them with 25% of the energy expense effectively saved when their initiative has been validated and put into practice.*

**Coverage**

*The monitoring system and innovative collection of employee initiatives cover all the Company's operations. However, there is no evidence that other measures cover the majority of sites.*

**Energy consumption**

*Telefonica Brazil's energy consumption, normalised to revenues, increased by 7% between 2013 and 2014, to stand at 44.5 MWh per million BRL. The Company stated that the increase is due to the installation of new network infrastructure in 2014.*

**CO2 emissions linked to energy consumption (direct AND indirect\*, when applicable)**

*Telefonica Brazil's direct and indirect CO2 emissions, normalised to revenues, have decreased, but not continuously, by 30% between 2012 and 2014 to stand at 9 tonnes per million BRL.*

<b>Leadership</b>	<b>48</b>	<b>Implementation</b>	<b>51</b>	<b>Results</b>	<b>15</b>
Visibility	N/A	Means & resources	65	Performance	15
Relevance	48	Scope	N/A	Trends	N/A
Ownership	N/A	Coverage	30		

**ENV2.5 Waste management**

(deactivated)

This sustainability driver is only analysed for large companies in the Telecommunications Emerging Market sector, it is therefore not analysed for Telefonica Brazil.

**ENV3.1 Management of telecommunication devices after use**

(deactivated)

This sustainability driver is only analysed for large companies in the Telecommunications Emerging Market sector, it is therefore not analysed for Telefonica Brazil.

**Human Resources**

Score : 33

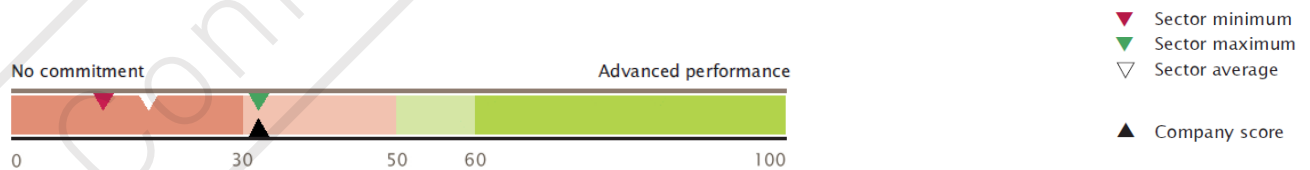
**HRS1.1 Promotion of labour relations**

(deactivated)

This sustainability driver is only analysed for large companies in the Telecommunications Emerging Market sector, it is therefore not analysed for Telefonica Brazil.

**HRS2.3 Responsible management of reorganisations**

(score: 32, weight: 2)



According to the Company's reporting, Telefonica Brazil conducted a restructuring during 2013 which entailed spin-offs and mergers of subsidiaries. No information is available on the number of employees affected.

**Relevance of commitment to manage reorganisations responsibly**

The Company does not disclose any commitment to manage reorganisations responsibly.

**Involvement with employee representatives**

The Company does not disclose any commitment to inform and consult employee representatives on reorganisations.

**Means allocated to prevent and manage reorganisations**

The Company has allocated significant measures to limit the impacts of reorganisations:  
- In the frame of lay offs due to the restructuring of Telefonica Brazil in 2011 and 2012, the Company offered services of an outplacement consultancy to provide affected employees advice on career repositioning and assistance in finding work. According to press sources, affected employees are estimated to 1,500.

**Coverage**

All employees affected by the 2011-2012 restructuring reportedly benefited from outplacement services, but it remains unclear what measures were allocated to reduce impact of the 2013 restructuring on employees in the fixed lines operations. According to press sources, the 2013 restructuring was to lead to 1,000 job cuts.

**Stakeholders' feedback**

A review of stakeholder sources did not reveal any allegations against the Company during the period under review: stakeholders' feedback is neutral.

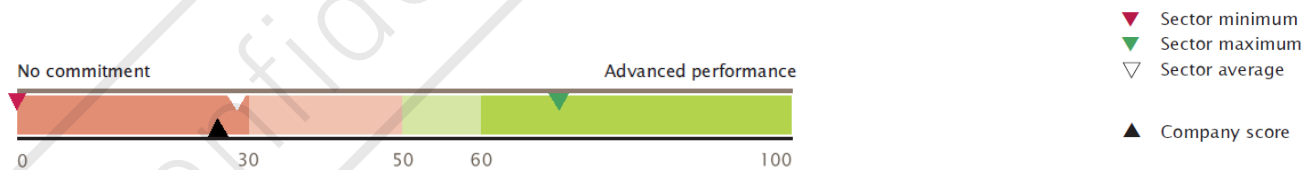
**Result of the company's commitment to manage reorganisations responsibly**

The Company has limited the impacts of reorganisations but has not been able to avoid layoffs.  
Telefonica Brazil reports that by December 2012, 74% of employees who used services of the consultancy offered by the Company had found a new job.

<b>Leadership</b>	<b>0</b>	<b>Implementation</b>	<b>48</b>	<b>Results</b>	<b>49</b>
Visibility	N/A	Means & resources	65	Performance	49
Relevance	0	Scope	N/A	Trends	N/A
Ownership	0	Coverage	30		

**HRS2.4 Career management and promotion of employability**

(score: 26, weight: 3)



**Visibility of commitment to promote career management and training**

The Company makes some general statements promoting career management and training in its 2014 Annual Sustainability Report.

**Relevance of commitment**

The Company's commitment to promoting career management and training addresses part of its responsibilities:  
- Promote career development.

**Ownership of commitment**

The Head of HR is not part of the Company's Board or Executive Committee and it is unclear whether line managers are evaluated on their performance in terms of HR management.

**Career management systems**

The Company has formalised the skill requirements for the various job positions.

**Coverage of career management systems**

This career management system covers all of Telefonica Brasil's employees. However, no other measure seems to be implemented to promote career management.

**Types of training provided to non-managers**

The training programmes are aimed at adapting employees' skills to the requirements of their current position and also enable them to develop additional skills. These include programmes leading to certifications or degrees. Trainings provided to non-managers include among others technical training and certification in technologies and methodologies. Telefonica Brazil encouraged and supported employees to go to college, some of which received certifications in methodologies and technologies.

**Means allocated to training for all employees**

The average annual number of training hours per employee decreased by 50% between 2012 and 2014, to stand at 10 hours per employee.

**Mobility / turnover**

The Company does not disclose quantitative data on performance indicators such as employee turnover or mobility rates.

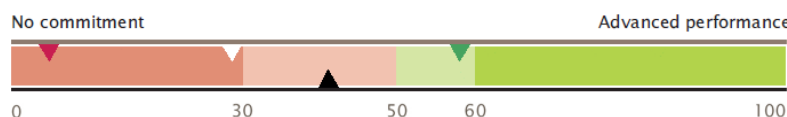
**Training delivered during the year under review (past year)**

There is no evidence that a majority of employees received training in 2014.

Leadership	21	Implementation	40	Results	18
Visibility	30	Means & resources	15	Performance	18
Relevance	30	Scope	100	Trends	N/A
Ownership	0	Coverage	30		

**HRS3.2 Improvement of health and safety conditions**

(score: 41, weight: 3)



- ▼ Sector minimum
- ▼ Sector maximum
- ▽ Sector average
- ▲ Company score

**Visibility of health & safety commitments**

*Telefonica (Telefonica Brazil's parent company) has made a formalised commitment to health and safety issues in its Business Principles, which apply to all companies of the group, including Telefonica Brazil.*

**Relevance of commitment**

*The Company's commitment is general. Telefonica commits to provide a safe work environment and to avoid accidents, injuries, and diseases associated with work activity.*

**Ownership of commitment**

*The commitment applies throughout the Company, supported by senior management. In addition, responsibility for commitments is allocated to a dedicated structure. Telefonica Brazil has established a health department comprising a multidisciplinary team responsible for Risk Management, Health Care, Occupational Health and Safety.*

**Means allocated to health and safety**

*The Company has allocated means to address these issues, including a health and safety system:*

- Internal monitoring
- Training: the Company provides trainings health and safety to employees tailored to their functions such as for work at heights, in confined spaces and the use of personal and collective protective equipment and tools.
- Risk assessments through internal Company studies measuring noise levels, lighting, as well as ergonomics.
- Internal H&S audits: safety inspections are reported to be conducted.

**Coverage of health and safety system**

*There is no evidence that the health and safety measures cover the majority of employees.*

**Means allocated to reduce stress at work**

*The Company has allocated significant means to address stress at work, including:*

- Stress support instruments: the Company provides employees with psychological assistance in the case of traumatic events or emotional and family conflicts, in addition to social services, as well as legal and financial advice.

**Coverage of means allocated to reduce stress at work**

*There is no evidence that the measures allocated to reduce stress at work cover the majority of employees.*

**Accident frequency rate**

The Company does not disclose quantitative data on accident frequency rates.

**Accident severity rate**

*The Company only reports the absolute number of days lost due to work accidents, which amounted to 231 in 2014, compared to 202 days in 2013.*

**Other health and safety indicators**

*The Company only reports the absolute number of cases of occupational illnesses, which amounted to 75 in 2013, whereas there were no cases in 2014.*

**Stakeholders' feedback**

A review of stakeholder sources did not reveal any allegations against the Company during the period under review: stakeholders' feedback is neutral.

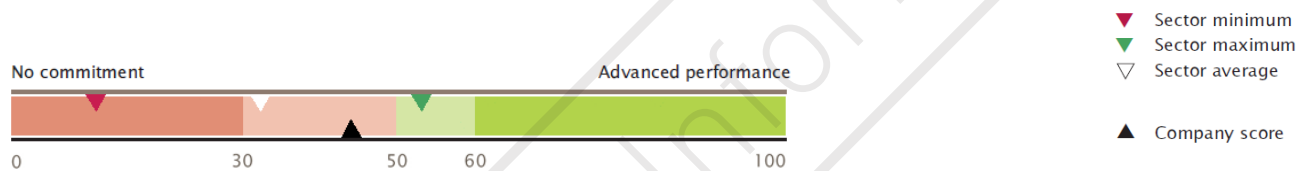
<b>Leadership</b>	<b>55</b>	<b>Implementation</b>	<b>45</b>	<b>Results</b>	<b>24</b>
Visibility	<b>65</b>	Means & resources	<b>65</b>	Performance	<b>24</b>
Relevance	<b>30</b>	Scope	<b>N/A</b>	Trends	<b>N/A</b>
Ownership	<b>65</b>	Coverage	<b>15</b>		

**Human Rights**

Score : 39

**HRT1.1 Respect for privacy right and other fundamental human rights**

(score: 44, weight: 3)



**Visibility of commitment to privacy and fundamental human rights**

*Telefonica (Telefonica Brazil's parent company) has issued a formalised commitment to respect and promote human rights in society in its Business Principles. The Company is a signatory of the Global Compact and communicates on this principle.*

**Relevance of commitment**

*The Company's commitment to respect and promote basic human rights in society addresses part of its responsibilities:  
- Respect the right to privacy*

**Ownership of commitment**

The commitment applies throughout the Company, supported by senior management.

**Means allocated to ensure privacy and other fundamental rights respect**

*The Company has set up a basic system to ensure the respect for privacy and other fundamental rights that includes:  
- Awareness-raising and training programmes for employees: training on information security is provided to administrative staff and store employees. The Company also provides employees with security-related information on its Corporate Security website.*

**Coverage**

*There is no evidence that the Company has set up such systems in all of its operations facing the highest risks in terms of privacy and other fundamental rights abuses.*

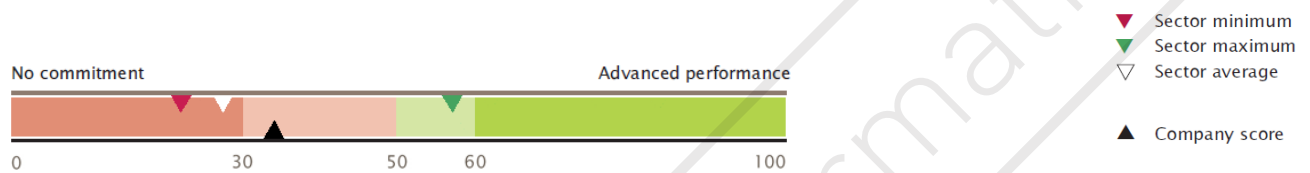
**Stakeholders' feedback**

A review of stakeholder sources did not reveal any allegations against the Company during the period under review: stakeholders' feedback is neutral.

<b>Leadership</b>	<b>37</b>	<b>Implementation</b>	<b>30</b>	<b>Results</b>	<b>65</b>
Visibility	<b>65</b>	Means & resources	<b>30</b>	Performance	<b>65</b>
Relevance	<b>30</b>	Scope	<b>N/A</b>	Trends	<b>N/A</b>
Ownership	<b>30</b>	Coverage	<b>30</b>		

**HRT2.1 Respect for freedom of association and the right to collective bargaining**

(score: 34, weight: 2)



Telefonica Brazil SA has operations mainly in Brazil where the 2015 ITUC reports claim there are regular violations of labour rights.

**Visibility of commitment to respect freedom of association**

*Telefonica (Telefonica Brazil's parent company) has issued a formalised commitment to freedom of association and the right to collective bargaining in its Business Principles, which applies to all companies of the group. Telefonica Brazil is a signatory of the Global Compact but does not communicate on this principle. Moreover, Telefonica Brazil is a signatory of the Union Network International Code of Conduct.*

**Relevance of commitment**

*The Company's commitment addresses only part of its responsibilities:  
- Respect and protection of workers' representatives*

**Ownership of commitment**

The commitment applies throughout the Company, supported by senior management.

**Monitoring the respect of freedom of association**

*It is not clear what steps Telefonica Brazil takes to ensure that freedom of association is respected throughout its operations (e.g.: through external verification, risk mapping, audits, etc.).*

**Promotion of collective bargaining**

Information obtained from the Company and public sources regarding measures in place to inform employees about their trade union rights is insufficient.

**Coverage**



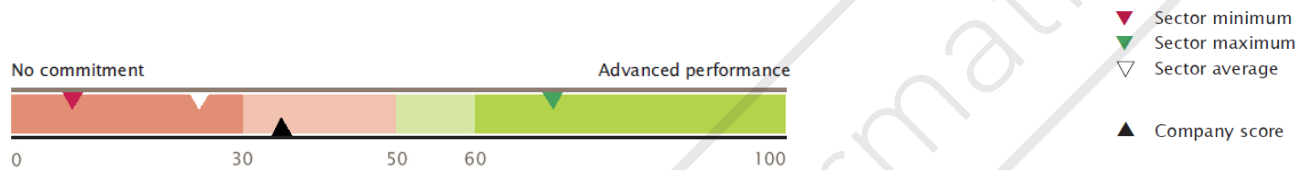
**Stakeholders' feedback**

A review of stakeholder sources did not reveal any allegations against the Company during the period under review: stakeholders' feedback is neutral.

<b>Leadership</b>	<b>37</b>	<b>Implementation</b>	<b>0</b>	<b>Results</b>	<b>65</b>
Visibility	<b>65</b>	Means & resources	<b>0</b>	Performance	<b>65</b>
Relevance	<b>30</b>	Scope	<b>N/A</b>	Trends	<b>N/A</b>
Ownership	<b>30</b>	Coverage	<b>0</b>		

**HRT2.4 Non-discrimination**

(score: 35, weight: 2)



**Visibility of commitment**

*Telefonica Brazil has made references to preventing discrimination in its 2014 Sustainability Report. In addition, the Company is a signatory of the Global Compact and communicates on this principle.*

**Relevance of commitment**

*The Company's commitment to preventing discrimination explicitly defines some of the categories at stake for the sector:*

- Gender
- Race / ethnicity / nationality
- Sexual orientation
- Age

**Ownership of commitment**

The commitment applies throughout the Company, supported by senior management.

**Means allocated to prevent discrimination**

*The Company has set up a few measures to prevent discrimination:*

- Telefonica Brazil states to sensitize managers and employees to the inclusion of people with disabilities at the workplace.
- Monitoring: the Company reports diversity indicators such as the share of women in management and in the workforce.
- Confidential reporting system: breaches of non-discrimination standards can be reported anonymously via an intranet channel.

**Coverage**

*There is no evidence that the Company has set up programmes to promote diversity (eg: training, awareness-raising, etc.) in a majority of its operations.*

**Results in terms of women in management**

*Between 2010 and 2014, the share of women in management positions increased by 10.4 points, to stand at 27.7%.*

Copyright Vigeo 2015 - Reproduction of this document in whole or in part is prohibited without the express written authorization of Vigeo and is protected by the provisions of the French Intellectual Property Code.

**Results in terms of employment of people with disabilities**

The Company does not disclose quantitative data on performance indicators such as the share of people with disabilities in the total workforce.

**Stakeholders' feedback**

A review of stakeholder sources did not reveal any allegations against the Company during the period under review: stakeholders' feedback is neutral.

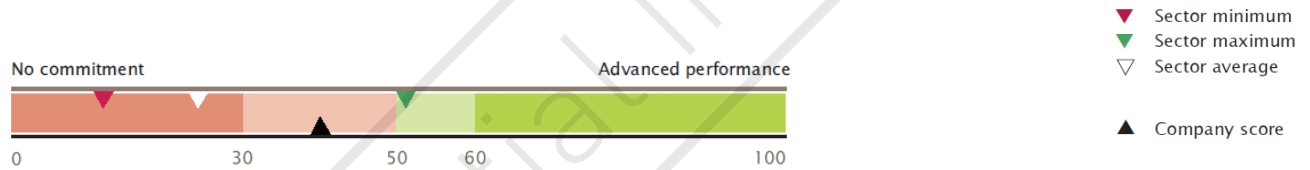
Leadership	30	Implementation	30	Results	45
Visibility	30	Means & resources	30	Performance	65
Relevance	30	Scope	N/A	Trends	32
Ownership	30	Coverage	30		

**Community Involvement**

Score : 43

**CIN2.1 Access to telecommunication services and impact from base stations**

(score: 40, weight: 3)



**Visibility of policy towards accessing telecommunication services and mitigating impacts from base stations emissions**

*The Company refers to addressing the accessibility of its services in its 2014 Annual Sustainability Report.*

**Exhaustiveness of the Company's policy (accessing Telecommunications services and mitigating base stations' impact)**

*The Company's commitment to address the accessibility of its services is general.*

**Ownership of commitment**

It is unclear who is responsible for the Company's commitment or to which parts of the Company it applies.

**Measures implemented to address the accessibility of telecommunications services**

The Company has allocated significant measures to address the accessibility of its products and services:

- Specific product lines aimed at accessibility: Telefonica Brazil's Torpedo Recado service transforms voice messages received by answering services into SMS format texts. The Company also has Vivo Mais Mensagens, a service for the hearing impaired enabling the customer to communicate via mobile phone text messages at promotional rates. A specific Customer Service Center number is available to visually and hearing impaired persons for free.
- Specific R&D efforts to increase accessibility: Telefonica Brazil's public phones have been equipped with sound alerts for the visually impaired. Following an engagement with the federal governments, the Company offers mass broadband at low prices in 2,000 municipalities of the Sao Paulo state.
- Deployment of the network in remote areas: in partnership with Ericsson, Telefonica Brazil set up a third generation antenna at Belterra (16,000 inhabitants), which is located in the Amazon region. Other cities located in remote areas also benefited from such initiatives. The Company also provided computers and internet connexions to 100 rural schools through Brazil, and to schools located in socially disadvantaged areas.

**Geographical coverage means to address the accessibility of telecommunications services**

These measures appear to cover the majority of regions where the Company is present or has commercial interests.

**Measures implemented to mitigate impacts from base stations**

The Company has developed basic initiatives to mitigate the impact from base station emissions, including:

- Other measures compliant with international bodies: radio base stations are reported to have been installed in accordance with the criteria established by the International Commission on Non-Ionizing Radiation Protection (ICNIRP).

**Geographical coverage of means to mitigate impacts from base stations**

The Company has set up such systems in a majority of sites. All installed base stations are reportedly covered by the above measure.

**Trend of associated KPIs**

Telefonica Brazil discloses the total number of rural schools, teachers, students and municipalities which benefited from the Connected Rural Schools programme and all of these indicators grew significantly between 2013 and 2014.

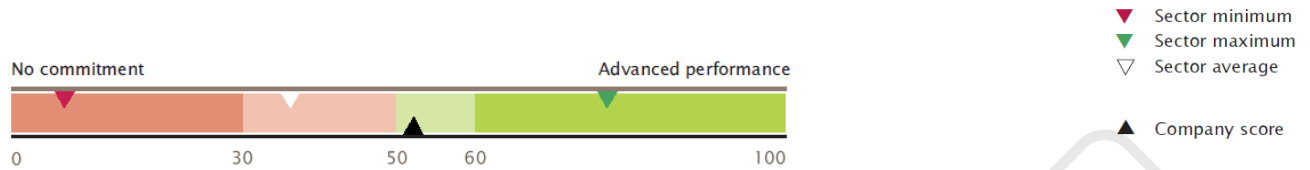
**Stakeholders' feedback**

A review of stakeholder sources did not reveal any allegations against the Company during the period under review: stakeholders' feedback is neutral.

<b>Leadership</b>	<b>24</b>	<b>Implementation</b>	<b>48</b>	<b>Results</b>	<b>49</b>
Visibility	30	Means & resources	48	Performance	65
Relevance	30	Scope	N/A	Trends	30
Ownership	0	Coverage	48		

**CIN2.2 Contribution to general interest causes**

(score: 52, weight: 1)



**Visibility of the Company's policy**

The Company referred to contributing to general interest causes in its 2014 Annual Sustainability Report.

**Relevance of commitment**

The Company's commitment to supporting general interest causes is general.

**Ownership of commitment**

The commitment applies throughout the Company, supported by senior management. In addition, other employees are directly involved.  
The Company has a dedicated foundation responsible for community investment.

**Means allocated**

The Company has allocated significant resources to general interest causes and has set up programmes to involve its employees.  
- Telefonica has set up a dedicated foundation, Fundacao Telefonica Vivo, to 'enhance the quality of life of children and young people' through technology.  
- In Brazil, the foundation mainly finances projects related to education inclusion and the eradication of child labour. Some projects also receive in-kind donations such as connection equipment at schools.  
- Allowing staff time: the parent company has a global Volunteers' Day in which employees of the group engage in different community projects to assist NGOs and cities. Volunteering can also be done through online work contribution.

**Geographical coverage**

These means are allocated in the majority of Company sites.

**Performance benchmark for contributions to general interest causes**

The Company does not contribute significantly to general interest causes.  
In 2014, Telefonica Brazil invested BRL 41 million in social projects, representing 0.8% of its EBIT during the year.

**Trend in contributions to general interest causes**

The Company monitors indicators on contributions to general interest causes, and these have been improving over time.  
Telefonica Brazil's contributions to general interest causes, have increased by 40.35% between 2012 and 2014 to stand at BRL 41 million.

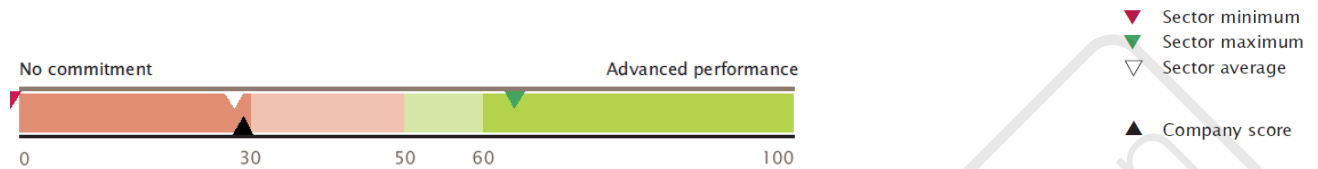
<b>Leadership</b>	<b>41</b>	<b>Implementation</b>	<b>86</b>	<b>Results</b>	<b>30</b>
Visibility	30	Means & resources	100	Performance	0
Relevance	30	Scope	N/A	Trends	100
Ownership	65	Coverage	65		

## Business Behaviour (C&S)

Score : 36

### C&S1.2 Information to customers regarding EMF risks

(score: 29, weight: 3)



**Visibility of commitment to health and electromagnetic fields**

The Company has made references regarding health and electromagnetic fields in its 2014 Annual Sustainability Report.

**Relevance of commitment**

The Company's commitment is limited to regulatory compliance regarding base stations.

**Ownership of commitment**

It is unclear who is responsible for the Company's commitment or to which parts of the company it applies.

**Means allocated to mitigate handsets emissions**

Information obtained from the Company and public sources to mitigate handset emissions is insufficient.

**Coverage of means**

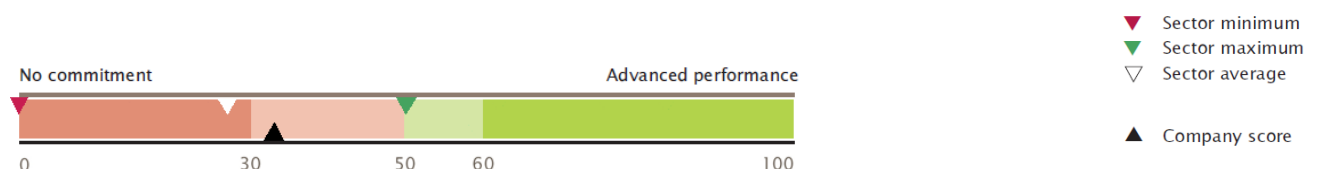
**Stakeholders' feedback**

A review of stakeholder sources did not reveal any allegations against the Company during the period under review: stakeholders' feedback is neutral.

Leadership	23	Implementation	0	Results	65
Visibility	30	Means & resources	0	Performance	65
Relevance	30	Scope	N/A	Trends	N/A
Ownership	0	Coverage	0		

### C&S1.3 Responsible Customer Relations

(score: 33, weight: 3)



**Visibility of commitment to responsible contractual agreements**

*Telefonica (Telefonica Brazil's parent company) has issued a formalised commitment to including social factors in supply chain management in its Business Principles, which apply to all Telefonica companies, including Telefonica Brazil.*

**Relevance of Commitment**

*The Company's commitment to responsible contractual agreements is general, and addresses the guarantee of service quality for Telefonica Brazil's clients.*

**Ownership of commitment**

The commitment applies throughout the Company, supported by senior management.

**Means allocated**

*Information obtained from the Company and public sources regarding measures to ensure that customers are treated appropriately and that contracts are respected is insufficient. Of note, Telefonica Brazil states to have conducted improvements in its internal processes over the last three years in this regard but does not disclose the details of such measures.*

**Complaints management system**

There is a formalised and accessible system to handle complaints.  
*Telefonica Brazil has set up an ombudsman service to deal with customers' complaints.*

**Coverage**

The Company has set up such systems throughout the Company.  
*The ombudsman service is available to all customers.*

**Results**

*Telefonica Brazil reports that 87% of clients' complaints were resolved within 5 working days in 2014, compared to 89% in 2013.*

*Telefonica Brazil discloses rates of customer satisfaction:*

- as regards mobile phone clients, the rate of customer satisfaction decreased from 7.97 in 2012 to 7.31 in 2014
- as regards fixed clients, the rate of customer satisfaction decreased from 7.65 in 2012 to 7.07 in 2014

*Telefonica Brazil discloses the average number of complaints per million of clients for each month between 2013 and 2014:*

- as regards mobile phone clients, the rate of complaints per million customers increased by 24% between 2012 and 2014 to stand at 0.31 complaints.
- as regards fixed clients, the rate of complaints per million customers increased by 20.3% between 2012 and 2014 to stand at 1.36 complaints.



**Stakeholders' feedback**

*The Company has been condemned during the period under review:*

*(1) According to press sources of November 2013, Anatel (National telecommunications' regulator) fined Telefonica Brazil BRL 13.1 million following billing errors affecting local telephony, international long distance and long distance collect calls, as well as the selling of prepaid cards with values above the legal limit.*

*(2) According to the Company's 2012 Sustainability Report, Telefonica Brazil was sued by the Sao Paulo state Public Prosecution service, following alleged ongoing malfunctioning of its services. In April 2010, The Public Prosecution required the payment of BRL 1 billion damages to clients affected. Telefonica Brazil appealed the first condemnation in May 5, 2010 and is now for the final decision of the Public Prosecution.*

Copyright Vigeo 2015 - Reproduction of this document in whole or in part is prohibited without the express written authorization of Vigeo and is protected by the provisions of the French Intellectual Property Code.

**Company's responsiveness**

*Telefonica Brazil reported transparently on these allegations.*

<b>Leadership</b>	<b>41</b>	<b>Implementation</b>	<b>38</b>	<b>Results</b>	<b>20</b>
Visibility	<b>65</b>	Means & resources	<b>20</b>	Performance	<b>20</b>
Relevance	<b>30</b>	Scope	<b>N/A</b>	Trends	<b>N/A</b>
Ownership	<b>30</b>	Coverage	<b>65</b>		

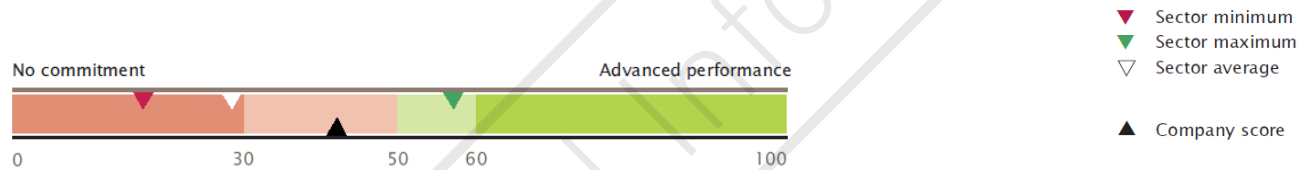
**C&S2.3 Integration of environmental factors in the supply chain**

(deactivated)

This sustainability driver is only analysed for large companies in the Telecommunications Emerging Market sector, it is therefore not analysed for Telefonica Brazil.

**C&S2.4 Integration of social factors in the supply chain**

(score: 42, weight: 2)



**Visibility of commitment**

*Telefonica (Telefonica Brazil's parent company) has issued a formalised commitment to including social factors in supply chain management in its Business Principles, which apply to all Telefonica companies, including Telefonica Brazil. In addition, the Company is a signatory of the Global Compact and communicates on this principle.*

**Relevance of commitment**

*The Company's social requirements for suppliers only address some of the relevant issues in the sector:*  
 - Abolition of child labour  
 - Abolition of forced labour

**Ownership of commitment**

The commitment applies throughout the Company, supported by senior management.

**Means allocated**

*The Company has set up a few measure to include social factors in supply chain management:*  
 - supplier questionnaires: through an online questionnaire on Telefonica Brazil's supplier portal, suppliers identified as high risk due to their activity are assessed on social issues.

**Audits of suppliers/subcontractors**

Dedicated social audits are carried out by external auditors.  
*A specific check on social issues of service suppliers was reportedly conducted by an external party, PriceWaterHouseCoopers, and these suppliers were presented improvement action plan.*

**Coverage** *There is no evidence that the measures implemented cover the majority of suppliers.*

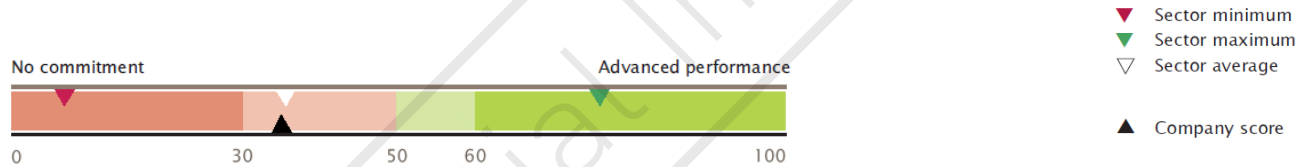
**Share of corrective measures / problems uncovered** *The Company does not disclose quantitative data on the share of social problems in the supply chain that were addressed by corrective measures.*

**Allegations against suppliers** *A review of stakeholder sources did not reveal any social allegations against the Company's suppliers or subcontractors.*

<b>Leadership</b>	<b>30</b>	<b>Implementation</b>	<b>46</b>	<b>Results</b>	<b>50</b>
Visibility	30	Means & resources	65	Performance	50
Relevance	30	Scope	N/A	Trends	N/A
Ownership	30	Coverage	0		

**C&S3.1 Prevention of corruption**

(score: 35, weight: 2)



**Visibility of commitment** *Telefonica (Telefonica Brazil's parent company) has issued a formalised commitment to prevent corruption in its Telefonica's Business Principles, which apply to all Telefonica companies, including Telefonica Brazil. In addition, the Company is a signatory of the Global Compact and communicates on this principle.*

**Relevance of commitment** *The Company's commitment to preventing corruption addresses part of its responsibilities:*  
 - Gifts and invitations  
 - Conflicts of interest  
 - Illegal financing of political parties

**Ownership of commitment** *The commitment applies throughout the Company, supported by senior management.*

**Involvement of employees** *Information obtained from the Company and public sources regarding the involvement of employees in preventing corruption is insufficient. Of note, Telefonica Brazil states that all employees in direct contact with clients received training on the Business Principles. However, it is unclear if any specific training on corruption issues was provided.*

Copyright Vigeo 2015 - Reproduction of this document in whole or in part is prohibited without the express written authorization of Vigeo and is protected by the provisions of the French Intellectual Property Code.



**Means allocated**

The Company has set up reporting systems to prevent corruption that include a confidential reporting system. Telefonica Brazil's employees may report concerns to the respect of the Business Principles anonymously through specific channels on the group's intranet.

**Coverage**

The measures implemented cover all significant parts of the Company. The confidential reporting system covers all employees.

**Reporting**

The Company does not disclose any quantitative data on the number or nature of corruption incidents reported internally.

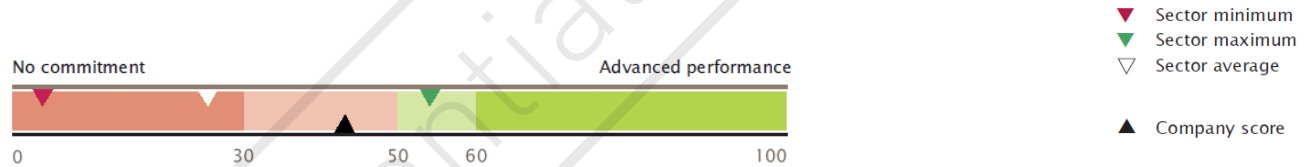
**Stakeholders' feedback**

A review of stakeholder sources did not reveal any allegations against the Company during the period under review: stakeholders' feedback is neutral.

Leadership	41	Implementation	20	Results	43
Visibility	65	Means & resources	15	Performance	43
Relevance	30	Scope	N/A	Trends	N/A
Ownership	30	Coverage	30		

**C&S3.2 Prevention of anti-competitive practices**

(score: 43, weight: 3)



**Visibility of commitment**

Telefonica (Telefonica Brazil's parent company) has issued a formalised commitment to prevent anti-competitive practices in its Telefonica's Business Principles, which apply to all Telefonica companies, including Telefonica Brazil.

**Relevance of commitment**

The Company's commitment to preventing anti-competitive practices is general.

**Ownership of commitment**

The commitment applies throughout the Company, supported by senior management.

**Involvement of employees**

The Company has instituted formal training programmes for relevant employees on the prevention of anti-competitive practices. Telefonica Brazil employees who have contact with the regulatory agencies and the industry and sector associations receive a specific training on the prevention of anti-competitive practices.

**Means allocated**

The Company has set up reporting systems to prevent anti-competitive practices that include:  
- Non-confidential reporting system  
- A dedicated confidential hotline or email address: Telefonica Brazil's employees may report concerns to the respect of the Business Principles anonymously through specific channels on the group's intranet

**Coverage**

The measures implemented cover a majority of the Company.  
The confidential reporting system is made available to all employees.

**Reporting**

The Company does not disclose any quantitative data on the number or nature of antitrust incidents reported internally.

**Stakeholders' feedback**

A review of stakeholder sources did not reveal any allegations against the Company during the period under review: stakeholders' feedback is neutral.

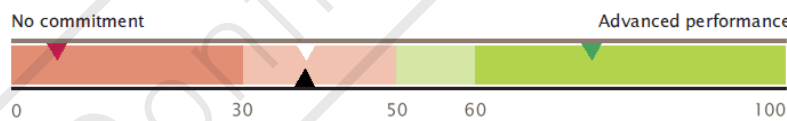
<b>Leadership</b>	<b>44</b>	<b>Implementation</b>	<b>42</b>	<b>Results</b>	<b>43</b>
Visibility	<b>65</b>	Means & resources	<b>48</b>	Performance	<b>43</b>
Relevance	<b>30</b>	Scope	<b>N/A</b>	Trends	<b>N/A</b>
Ownership	<b>30</b>	Coverage	<b>30</b>		

**Corporate Governance**

Score : 33

**CGV1.1 Board of Directors**

(score: 38, weight: 3)



**Existence and independence of Nomination Committee**

A specific committee is in place, but at least one executive is part of it, which might raise concerns.

**Independence of Board Chairman**

The roles of Chairman and CEO are separated, but the chairman is not considered independent.

**Responsibility allocated over CSR issues**

No director is responsible for oversight of CSR issues. However, the Company has a senior manager with CSR responsibilities who reports directly to the CEO.

**Share of independent shareholder-elected Board members**

The Board is between 34 and 50% independent, which is slightly less than the recommended level.  
*Six members of the 12-member Board are considered independent.*

**Diversity of the skills and backgrounds of the Board**

*The Company's Board of Directors diversity appears to be partial:*  
- Board members with demonstrated professional experience in the Company's sector of activities  
- Board members with demonstrated expertise on CSR issues

**Training and expertise provided to board members**

No training is provided.  
*Of note, although the Company states that no training is provided to Board members, the Company refunds the members in case they want to sign up in a course of IBGC (acronym in Portuguese for Brazilian Institute of Corporate Governance).*

**Regular election of Board members**

Board members are elected at least every three years and these elections are not staggered.  
*Board members are eligible for re-election following three-year terms.*

**Evaluation of Board's functioning and performance**

Performance is not evaluated regularly.  
*Telefonica Brazil reported that there is no formal evaluation of the Board.*

**Review of CSR issues at Board meeting**

*Telefonica Brazil publishes a Sustainability Report signed by the CEO, but there is no evidence that relevant CSR issues are reviewed at Board meetings.*

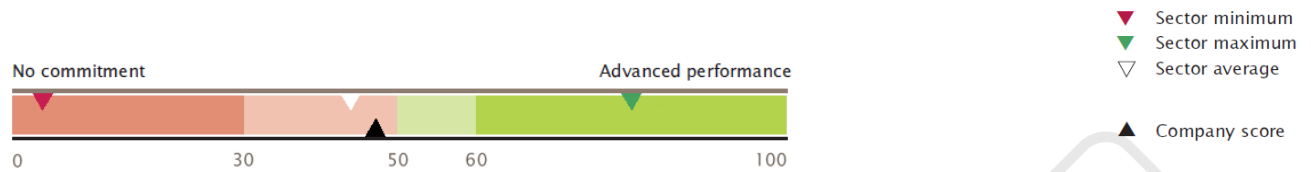
**Regularity of and attendance at Board meetings**

Regular meetings are held, but no attendance rates are disclosed.  
*Seventeen Board meetings were held in 2014.*

Non-independent board members (excl. employee representatives)	Role	Current or Former Executive	More than 9 years on board	Stock options or warrants	Paid >1/2 executive salary	Owns or represents >3% company's shares	Other
Antonio Carlos Valente da Silva	Chairman		X			X	
Santiago Fernandez Valbuena						X	
Francisco Javier de Paz Mancho	Nominations, Compensation and Corporate Governance Committee					X	
Jose Fernando de Almansa Moreno	Nominations, Compensation and Corporate Governance Committee					X	
Luiz Fernando Furlan						X	
Paulo Cesar Pereira Teixeira		X					

**CGV2.1 Audit & Internal Controls**

(score: 47, weight: 2)

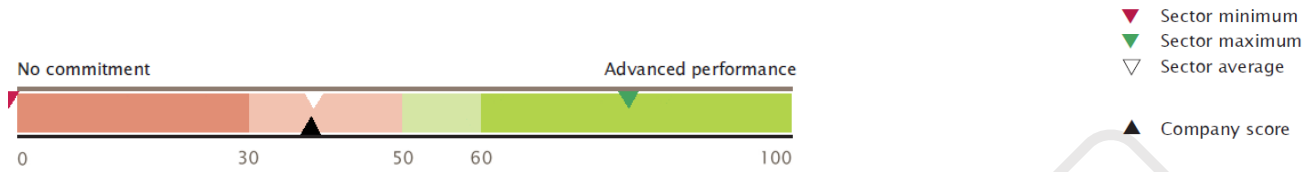


<p><b>Existence and independence of Audit Committee</b></p>	<p>All members are independent non-executive directors. <i>All of the three-member Control and Audit Committee are considered independent.</i></p>
<p><b>Skills and backgrounds of Audit Committee members</b></p>	<p><i>Members appear to have financial experience and relevant operational experience.</i></p>
<p><b>Operational and CSR risks covered by the Company's internal controls system</b></p>	<p><i>The system covers the standard issues related to financial, operational, and legal risks.</i></p>
<p><b>Role of the Audit Committee in overseeing internal and external controls</b></p>	<p>The Audit Committee has a comprehensive role that includes:</p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Oversee internal audit and internal controls</li> <li><input checked="" type="checkbox"/> Review accounting policies and be responsible for updates</li> <li><input checked="" type="checkbox"/> Nominate the statutory auditor</li> <li><input checked="" type="checkbox"/> Oversee the work of the external auditor</li> <li><input checked="" type="checkbox"/> Approve the type of audit and non-audit services provided and fees paid to the external auditor</li> </ul>
<p><b>Management of CSR risks</b></p>	<p><i>Information obtained from the Company and public sources regarding the management of CSR risks is insufficient.</i></p>
<p><b>Independence of the firm's external auditors</b></p>	<p>Information obtained from the Company and public sources regarding the independence of the Firm's external auditors is insufficient.</p>
<p><b>Inclusion of CSR issues in Company reporting</b></p>	<p><i>The Company publishes significant CSR reporting on key material issues, with an independent third party assessment of the reliability of key performance indicators, with a limited level of assurance.</i></p>
<p><b>Reliability of the Company's internal controls system</b></p>	<p>A review of stakeholder sources did not reveal any allegations for internal control failures against the Company during the period under review.</p>

Copyright Vigeo 2015 - Reproduction of this document in whole or in part is prohibited without the express written authorization of Vigeo and is protected by the provisions of the French Intellectual Property Code.

**CGV3.1 Shareholders**

(score: 38, weight: 2)



**Nonexistence of voting rights restrictions**

Minor voting rights restrictions have been identified.  
*Telefonica Brazil has preferred shares, which do not entitle voting rights except under specific circumstances.*

**Safeguards on transactions with major shareholder(s)**

No safeguards appear to be in place, which might raise concerns with regard to the fairness of any such transaction.

**Ability to add items to the agenda of the AGM and to convene an EGM**

No major restrictions have been identified.

**Access to voting at General Meetings**

There are no major restrictions on shareholders' ability to vote, however there is no possibility of voting through online services.

**Ability to vote on relevant issues in separate resolutions at AGM**

All major items are voted upon, however all issues are not voted upon in separate resolutions.  
*Nomination of Directors are voted collectively. Shareholders vote on approval of the total amount of remuneration for executives and directors.*

**Presentation of CSR strategy to shareholders and investors**

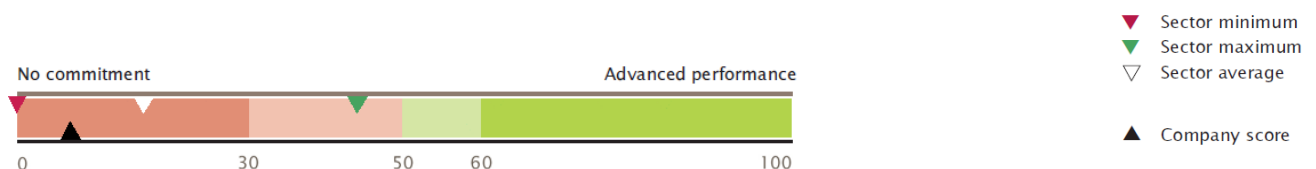
*The Company reports presenting its CSR strategy in meetings with investors and in presentations in associations like APIMEC (acronym in Portuguese for Association of Investment Analysts and Professionals of the Capital Market). However, the elements covered in the Company's CSR strategy are unclear.*

**Feedback from shareholders and other stakeholders on the Company's corporate governance performance**

A review of stakeholder sources did not reveal any allegations against the Company during the period under review: stakeholders' feedback is neutral.

**CGV4.1 Executive Remuneration**

(score: 7, weight: 2)



<p><b>Existence and independence of Remuneration Committee</b></p>	<p>A specific committee is in place, but at least one executive is part of it, which might raise concerns. <i>Telefonica Brazil states that it does not have a formalised Remuneration Committee.</i></p>
<p><b>Disclosure of senior executives' individual remuneration</b></p>	<p>Executive remuneration is disclosed, but on a collective rather than on an individual basis.</p>
<p><b>Link between Short-Term Incentive Plans and the economic and CSR performance of the Company</b></p>	<p><i>The Company states that bonuses to senior executives are based on economic indicators linked to business results. However, said indicators and the actual quantified targets are not disclosed.</i></p>
<p><b>Link between the main Long-Term Incentive Plan and the economic performance of the Company</b></p>	<p>Long-term incentives are linked to performance conditions, but quantified targets are not disclosed. <i>Stock options are granted to senior executives of Telefonica Brazil according to the achievement of a Total Shareholder Return (TSR) target compared to a set of companies. However, the actual quantified targets are not disclosed.</i></p>
<p><b>Link between variable remuneration and CSR performance of the Company</b></p>	<p><i>CSR performance objectives are not considered in the determination of variable remuneration of senior executives.</i></p>
<p><b>Severance pay for senior executives</b></p>	<p>Information obtained from the Company and public sources regarding severance pay for senior executives is insufficient.</p>
<p><b>Evolution of CEO-to-employee compensation ratio</b></p>	<p>Information obtained from the Company and public sources regarding the compensation of CEO and the average employee salary is insufficient. <i>Telefonica Brazil does not disclose the remuneration of the CEO as it is considered confidential.</i></p>
<p><b>Stakeholders feedback on the Company's executive remuneration</b></p>	<p>A review of stakeholder sources did not reveal any allegations against the Company during the period under review: stakeholders' feedback is neutral.</p>

**Allegations and controversies**

Domain	Sustainability driver	Page
C&S	C&S1.3 - Responsible Customer Relations	22

Copyright Vigeo 2015 - Reproduction of this document in whole or in part is prohibited without the express written authorization of Vigeo and is protected by the provisions of the French Intellectual Property Code.



## Detailed Scores And Ratings

### Current and previous ratings

Period	Environment	Human Resources	Human Rights	Community Involvement	Business Behaviour (C&S)	Corporate Governance
2015/12	+	+	+	++	+	+
2015/01	+	+	+	++	+	=
2013/12	+	+	+	++	+	=

### Scores per domain

Domain	Average score	Leadership	Implementation	Results
Environment	47	63	44	9
Human Resources	33	29	44	28
Human Rights	39	35	21	59
Community Involvement	43	28	58	44
Business Behaviour (C&S)	36	36	29	44
Corporate Governance	33	30	34	35

### Scores per criteria

Sub-domain	Criterion	Score
Environment 1	1	60
	2	38
	5	D/A
Environment 3	1	D/A
Sub-domain	Criterion	Score
Human Resources 1	1	D/A
	3	32
	4	26
Human Resources 3	2	41
Sub-domain	Criterion	Score
Human Rights 1	1	44
	1	34
	4	35

Sub-domain	Criterion	Score
Community Involvement 2	1	40
	2	52
Sub-domain	Criterion	Score
Business Behaviour (C&S) 1	2	29
	3	33
Business Behaviour (C&S) 2	3	D/A
	4	42
Business Behaviour (C&S) 3	1	35
	2	43
Sub-domain	Criterion	Score
Corporate Governance 1	1	38
Corporate Governance 2	1	47
Corporate Governance 3	1	38
Corporate Governance 4	1	7



## General Overview

Position versus sector peers Rest of the World	Environment	Human Resources	Human Rights	Community Involvement	Business Behaviour (C&S)	Corporate Governance	Overall score
TH0268010Z03 Advanced Info Service PCL	+	+	+	+	+	+	36
MXP001691213 America Movil	+	+	+	+	+	=	28
TW0003682001 ASIA PACIFIC TELECOM	-	-	-	-	-	--	14
MYL68880O001 Axiata Group Berhad	+	=	+	+	=	+	29
INE397D01024 Bharti Airtel Ltd.	+	+	=	+	+	+	33
XS0994993037 Bulgarian Telecommunications Company EAD	+	+	=	++	+	=	27
CNE1000002G3 China Communications Services Corp. Ltd.	-	=	-	-	=	+	25
HK0941009539 China Mobile Ltd.	=	+	+	++	+	+	34
CNE1000002V2 China Telecom Corp. Ltd.	=	+	+	+	+	+	32
HK0000049939 China Unicom (Hong Kong) Ltd.	-	-	+	=	-	=	22
TW0002412004 Chunghwa Telecom Co. Ltd.	++	+	+	++	+	+	44
MYL69470O005 DiGi.com Bhd	++	+	++	=	++	+	42
AEE000401019 Emirates Telecommunications Corp	+	=	+	+	=	=	22
CLP371151059 Empresa Nacional de Telecomunicaciones S.A.	--	+	-	=	=	-	25
TW0004904008 Far EastOne Telecommunications Co. Ltd.	+	+	+	+	+	+	37
PHY272571498 Globe Telecom Inc.	++	++	=	-	=	=	30
INE669E01016 Idea Cellular Ltd.	+	=	-	+	=	-	25
KR7030200000 Korean Telecom (KT Corp)	+	+	+	=	+	+	36
KR7032640005 LG Uplus Corp.	=	+	=	=	=	--	25
MYL60120O008 Maxis Bhd	+	=	+	+	+	++	32
US58517T2096 Megafon	=	=	=	-	=	=	27
US6074091090 Mobile TeleSystems ADS	-	=	=	=	=	+	18
ZAE000042164 MTN Group Limited	=	+	+	+	=	+	29
ZAE000015889 NASPERS LTD	+	+	+	=	+	+	31
BROIBRACNPR8 Oi S.A.	+	+	+	++	++	+	42
QA0007227737 OOREDOO	--	-	-	=	=	-	23
PLTLKPL00017 Orange Polska SA	=	-	=	+	-	=	24
EGS74081C018 Orascom Telecom Holding	=	=	-	=	-	-	21
PH7182521093 Philippine Long Distance Telephone Co.	=	+	=	=	+	+	28

Position versus  
sector peers Rest of the World

	Environment	Human Resources	Human Rights	Community Involvement	Business Behaviour (C&S)	Corporate Governance	Overall score
XS0982710153 Play	+	+	+	+	+	+	31
INE330H01018 Reliance Communications Ltd.	+	=	=	=	+	+	31
RU0008943394 Rostelecom	-	=	=	+	+	+	22
RU000A0DQZE3 Sistema JSFC SPONSORED GDR	-	=	+	=	-	-	23
KR7017670001 SK Telecom	=	+	+	=	+	++	37
TW0003045001 Taiwan Mobile Co. Ltd.	+	+	+	+	+	+	34
EGS48031C016 Telecom Egypt S.A.E.	--	--	-	-	-	--	13
<b>BRVIVTACNPR7 Telefonica Brazil SA</b>	<b>+</b>	<b>+</b>	<b>+</b>	<b>++</b>	<b>+</b>	<b>+</b>	<b>37</b>
CZ0009093209 Telefonica Czech Republic a.s.	+	=	++	-	++	=	34
MYL48630O006 Telekom Malaysia	+	++	+	=	=	+	34
ID1000129000 Telekomunikasi Indonesia	+	+	+	+	+	+	33
BRTIMPACNOR1 TIM Participacoes S/A	+	+	+	+	+	+	32
ID1000116908 TOWER BERSAMA INFRASTRUCTURE TBK	-	=	-	-	-	-	19
TH0375010Z06 True Corp Plc	=	=	=	-	=	=	26
TRETTLK00013 Turk Telekomunikasyon A.S.	=	=	=	+	-	-	23
TRATCELL91M1 Turkcell Iletisim Hizmetleri A.S.	=	=	=	+	=	+	32
ZAE000132577 Vodacom Group Ltd.	++	++	++	++	++	+	50
QA000A0Q5NE9 VODAFONE QATAR	--	--	-	=	-	=	21
ID1000102502 XL Axiata	=	=	=	=	=	-	24

---

## Contacts

Analyst : Zakaria Hmaïti • zakaria.hmaiti@vigeo.com  
Sector Lead: Nada Zouag • nada.zouag@vigeo.com

---

## Disclaimer

### Copyright Vigeo 2015

Reproduction of this document in whole or in part is prohibited without the express written authorization of Vigeo and is protected by the provision of the French Intellectual Property Code.

The information in this document results from the application of Vigeo's Equities methodology and is based on sources which Vigeo believes to be reliable. However, the accuracy, completeness and up-to-dateness of this report are not guaranteed, and Vigeo shall under no circumstances be responsible for the strategy choices, management decisions and, more generally, decisions of any nature taken by the reader in reliance upon the information contained in this document.

Confidential Information