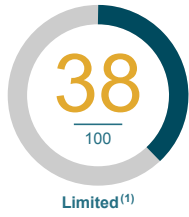


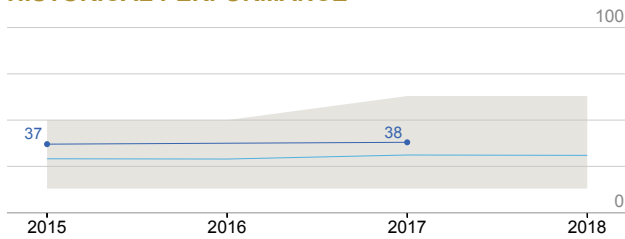
Company and Sector Performance

ESG OVERALL SCORE

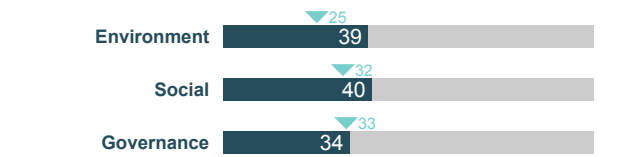


Information rate	70%
sector average	57%
Cooperation level ⁽²⁾	Not responsive
High severity controversies	No
Rank in Sector	11/52
Rank in Region	101/890
Rank in Universe	893/4453

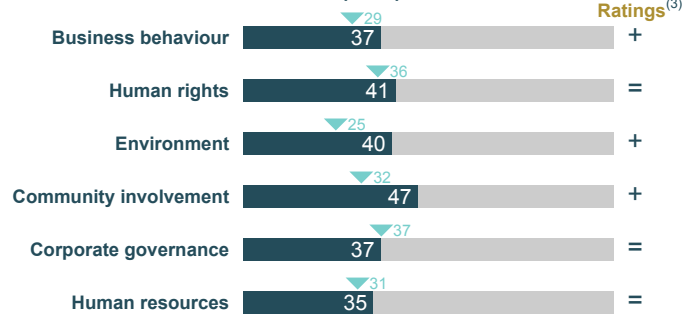
HISTORICAL PERFORMANCE



ESG PERFORMANCE (/100)



6 DOMAINS PERFORMANCE (/100)

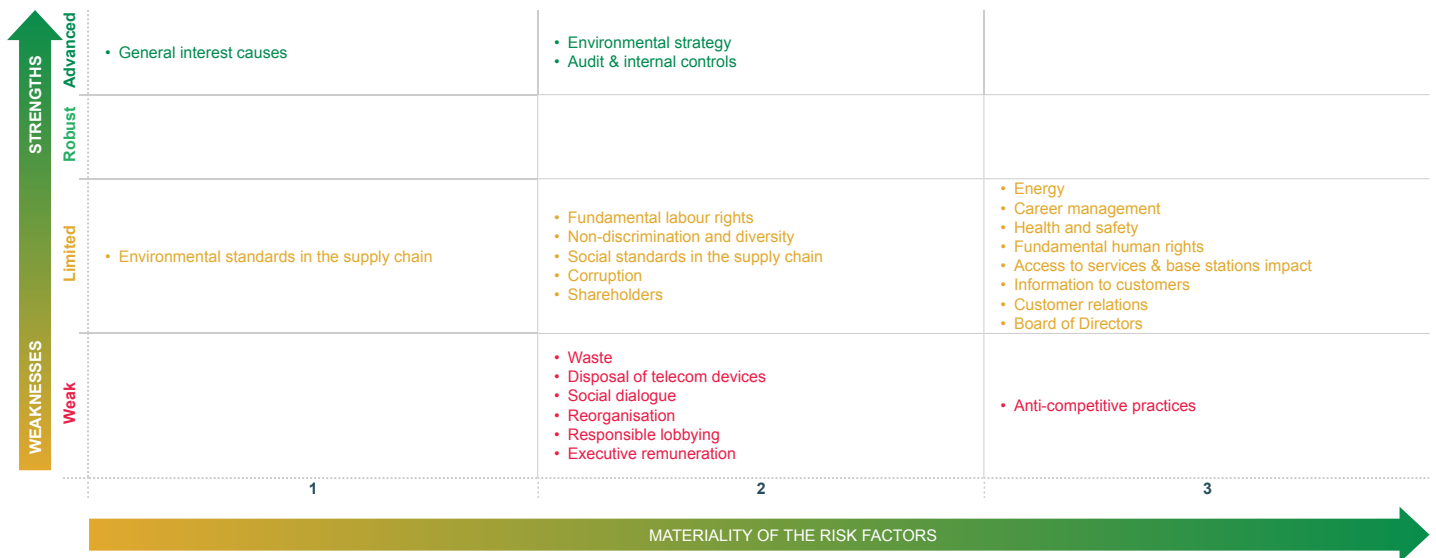


Company inclusion in Vigeo Eiris indices⁽⁴⁾: Yes

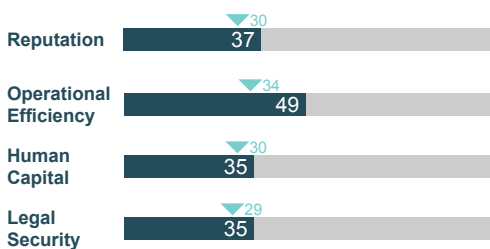


Management of risks and opportunities

MATERIALITY & PERFORMANCE MATRIX



RISK MITIGATION INDEX (/100)



ANALYST FOCUS

Analyst Focus is not available at this time

Carbon Footprint and Energy Transition*

"The Carbon Footprint & Energy Transition research provides an assessment of a company's carbon footprint combined with the strategy to manage risks and opportunities related to the transition to a low carbon economy. NI (No Info) is used to indicate that the information is not available."

CARBON FOOTPRINT



SCALE	EMISSIONS (T CO2 EQ)	CATEGORIES
A	<100 000	Moderate
B	>= 100 000 and <1 000 000	Significant
C	>= 1 000 000 and <10 000 000	High
D	>= 10 000 000	Intense

ENERGY TRANSITION SCORE



ENERGY TRANSITION SCORE	CATEGORIES
60-100	Advanced
50-59	Robust
30-49	Limited
0-29	Weak

Goods and services contributing to sustainable development*

"Sustainable Goods & Services research provides a positive screening on companies to identify business activities devoted to sustainable solutions."



INVOLVEMENT	CATEGORIES
>=50%	Major
20-49%	Significant
0-19%	Minor
0%	None

Involvement in controversial activities*

"The Controversial Activities research provides screening on companies to identify involvement in business activities that are subject to philosophical or moral beliefs."

Involvement in controversial activities: Not available in this version

Screened Areas:

- Alcohol
- Animal welfare
- Chemicals of concern
- Civilian firearms
- Fossil fuels
- Gambling
- Genetic engineering
- High interest rate lending
- Military
- Nuclear power
- Pornography
- Reproductive medicine
- Tobacco

For more information please contact us at customer.service@vigeo-eiris.com

(1) Performance level: weak (0-29/100), limited (30-49/100), robust (50-59/100), advanced (60-100/100)
 (2) Cooperation level on a 4-level scale: proactive, responsive, partially responsive, not responsive
 (3) Ratings outline companies' benchmarked domain performance within a sector, on a 5-level scale: "-", "=", "+", "++", "+++" (4) Indices: based on the most recent indices at the date of publication. More details on vigeo-eiris.com.

Company performance in all the Sustainability Drivers

		Weight	Overall score 38/100				Trend	Score	Leadership	Implementation	Results
			Environment				↘	40	53	49	0
E	ENV2.2	3	Energy				→	39	65	51	0
E	ENV1.1	2	Environmental strategy				↗	81	79	83	N/A
E	ENV2.5	2	Waste				↗	20	30	30	0
E	ENV3.1	2	Disposal of telecom devices				↗	20	30	30	0
			Human Resources				→	35	23	32	51
S	HRS2.4	3	Career management				↗	40	21	56	44
S	HRS3.2	3	Health and safety				→	41	55	51	16
S	HRS1.1	2	Social dialogue				↗	27	0	0	82
S	HRS2.3	2	Reorganisation				→	27	0	0	81
			Human Rights				→	41	47	21	53
S	HRT1.1	3	Fundamental human rights				→	44	37	30	65
S	HRT2.1	2	Fundamental labour rights				↗	43	65	0	65
S	HRT2.4	2	Non-discrimination and diversity				→	33	44	30	24
			Community Involvement				→	47	30	60	51
S	CIN2.1	3	Access to services & base stations impact				→	40	30	56	35
S	CIN2.2	1	General interest causes				↗	67	30	72	100
			Business Behaviour (C&S)				→	37	42	24	44
S	C&S1.2	3	Information to customers				↗	38	30	18	65
S	C&S1.3	3	Customer relations				↗	43	41	24	65
G	C&S3.2	3	Anti-competitive practices				↘	27	38	30	12
S	C&S2.4	2	Social standards in the supply chain				↗	49	58	46	43
G	C&S3.1	2	Corruption				→	40	58	20	43
G	C&S3.3	2	Responsible lobbying					25	41	0	35
E	C&S2.3	1	Environmental standards in the supply chain				↗	35	31	30	43
			Corporate Governance				→	37	20	51	41
G	CGV1.1	3	Board of Directors				→	35	9	64	32
G	CGV2.1	2	Audit & internal controls				↗	64	70	33	88
G	CGV3.1	2	Shareholders				↗	45	8	100	26
G	CGV4.1	2	Executive remuneration				→	7	0	0	22

■ 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

Benchmark

Position versus sector peers

Position versus sector peers		Environment	Human resources	Human rights	Community involvement	Business behaviour (C&S)	Corporate governance	Overall Score
GRS260333000	OTE - Hellenic Telecommunications	++	++	++	++	++	++	63
MA0000011488	Itissalat Al-Maghrib	++	++	++	++	++	+	51
ZAE000132577	Vodacom Group	+	+	+	+	+	+	45
TW0002412004	Chunghwa Telecom	+	+	+	+	+	=	42
PLTLKPL00017	Orange Polska	++	++	+	+	+	+	41
BRTIMPACNOR1	TIM Participacoes	+	=	+	+	+	=	41
BRCTBCACNOR5	Algar	+	+	+	-	+	+	40
MYL694700005	Digi.Com	+	=	+	-	+	=	40
KR7017670001	SK Telecom	+	=	++	++	+	++	40
TW0003045001	Taiwan Mobile	=	+	+	+	=	+	39
TW0004904008	Far EasTone Telecommunications	=	=	=	=	+	=	38
BRVIVTACNPR7	Telefonica Brasil	+	=	=	+	+	=	38
PHY272571498	Globe Telecom	+	+	+	-	=	+	37
MYL486300006	Telekom Malaysia	+	+	+	=	++	=	36
ZAE000044897	Telkom	+	+	+	=	=	++	36
TH0375010R14	True Corporation	+	=	=	+	++	=	35
US48122U2042	AFK Sistema	+	=	=	+	=	+	34
TH0268010R11	Advanced Info Service	-	=	=	=	=	=	33
MXP001691213	America Movil	=	=	+	=	=	-	33
XS0889401724	VEON	-	=	+	=	+	+	33
KR7030200000	KT Corporation	=	+	-	-	+	+	32
QA000A0Q5NE9	Vodafone Qatar	=	=	+	=	+	=	32
INE397D01024	Bharti Airtel	=	=	--	+	=	+	31
RU0007775219	Mobile Telesystems	-	=	-	-	=	+	31
ZAE000042164	MTN Group	=	=	=	+	-	=	31
HK0941009539	China Mobile	=	=	+	+	=	=	30
ID1000129000	Telekomunikasi Indonesia	=	=	=	=	=	-	30
MYL601200008	Maxis	-	-	-	=	-	+	29
ZAE000015889	NASPERS	=	=	+	--	-	=	29
CLP371151059	Empresa Nacional de Telecomunicaciones	=	+	-	=	+	-	28
INE669E01016	Idea Cellular	=	-	=	+	=	=	28
PHY7072Q1032	PLDT	-	=	=	-	=	-	28

Position versus sector peers		Environment	Human resources	Human rights	Community involvement	Business behaviour (C&S)	Corporate governance	Overall Score
TRATCELL91M1	Turkcell Iletisim Hizmetleri	=	-	+	=	=	=	28
MYL6888OO001	Axiata Group	-	-	=	-	-	=	27
INE121J01017	Bharti Infratel	-	-	-	=	-	+	26
XS0994993037	Bulgarian Telecommunications Company EAD	-	=	-	=	-	-	26
CNE1000002G3	China Communications Services	-	-	-	=	=	+	26
VIGEIRIS0389	Claro Brasil	=	-	=	=	=	-	26
XS0982710153	Play Communications	-	=	=	-	-	-	26
RU0008943394	Rostelecom	-	-	-	-	-	+	26
CNE1000002V2	China Telecom	-	-	-	-	=	-	24
TRETTTLK00013	Turk Telekomunikasyon	=	=	=	=	-	-	24
ID1000102502	XL Axiata	-	+	=	=	-	=	24
HK0000049939	China Unicom	-	-	-	=	-	=	22
KR7032640005	LG Uplus	-	+	=	-	-	--	22
XS0954673777	Digi Communications	-	-	=	--	-	=	21
AEE000401019	Emirates Telecommunications Corp	-	-	-	-	-	-	21
QA0007227737	Ooredoo	--	-	=	=	-	=	21
ID1000116908	Tower Bersama Infrastructure	-	=	-	-	-	=	20
EGS74081C018	Global Telecom Holding	-	-	-	-	-	-	18
TW0003682001	Asia Pacific Telecom	-	-	-	-	-	-	14
EGS48031C016	Telecom Egypt	--	--	-	-	-	-	13

Copyright Vigeo Eiris 2018. Reproduction of this content (documents, graphs and images) in whole or in part are prohibited without the express written authorization of Vigeo Eiris and is protected by the provision of the French Intellectual Property Code

General information

Telefonica Brasil SA (TB) engages in the provision of telecommunication services. Its services include local voice services such as activation, monthly subscription; measured services and public telephones; data services which include broadband services and Pay TV services;

network services which include interconnection and rental of facilities; and multimedia communication services which include audio, data, voice and other sounds, images, texts and other information. The Company was founded in 1998 and is headquartered in São Paulo, Brazil.

Selected financial data

Key data	Revenues	EBIT	Employees
2016	BRL 52bn	BRL 5,469m	33,331
2015	BRL 54.9bn	BRL 3,525m	33,847
2014	BRL 50.4bn	BRL 6,967m	18,419
2013	BRL 57.1bn	BRL 9,450m	18,532
2012	BRL 62.4bn	BRL 10,798m	19,481

Main shareholders	2017
Telefónica Latinoamérica Holding, S.L.	24.1%
Telefónica S/A	29.8%
SP Telecomunicações Participações Ltda	19.7%

Geographical Breakdown	Turnover 2016	Employees
Brazil	100%	N/A

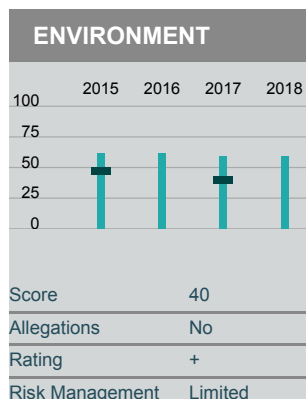
Main economic segment	Turnover 2016
Telecommunications Services	100%

Selected ESG Indicators

	2016	2015
Non-executive Board member(s) responsible for CSR issues	No Info	No Info
Executive remuneration linked to CSR performance	No Info	No Info
3-year energy consumption trend (normalized to turnover)	↘	N/A
Percentage of independent Board members	67	67
Percentage of women on Board	0	0
Percentage of women in Executive team	0	0
Percentage of women in workforce	38	38
Transparency on lobbying budget	No	No
Percentage of employees covered by collective agreements on working conditions	100	N/A
3 year trend for safety at work	↘	N/A
Involvement in armament	No	No
Management of social risks in supply chain	Limited	N/A

CSR performance per domain

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

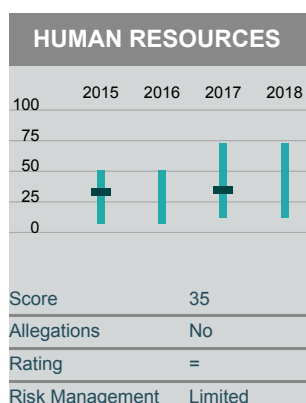


Key issues

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, and has decreased compared 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, energy consumption and direct and indirect CO2 emissions, normalised to revenues, have increased between 2015 and 2016. Furthermore, the Company's commitment to reduce its hazardous waste production is general.

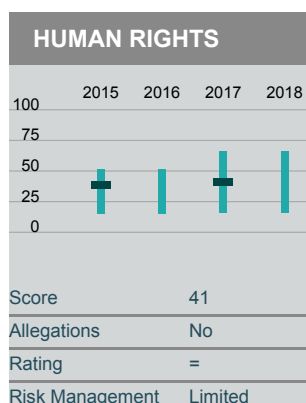


Key issues

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 lead to a high number of lay-offs. Key sector challenges represent employee career management (HRS 2.4), as training and career development are important in a sector with 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.
- Significant measures to improve health and safety have been reported by the Company, including internal monitoring and training. Similarly, career management systems appear to be basic, which include skill requirements for the various job positions and have not been stepped up since the previous review.

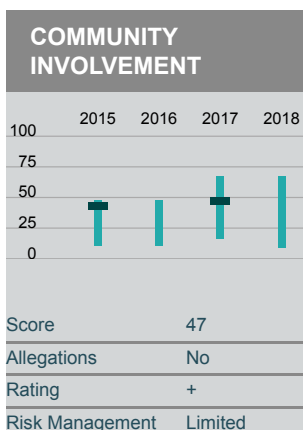


Key issues

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, which is consistent 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, which include training programmes. Moreover, no measures were reported to support Telefonica Brasil's commitment to the respect the rights for freedom of association and collective bargaining.



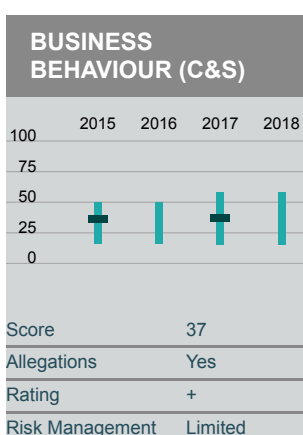
Key issues

The key community involvement challenge for telecommunication companies is the accessibility to telecommunication devices and prevention of impacts from base stations' emissions (CIN2.1). This is done through ensuring digital inclusion and accessibility 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 reports allocating significant resources to promote the accessibility of its products including specific product lines aimed at accessibility, whereas efforts to mitigate health effects of base stations emissions remain limited. Telefonica Brasil contributes in diverse ways to general interest causes such as financial support and in-kind donations, and TB's contributions to general interest causes, have increased between 2014 and 2016.



Key issues

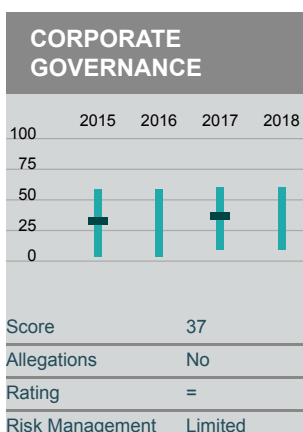
The Telecommunications sector faces specific challenges in terms of Business Behaviour. The main issues are informing customers on the health impacts of mobile phones and the potential adverse effects of electro-magnetic fields (C&S1.2), responsible customer relations (C&S1.3), where companies have to avoid concerns over unclear contractual and pricing conditions, and the prevention of anti-competitive practices (C&S3.2). 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 has issued a formalised commitment to include environmental and social factors in supply chain management including non-compliance procedures for suppliers. In addition, the Company commits to prevent corruption and anti-competitive practices supported by a dedicated confidential hotline.

- Telefonica Brasil is involved in a controversy over anti-competitive practices, on which its does not appear to be transparent.



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 Company's Board of Directors' independence is considered to be high (67%). All members of the Audit Committee are independent and appears to have a comprehensive role in overseeing internal control. However, major voting right has been identified; indeed TB states to issue preferred shares and ADSs, which do not entitle voting rights except under specific circumstances. Finally, there is a lack of transparency and details regarding executive remuneration.

CSR performance per criterion

Detailed Analysis

Environment		11
ENV1.1	Environmental strategy	11
ENV2.2	Minimising environmental impacts from energy use	12
ENV2.5	Waste management	14
ENV3.1	Management of telecommunication devices after use	15
Human resources		16
HRS1.1	Promotion of labour relations	16
HRS2.3	Responsible management of reorganisations	17
HRS2.4	Career management and promotion of employability	18
HRS3.2	Improvement of health and safety conditions	20
Human rights		22
HRT1.1	Respect for privacy right and other fundamental human rights	22
HRT2.1	Respect for freedom of association and the right to collective bargaining	24
HRT2.4	Non-discrimination	26
Community involvement		28
CIN2.1	Access to telecommunication services and impact from base stations	28
CIN2.2	Contribution to general interest causes	30
Business behaviour (C&S)		31
C&S1.2	Information to customers regarding EMF risks	31
C&S1.3	Responsible Customer Relations	32
C&S2.3	Integration of environmental factors in the supply chain	33
C&S2.4	Integration of social factors in the supply chain	35
C&S3.1	Prevention of corruption	37
 C&S3.2	Prevention of anti-competitive practices	39
C&S3.3	Transparency and integrity of influence strategies and practices	41
Corporate governance		42
CGV1.1	Board of Directors	42

CGV2.1	Audit & Internal Controls	44
CGV3.1	Shareholders	46
CGV4.1	Executive Remuneration	47

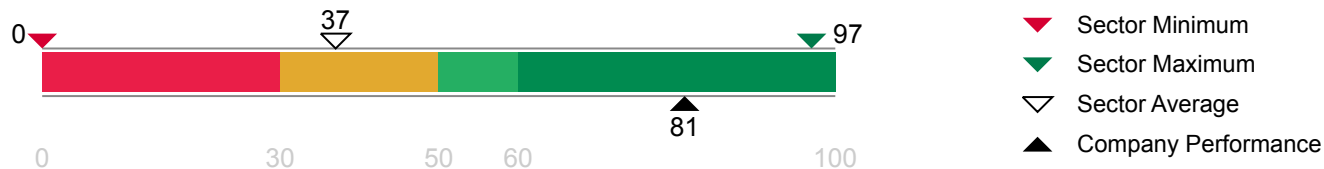
 Involvement in allegations  Involvement in allegations with evidence of corrective measures

Environment

Score: 40

ENV1.1 Environmental strategy

(score: 81, weight: 2)



Visibility of commitment to environmental issues

The Company has made references to environmental protection in its Sustainability Report. Telefonica Brasil 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 significant resources to environmental management.

- Environmental manual specifying procedures and responsibilities
- Internal audits that assess the effectiveness of the EMS
- Management review of the EMS (at Executive Level)
- Environmental performance measured against targets
- External verification of reporting on environmental performance

Coverage of certified environmental management systems

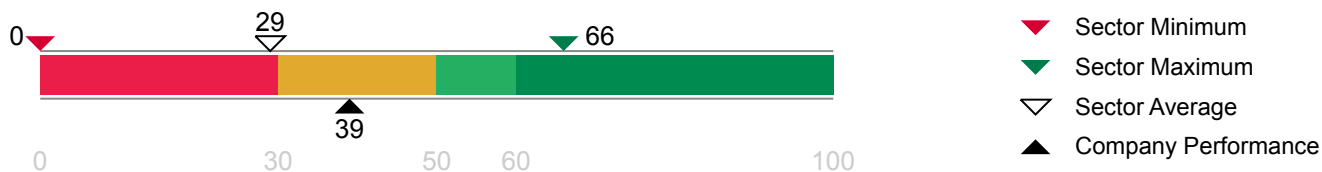
90% of Telefónica's Environmental Management Systems are certified to ISO 14001 standard.

Leadership	79
Visibility	65
Relevance	100
Ownership	30

Implementation	83
Means & resources	65
Coverage	100

ENV2.2 Minimising environmental impacts from energy use

(score: 39, 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 Brasil has set a target to reduce its energy consumption by 50% by 2020. The baseline year for this target is 2015.

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

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

Telefonica Brasil has set a target to reduce direct and indirect GHG emissions by 30% by 2020. The baseline year for this target is 2015.

Means allocated

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

- *Monitoring: Telefonica Brasil monitors its energy consumption and GHG emissions*
- *Energy saving measures in the Company premises: 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.*
- *Renewable energy use: 26% of the Company's energy consumption originated from clean sources. In addition, the Company's headquarters use solar energy generated on its roof. Moreover, 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 Brasil also uses small hydroelectric plants and sugar mills (biomass).*
- *Environmental certification: the Company's Tamborac 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 Brasil's energy consumption, normalised to revenues, increased by 3% between 2015 and 2016, to stand at 0.11 GWh per million BRL.

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

Telefonica Brasil's direct and indirect CO2 emissions, normalised to revenues, have increased by 44% between 2015 and 2016, to stand at 0.034 Kilo tonnes per million BRL.

Leadership	65	Implementation	51	Results	0
Relevance	65	Means & resources	65	Performance	0
		Coverage	30		

ENV2.5 Waste management

(score: 20, weight: 2)



Relevance of the company's commitment with regard to its non-hazardous waste production

The Company's commitment to reduce its non-hazardous waste production is general.

Relevance of the company's commitment to reducing its hazardous waste production

The Company's commitment to reduce its hazardous waste production is general.

Means allocated to waste management

The Company has set up monitoring systems for its waste production.

Coverage

The Company has taken such measures in a minority of sites.

The monitoring system is implemented throughout the Company while there is no evidence that the other measures cover a majority of the Company's sites.

Non-hazardous waste

Information obtained from the Company and public sources regarding non-hazardous waste is insufficient due to the lack of historical data. Of note, non-hazardous waste generated by the Company in 2016 was 23,507 tonnes.

Waste treatment / recycling

Information obtained from the Company and public sources regarding waste treatment is insufficient due to the lack of historical data. Of note, the percentage of recycled waste by the Company in 2016 was 97%.

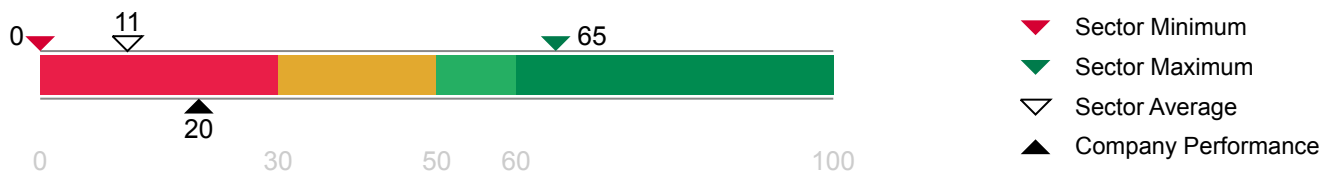
Hazardous waste

The Company does not disclose data on hazardous waste.

Leadership	30	Implementation	30	Results	0
Relevance	30	Means & resources	30	Performance	0
		Coverage	30	Trends	0

ENV3.1 Management of telecommunication devices after use

(score: 20, weight: 2)



Relevance of commitments related to collecting telecommunication devices after use

The Company's commitment to collecting telecommunication devices after use, is general.

Materiality of means put in place to collect telecommunication devices

The Company has some measures in place to collect telecommunication devices, including:
- Recycling mobile handsets: customers are given the possibility to leave their old mobile phones and can have credits from doing so. Telefonica also offers the recycling of mobile devices that cannot be reused that are brought by its customers.

Coverage with regard to measures affecting the elimination of the product

There is no evidence that the Company has taken measures in a majority of its sites.

Share of telecommunication devices that are collected and reused

The Company does not disclose data on the share of telecommunication devices that are collected and reused.

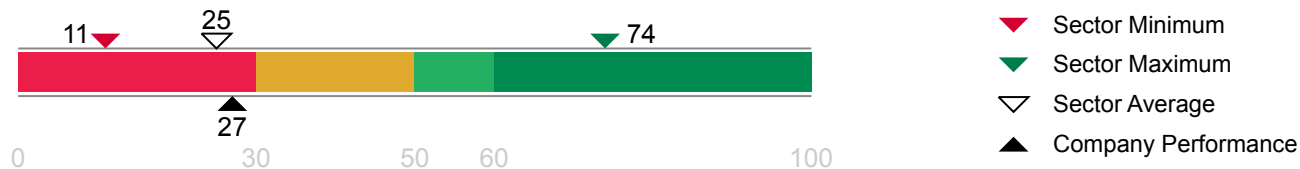
Leadership	30	Implementation	30	Results	0
Relevance	30	Means & resources	30	Trends	0
		Coverage	30		

Human resources

Score: 35

HRS1.1 Promotion of labour relations

(score: 27, weight: 2)



Visibility of commitment

The Company does not disclose any commitment to promote labour relations.

Relevance of commitment

Ownership of commitment

Coverage of employee representative bodies

Information obtained from the Company and public sources regarding the percentage of sites where employee representation structures are in place is insufficient.

Subjects covered by collective bargaining

Information obtained from the Company and public sources regarding the subjects covered in collective bargaining is insufficient.

Employee representative bodies in countries with restrictive legislation

Information obtained from the Company and public sources regarding how the Company promotes employee representation in countries with restrictive legislations is insufficient.

Stakeholders' feedback

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

As of 11/2017, Telefonica Brasil did not appear to be involved in any controversy related to this sustainability driver.

Coverage of collective agreements on working conditions

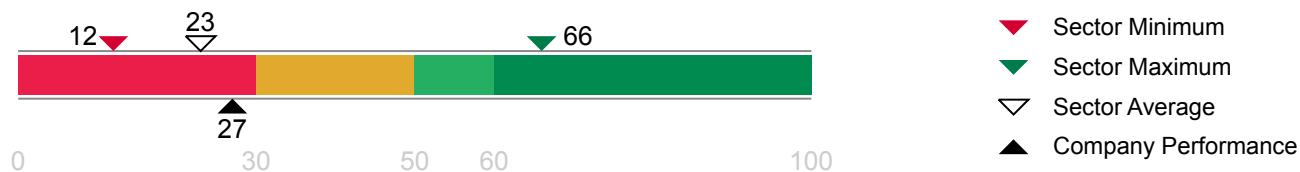
Collective agreements on working conditions cover more than 75% of its employees.

The Company has 100% of employees covered by collective bargaining.

Leadership	0	Implementation	0	Results	82
Visibility	0	Means & resources	0	Performance	82
Relevance	0	Scope	0		
Ownership	0	Coverage	0		

HRS2.3 Responsible management of reorganisations

(score: 27, weight: 2)



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 Information obtained from the Company and public sources regarding measures allocated to prevent and manage reorganisations is insufficient.

Coverage

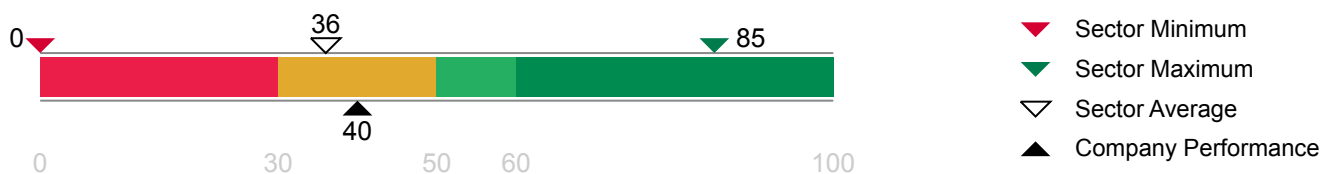
Stakeholders' feedback A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral.
As of 11/2017, Telefonica Brasil did not appear to be involved in any controversy related to this sustainability driver.

Result of the Company's commitment to manage reorganisations responsibly The Company has been able to maintain employment. The total number of employees in the workforce has increased by 80% between 2014 and 2016.

Leadership	0	Implementation	0	Results	81
Relevance	0	Means & resources	0	Performance	81
Ownership	0	Coverage	0		

HRS2.4 Career management and promotion of employability

(score: 40, weight: 3)



Visibility of commitment to promote career management and training

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

Relevance of commitment

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

- Ensure training, life-long learning and employability
- Promote career development
- Anticipate long-term employment needs and skill requirements (includes ageing workforce issues)
- Put in place a concerted career management framework, which is transparent and individualised

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. Training 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. One example is the Global Young Leaders Programme, a two-year development programme that aims to develop digital, transformational and leadership skills.

Means allocated to training for all employees

The average annual number of training hours per employee has increased from 20 hours per employee in 2012 to 78.8 in 2016.

Mobility / turnover

The Company's employee turnover rate decreased by 32.7 percentage points between 2014 and 2016, to stand at 26.1%.

Training delivered during the year under review (past year)

There is no evidence that a majority of employees received training in 2016.

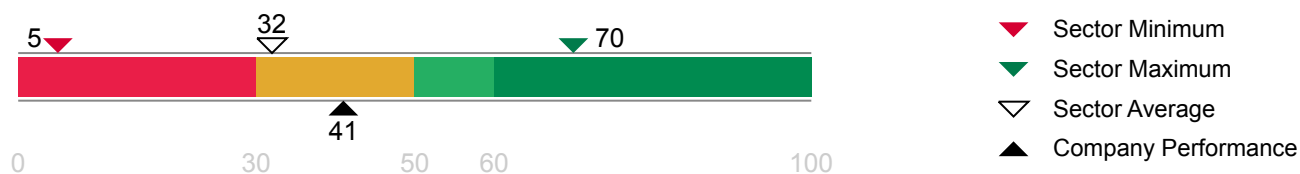
Leadership	21
Visibility	30
Relevance	30
Ownership	0

Implementation	56
Means & resources	48
Scope	100
Coverage	30

Results	44
Performance	44

HRS3.2 Improvement of health and safety conditions

(score: 41, weight: 3)



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 addresses part of its responsibilities:

- Ensure awareness about health and safety issues
- Reduce the number of work accidents and their severity
- Prevent occupational disease
- Reduce stress/promote well-being

Ownership of commitment

The commitment applies throughout the Company, supported by senior management. In addition, responsibility for commitments is allocated to a dedicated structure. The management body for this area is the Joint Service for Occupational Risk Prevention Management (belonging to Telefónica Spain's Transformation and Human Resources Division).

Means allocated to health and safety

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

- OHSAS 18001 certifications: the Company is certified to OHSAS 18001.
- Internal monitoring: the Company monitors its incident rate and its ratio of seriousness.
- Training: the Company provides training on 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:

- Monitoring of stress through opinion surveys: the assessment of the stress is enhanced by personal surveys of workers and leaders of the group.
- Monitoring of absenteeism and rate of occupational disease: the Company monitors its absenteeism and occupational disease rate.
- 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's incident rate has increased by 81% between 2014 and 2016, to stand at 4.8 incidents per worker.*

Accident severity rate *The Company's ratio of seriousness has increased by 254% between 2014 and 2016, to stand at 44.6 accidents per employee.*

Other health and safety indicators Information disclosed on absenteeism and/or the rate of occupational disease is insufficient.

In 2016, the Company's rate of absenteeism stood at 0.011%. Data for previous years is not disclosed.

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

As of 11/2017, Telefonica Brasil did not appear to be involved in any controversy related to this sustainability driver.

Leadership	55
Visibility	65
Relevance	30
Ownership	65

Implementation	51
Means & resources	65
Coverage	30

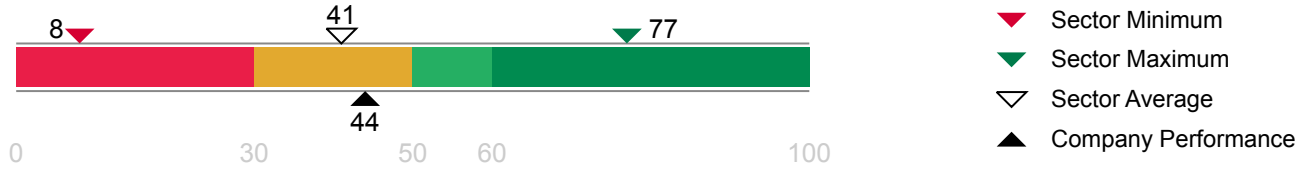
Results	16
Performance	16

Human rights

Score: 41

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 privacy and other fundamental human rights in society addresses part of its responsibilities:

- respect the right to privacy
- respect freedom of expression
- prevent cruel, inhuman, or degrading treatment
- prevent complicity in human rights violations

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 include:

- Awareness-raising programmes for employees: the Company provides employees with security-related information on its Corporate Security website.
- Training programmes for employees: training on information security is provided to administrative staff and store employees.

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.

As of 11/2017, Telefonica Brasil did not appear to be involved in any controversy related to this sustainability driver.

Leadership		Implementation		Results	
Leadership	37	Implementation	30	Results	65
Visibility	65	Means & resources	30	Performance	65
Relevance	30	Coverage	30		
Ownership	30				

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

(score: 43, weight: 2)



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. Telefonica Brazil is a signatory of the Union Network International Code of Conduct.

Relevance of commitment

The Company's commitment generally addresses freedom of association and the right to collective bargaining.

- Protection of freedom of association and the right to organise
- Respect of the right to collective bargaining
- Respect and protection of workers' representatives
- Explicit support for ILO Conventions C87, C98, C135, or similar international texts on union rights
- Prevent employee representative discrimination
- Guarantee the effective exercise of the trade unions rights in the workplace
- Prevent violations of the freedom of association and the right to organise

Ownership of commitment

The commitment applies throughout the Company, supported by senior management. In addition, the Company collaborates with union representatives on this issue.

Telefonica Brazil is a signatory of the Union Network International Code of Conduct. The UNI Global Union represents more than 20 million workers from over 900 trade unions in the fastest growing sectors in the world - skills and services.

Monitoring the respect of freedom of association

It is not clear what steps the Telefonica Brazil takes to ensure that freedom of association is respected throughout the Company's 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.

As of 11/2017, Telefonica Brasil did not appear to be involved in any controversy related to this sustainability driver.

Leadership	65
Visibility	65
Relevance	30
Ownership	100

Implementation	0
Means & resources	0
Coverage	0

Results	65
Performance	65

HRT2.4 Non-discrimination

(score: 33, weight: 2)



Visibility of commitment

Telefonica Brazil has made references to preventing discrimination in its 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 prevent discrimination explicitly defines most of the categories covered:

- gender
- sensitive medical conditions
- trade union membership or activities
- In working conditions (working hours, training, remuneration and social security)
- In employment decisions (hiring / promoting / redundancies)
- race / ethnicity / nationality
- social background
- religion
- sexual orientation
- family responsibilities (including pregnancy)
- disabilities
- political opinion
- age

Ownership of commitment

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

Means allocated to prevent discrimination

The Company has set up basic measures to prevent discrimination and promote diversity:

- Awareness raising: 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

The share of women in management positions has declined by 7.2 percentage points, between 2014 and 2016, to stand at 20.5%.

Results in terms of employment of people with disabilities

The share of employees with disabilities in the total workforce has decreased by 0.03 percentage points between 2015 and 2016, to stand at 0.67%. Of note, the Company does not disclose data for 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.

As of 11/2017, Telefonica Brasil did not appear to be involved in any controversy related to this sustainability driver.

Leadership	44
Visibility	30
Relevance	65
Ownership	30

Implementation	30
Means & resources	30
Coverage	30

Results	24
Performance	65
Trends	0

Community involvement

Score: 47

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 Sustainability Report.

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

The Company's commitment to addressing the accessibility of its telecommunication services is general.

Ownership of commitment

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

Measures implemented to address the accessibility of telecommunications services

The Company has allocated exhaustive measures to address the accessibility of its telecommunication 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 Centre 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

The Company has implemented these measures in Brazil, the only country where TB operates.

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

Although TB complies with international standards regarding the impact from base station emissions, there is no evidence that more efficient systems are in place to

tackle this issue.

Trend of associated KPIs

The Company does not disclose indicators on the societal impact of its products.

Stakeholders' feedback

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

As of 11/2017, Telefonica Brasil did not appear to be involved in any controversy related to this sustainability driver.

Leadership	30
Visibility	30
Relevance	30
Ownership	30

Implementation	56
Means & resources	65
Coverage	48

Results	35
Performance	65
Trends	0

CIN2.2 Contribution to general interest causes

(score: 67, weight: 1)



Visibility of the company's policy

The Company referred to contributing to general interest causes in its 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.

Means allocated

The Company has allocated significant resources to general interest causes and has set up programmes to involve its employees.

- *Dedicated foundation:* TB has set up a dedicated foundation, Fundacao Telefonica Vivo, to 'enhance the quality of life of children and young people' through technology.
- *Financial support:* in Brazil, the foundation mainly finances projects related to education inclusion and the eradication of child labour.
- *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.
- *In-kind donations:* the Company donates used electronic equipment. In addition, some projects also receive in-kind donations such as connection equipment at schools.

Geographical coverage

There is no evidence that these means are allocated in the majority of Company's sites.

Trend in contributions to general interest causes

Telefonica Brasil's contributions to general interest causes have increased by 0.1% between 2014 and 2016 to stand at EUR 137 million.

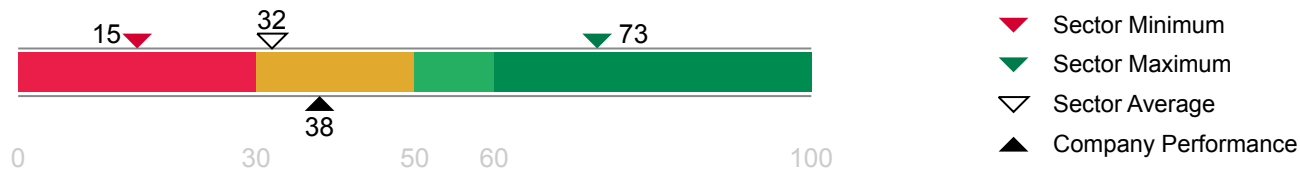
Leadership	30	Implementation	72	Results	100
Visibility	30	Means & resources	100	Trends	100
Relevance	30	Coverage	30		
Ownership	30				

Business behaviour (C&S)

Score: 37

C&S1.2 Information to customers regarding EMF risks

(score: 38, weight: 3)



Visibility of commitment to health and electromagnetic fields *The Company has made references regarding health and electromagnetic fields in its Sustainability Report.*

Relevance of commitment *The Company's commitment is limited to regulatory compliance (SAR levels) regarding base stations.*

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

Means allocated to mitigate handsets emissions *The Company has developed basic initiatives to mitigate handset emissions, including:
Support for long-term independent scientific research: TB reports working with several research projects supported by the European Union on the potential effects of EMF on health, such as GERoNIMO, Cosmos and Scamp, among others.*

Coverage of means *There is no evidence that the Company has set up such systems in a majority of sites.*

Stakeholders' feedback *A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral
As of 11/2017, Telefonica Brasil did not appear to be involved in any controversy related to this sustainability driver.*

Leadership	30
Visibility	30
Relevance	30
Ownership	30

Implementation	18
Means & resources	30
Coverage	0

Results	65
Performance	65

C&S1.3 Responsible Customer Relations

(score: 43, weight: 3)



Visibility of commitment to responsible contractual agreements

The Company has issued a formalised commitment concerning responsible contractual agreements in its Business Principles.

Relevance of Commitment

The Company's commitment to responsible contractual agreements is general.

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.

Complaints management system

There is a formalised and accessible system to handle complaints.

The Company reports providing an Ombudsman service handle customers' complaints.

Coverage

There is no evidence that the Company has set up such systems throughout its sites.

Results

The Company's Customer Satisfaction Index has increased by 0.62 points between 2014 and 2016, to stand at 7.27/10.

Stakeholders' feedback

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

As of 11/2017, Telefonica Brasil did not appear to be involved in any controversy related to this sustainability driver.

Leadership	41	Implementation	24	Results	65
Visibility	65	Means & resources	20	Performance	65
Relevance	30	Coverage	30		
Ownership	30				

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

(score: 35, weight: 1)



Visibility of commitment

Telefonica (Telefonica Brasil's parent company) has issued a formalised commitment to including environmental factors in supply chain management in its Supply Chain Sustainability Policy, which apply to all Telefonica companies, including Telefonica Brasil.

Relevance of commitment

The Company's environmental requirements for suppliers address some of the relevant issues in the sector:

- ISO 14001 certification of all suppliers
- Ban of certain materials
- Certification of products purchased
- Minimum percentage of recyclable products

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

The Company has set up a few measures to include environmental factors in supply chain management:
 - integration of environmental issues into contractual clauses: suppliers are required to comply with the Minimum Standards for Sustainable Business, which include environmental issues, before entering into contract with TB.
 - non-compliance procedures for suppliers (re-auditing, re-training, eventual ending of contracts): the Company reports that any non-compliance on the Minimum Standards for Sustainable Business will be considered a breach of contract, which could lead to contract termination. In addition, TB may choose not to terminate the contract but instead demand corrective measures to be taken.

Audits of suppliers/subcontractors

Information obtained from the Company and public sources regarding environmental audits of suppliers is insufficient.

Coverage

The measures implemented cover the main suppliers.

Share of corrective measures vs problems uncovered

The Company does not disclose quantitative data on the share of environmental problems in the supply chain that were addressed by corrective measures.

Stakeholders' feedback

A review of stakeholder sources did not reveal any allegations against the

Company during the period under review: stakeholders' feedback is neutral.

As of 11/2017, Telefonica Brasil did not appear to be involved in any controversy related to this sustainability driver.

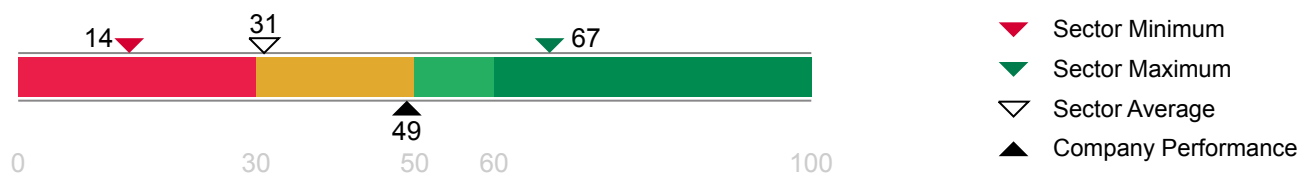
Leadership	31
Visibility	65
Relevance	30
Ownership	0

Implementation	30
Means & resources	15
Coverage	65

Results	43
Performance	43

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

(score: 49, weight: 2)



Visibility of commitment

Telefonica (Telefonica Brasil's parent company) has issued a formalised commitment to including social factors in supply chain management in its Supply Chain Sustainability Policy, which apply to all Telefonica companies, including Telefonica Brasil.

Relevance of commitment

The Company's social requirements for suppliers address all the relevant issues in the sector:

- Freedom of association and right to collective bargaining
- Abolition of child labour
- Abolition of forced labour
- Non-discrimination
- Health and Safety
- Decent wages
- Working hours
- Other rights (e.g. prevention of cruel, degrading and inhuman behaviour, etc.)

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

The Company has set up a few measures to include social factors in supply chain management:
 - integration of environmental issues into contractual clauses: suppliers are required to comply with the Minimum Standards for Sustainable Business, which include social issues, before entering into contract with TB.
 - non-compliance procedures for suppliers (re-auditing, re-training, eventual ending of contracts): the Company reports that any non-compliance on the Minimum Standards for Sustainable Business will be considered a breach of contract, which could lead to contract termination. In addition, TB may choose not to terminate the contract but instead demand corrective measures to be taken.

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.

Stakeholders' feedback

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

As of 11/2017, Telefonica Brasil did not appear to be involved in any controversy related to this sustainability driver.

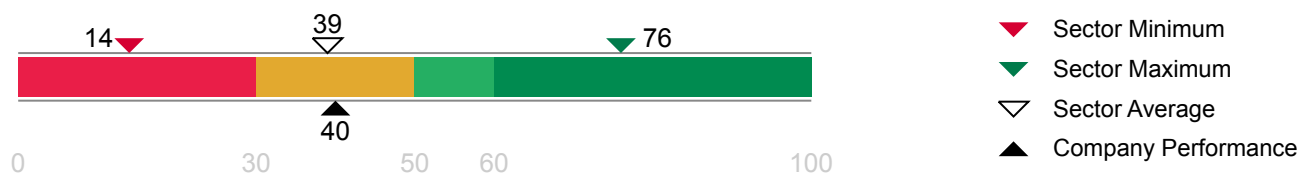
Leadership	58
Visibility	30
Relevance	100
Ownership	0

Implementation	46
Means & resources	65
Coverage	0

Results	43
Performance	43

C&S3.1 Prevention of corruption

(score: 40, weight: 2)



Visibility of commitment

Telefonica (TB's parent company) has issued a formalised commitment to prevent corruption in its Business Principles and its Anti-Corruption Policy, which apply to all Telefonica companies, including TB. 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

In addition, Telefonica refers to recognised standards, including the Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act.

Ownership of commitment

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

Involvement of employees

Telefonica Brazil states that all employees received training on the Business Principles, which covers corruption issues. However, it is unclear if any specific training on that topic was provided.

Means allocated

The Company has set up reporting systems to prevent corruption that include:

- the possibility to contact internal audit, legal or compliance departments directly & confidentially: any employee can consult its country Responsible Business Office to consult or report any concern regarding the Business Principles, which cover corruption.
- a dedicated confidential hotline or email address: concerns can also be raised up confidentially and anonymously through the Responsible Business channel.

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

As of 11/2017, Telefonica Brasil did not appear to be involved in any controversy related to this sustainability driver.

Leadership	58	Implementation	20	Results	43
Visibility	65	Means & resources	15	Performance	43
Relevance	65	Coverage	30		
Ownership	30				

C&S3.2 Prevention of anti-competitive practices

(score: 27, weight: 3)



Visibility of commitment

Telefonica (Telefonica Brasil'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 Brasil.

Relevance of commitment

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

Involvement of employees

The company has instituted formal training programmes for relevant employees on the prevention of anti-competitive practices.

Telefonica Brasil 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:

- A dedicated confidential hotline or email address: TB employees may report concerns to the respect of the Business Principles anonymously through specific channels, such as a hotline and an email address.

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.

A review of stakeholders' sources revealed that the Company is involved in an isolated controversy of minor severity:

As of 11/2017, Telefonica Brasil was involved in one controversy:

- Case 1 (28/08/2017): Telefonica Brasil, Claro and Oi Movei under investigation over anti-competitive practices in Brazil

A complete analysis of the severity of the case mentioned is available in Vigeo Eiris

 Stakeholders' feedback

Controversy Product.

Company's responsiveness

Overall, the company is non-communicative

For each of the above mentioned cases, Telefonica Brasil's response is considered non-communicative:

- case 1: The company is non communicative: the company does not appear to be transparent on this case.

The analysis of Telefonica Brasil management of the case is available in Vigeo Eiris' controversy profile.

Leadership	38
Visibility	65
Relevance	30
Ownership	0

Implementation	30
Means & resources	30
Coverage	30

Results	12
Performance	12

C&S3.3 Transparency and integrity of influence strategies and practices

(score: 25, weight: 2)



Visibility towards stakeholders

The Company has issued a formalised and accessible commitment to ensuring transparency and integrity of lobbying practices in its Telefonica Business Principles.

Comprehensiveness of the commitment

The Company's commitment to ensure transparency and integrity of lobbying practices is general.

Ownership of commitment

The commitment applies throughout the Company, supported by senior management. However, it is not clear if local managers are held accountable for the issue or if a dedicated structure is responsible for it.

Involvement of employees

Information regarding the involvement of employees in ensuring transparency and integrity of lobbying practices is insufficient.

Measures allocated

Information regarding measures allocated to ensure transparency and integrity of lobbying practices is insufficient.

Coverage

Reporting

The Company does not disclose the budget directly and indirectly dedicated to lobbying practices.

Stakeholders' feedback

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

As of 11/2017, Telefonica Brasil did not appear to be involved in any controversy related to this sustainability driver.

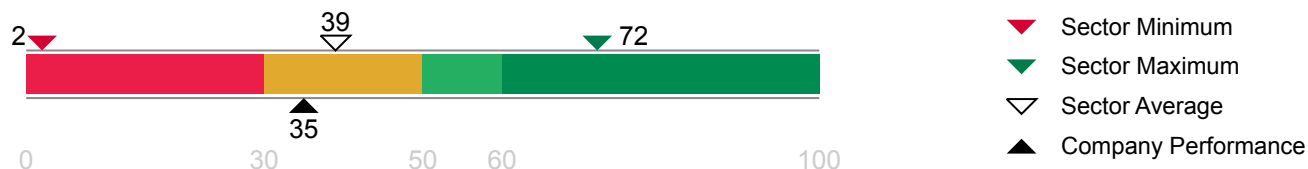
Leadership	41	Implementation	0	Results	35
Visibility	65	Means & resources	0	Performance	35
Relevance	30	Coverage	0		
Ownership	30				

Corporate governance

Score: 37

CGV1.1 Board of Directors

(score: 35, 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.

Two members of the three-member Nominations, Compensation and Corporate Governance Committee are considered independent.

Independence of the Board Chairman

The roles of Chairman and CEO are combined and there is no senior independent director.

Responsibility allocated over CSR issues

The Company states that the highest body responsible for sustainability in the Company is the Board of Directors. Moreover, the Company has a Regulation and Institutional Affairs Committee that reports directly to the Board, and which is in charge of approving and monitoring the Global Responsible Business Plan.

Share of independent shareholder-elected Board members

In accordance with standards advocated by Vigeo Eiris, the Board is more than 50% independent. Eight 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: at least 75% of the Board have demonstrated professional experience in the Telecommunications sector.

Training and expertise provided to Board members

Information obtained from the Company and public sources regarding training provided to Board members is insufficient.

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

Information obtained from the Company and public sources regarding the evaluation of Board functioning and performance is insufficient.

Review of CSR issues at Board meeting

Only few of the relevant CSR issues appear to be discussed at Board level.
- Responsible customers relations

Regularity of and attendance at Board meetings

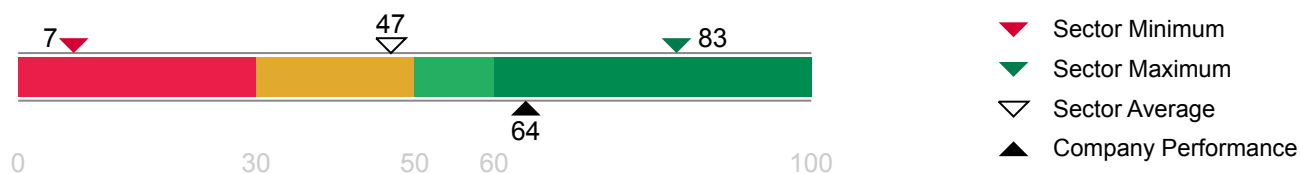
Information obtained from the Company and public sources regarding the regularity of and attendance at Board meetings is insufficient.

Of note, the Company stated that the Board meets at least once per quarter.

Name of Board member	Role	Executive	Non executive	Employee representative	Nomination	Audit	Remuneration	Former executive	> 9 years on Board	Stock options	Paid > 1/2 executive salary	Represent > 3% company's shares	Other	Independency
E. N. de Carvalho	Chairman, CEO	X			X		X							
J.M Del Rey Osorio			X											X
Ángel Vilá Boix	CFO	X												
A.C Valente da Silva			X					X						
A.G de Oliveira			X			X								X
F.J de Paz Mancho	Nominations, Compensation and Corporate Governance Committee (Chair)		X		X		X							X
R.S de Lerín Garcia		X												
L.J Bastida Ibarguen	Control and Audit Committee (Chair)		X		X	X	X							X
Luiz Fernando Furlan			X											X
Narcis Serra Serra			X			X								X
R. Oliveira de Lima			X											X
S Sultzbeck Villalobo			X											X

CGV2.1 **Audit & Internal Controls**

(score: 64, weight: 2)



Existence and independence of Audit Committee

All members are independent non-executive directors.

All members of the three-member Control and Audit Committee are considered independent.

Skills and backgrounds of Audit Committee members

Members appear to have financial experience and relevant operational experience.

Operational and CSR risks covered by the company's internal controls system

The system covers the standard issues related to financial, operational, and legal risks. Of note, the Company stated that sustainability risks are reported to the Risk Committee.

Role of the Audit Committee in overseeing internal and external controls

The Audit Committee has a comprehensive role that includes:

- Oversee internal audit and internal controls
- Review accounting policies and be responsible for updates
- Nominate the statutory auditor
- Oversee the work of the external auditor
- Approve the type of audit and non-audit services provided and fees paid to the external auditor

Management of the CSR risks

Information obtained from the Company and public sources regarding the management of CSR risks is insufficient.

Independence of the firm's external auditors

The audit firm receives non-audit fees, but these represent only 5% or less of total fees.

Non-audit fees represented 2.4% of total fees paid to Ernst & Young Auditores Independentes S.S in 2016.

Inclusion of CSR issues in the Company's reporting

The Company publishes significant CSR reporting on key material issues, with an independent third party assessment, Ernst & Young S.L, on the reliability of key performance indicators with a limited level of assurance. In addition, the assurance report includes clear recommendations for improvements. Examples of recommendations are:

- to reinforce the consideration and contribution of value of the "Clients" stakeholder on Telefónica's sustainability strategy.
- that stakeholders be regularly consulted to reinforce the inclusion of relevant factors in their sustainability strategy.

Stakeholders' feedback

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

As of 11/2017, Telefonica Brasil did not appear to be involved in any controversy related to this sustainability driver.

CGV3.1 Shareholders

(score: 45, weight: 2)



Nonexistence of voting rights restrictions

Major voting rights restrictions have been identified.

Telefonica Brazil has preferred shares and ADSs, which do not entitle voting rights except under specific circumstances. In addition, the Company has treasury stocks.

Nonexistence of anti-takeover devices

Anti-takeover devices have been identified.

The Company has treasury stocks.

Safeguards on transactions with major shareholder(s)

More than half of the Board is independent. However, there are no additional safeguards in place to monitor transactions between the Company and its major shareholder(s).

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, and it is possible to vote using online services.

Ability to vote on relevant issues in separate resolutions at AGM

All major items are voted upon in separate resolutions, in accordance with standards advocated by Vigeo.

Presentation of CSR strategy to shareholders and investors

Information disclosed from the Entity and public sources regarding the presentation of CSR strategy to shareholders and investors is insufficient.

Stakeholders' feedback

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

As of 11/2017, Telefonica Brasil did not appear to be involved in any controversy related to this sustainability driver.

CGV4.1 Executive Remuneration

(score: 7, weight: 2)



Existence and independence of Remuneration Committee

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

Two members of the three-member Nominations, Compensation and Corporate Governance Committee are considered independent.

Disclosure of senior executives' individual remuneration

Executive remuneration is disclosed, but on a collective rather than on an individual basis.

Link between Short Term Incentive Plans and the performance of the Company

There is no disclosure on what rules guide the Company in allocating bonuses and other short-term incentives to senior executives.

Link between the main Long Term Incentive Plan and the performance of the Company

Long-term incentives are linked to performance conditions, but quantified targets are not disclosed.

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.

Link between variable remuneration and CSR performance of the Company

There is no disclosure on the links between variable remuneration of executive and the CSR performance of the Company.

Severance pay for senior executives

Information obtained from the Company and public sources regarding severance pay for senior executives is insufficient.

Evolution of CEO-to-employee compensation ratio

Information obtained from the Company and public sources regarding the compensation of CEO and the average employee salary is insufficient.

The salary of the CEO is not disclosed.

Stakeholders' feedback

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

As of 11/2017, Telefonica Brasil did not appear to be involved in any controversy related to this sustainability driver.

Detailed Scores and Ratings

CURRENT AND PREVIOUS RATINGS

Period	Environment	Human resources	Human rights	Community involvement	Business behaviour (C&S)	Corporate governance
2017/11	+	=	=	+	+	=
2015/12	+	+	+	++	+	+
2015/01	+	+	+	++	+	=

SCORES PER DOMAIN

Domain	Average Score	Leadership	Implementation	Results
Environment	40	53	49	0
Human resources	35	23	32	51
Human rights	41	47	21	53
Community involvement	47	30	60	51
Business behaviour (C&S)	37	42	24	44
Corporate governance	37	20	51	41

SCORES PER CRITERIA

Sub-domain	Criterion	Score
Environment 1	1	81
	2	39
	5	20
Environment 3	1	20

Sub-domain	Criterion	Score
Human resources 1	1	27
	3	27
	4	40
Human resources 3	2	41

Sub-domain	Criterion	Score
Human rights 1	1	44
	1	43
Human rights 2	4	33

Sub-domain	Criterion	Score
Community involvement 2	1	40
	2	67

Sub-domain	Criterion	Score
Business behaviour (C&S) 1	2	38
	3	43
Business behaviour (C&S) 2	3	35
	4	49
Business behaviour (C&S) 3	1	40
	2	27
	3	25

Sub-domain	Criterion	Score
Corporate governance 1	1	35
Corporate governance 2	1	64
Corporate governance 3	1	45
Corporate governance 4	1	7

Contacts

Analyst: Sofia BENKIRANE • sofia.benkirane@vigeo.com
Research Manager: Felipe Chamizo • felipe.chamizo@vigeo.com

Disclaimer

COPYRIGHT VIGEO EIRIS2018

Vigeo Eiris provides its clients with information and/or analyses or opinion on factual, quantitative or statistical, managerial, economic, financial, governance, social, or technical data, in relation to companies, brands, products or services, assessed individually or with respect to sectors, regions, stakeholders or specific themes.

Vigeo Eiris, its methodology, brand, and employees, shall under no circumstances, be held responsible for any kind of consequence (including economic, financial, or legal) derived from the interpretation of its information, analyses, opinion, scores, and indicators. The terms of use of our products and services and their impacts stem from the sole responsibility of their users.

The above elements (information, indicators, analyses, scores, and opinion) do not include or imply any approval or disapproval on their content from Vigeo Eiris, its executive officers, or its employees. These elements do not represent in any way a guarantee, or reference of legal, moral, philosophical, ethical or religious nature, supporting or opposing any investment or divestment decision, or any standpoint or opinion expressed in favour of, or against companies, products, services, sectors or regions directly or indirectly mentioned in Vigeo Eiris' deliverables. Our deliverables are not, and should not, be considered as a form of financial advice or recommendation. No investment or divestment decision should be attributed to the information or opinion provided by Vigeo Eiris. Our products and services must only be considered as one of the many elements related to the financial decision making process. Vigeo Eiris, its methodology, brand, and employees, shall under no circumstances, be held responsible for any kind of consequence (including economic, financial, or legal) derived from the interpretation of its information, analyses, opinion, scores, and indicators. The terms of use of our products and services and their impacts stem from the sole responsibility of their users.

Overview of the latest updates

Date of the latest update	Information updated
2018/07	Carbon & Energy Transition
2018/03	Controversy Risk Assessment
2017/11	Full ESG profile