



2015 SUSTAINABILITY REPORT

We choose_
to grow solidly and
sustainably

Telefonica





Introduction

In publishing this this this sustainability report, Telefônica Brasil presents an account of its 2015 activities in Brazil and offers its management a tool to guide it along the road of sustainability.

This report, produced through the involvement of the Company's several divisions, introduces our stakeholders to the main highlights challenges related to corporate performance rooted in sustainability principles.

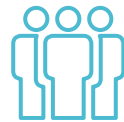
The content, oriented toward the continuous improvement in the quality of information presented, seeks to demonstrate the connection between strategy, management, activities, results and goals mainly from the standpoint of the three, most significant aspects of sustainability – economic, social and environmental – in addition to highlighting the cultural perspective, which Company management considers to be relevant.

IMPORTANT

All indicators were consolidated in consideration of 2015 data from Telefônica Brasil and GVT. It is noteworthy that financial data includes proforma results for GVT through April and consolidated as from May, as was reported in Telefônica Brasil S.A.'s 4Q15 results.

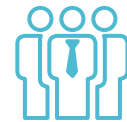
Learn more at www.Telefônica.com.br

Our value propositions



Society

Apply technologies in support of socio-economic transformation through entrepreneurship, education, culture and solidarity.



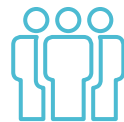
Employees

Promote professional development, offer fair salaries and ensure respect for human rights.



Shareholders and Investors

Maintain a responsible business, with profitability and sustainability.



Customers

Provide quality services with excellent connectivity and, through integrated offers, provide differentiated access to and experience of the digital world.



Suppliers

Increasingly share benefits generated throughout the value chain.



Environment

Through our products and services, contribute to a low-carbon economy and, through steady management of our impacts, reduce our environmental footprint.

A value proposition is what the company can generate in the way of benefits to its stakeholders through its products and services.



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CODES FOR NAVIGATING THIS DOCUMENT



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Summary

ALL DEVICES



The 2015 Sustainability Report is available online for smartphones and tablets (interactive PDF and downloadable versions).

MORE INFORMATION



Find out further information and videos



José María Álvarez-Pallete
President of Telefônica SA

VALUED SHAREHOLDERS¹,

It is a great honor to address you for the first time as president of Telefônica. I want begin by expressing my deepest gratitude and appreciation to Cesar Alierta, my predecessor. Thanks to his vision, Telefônica is today a world leader, an example of success, leadership, growth and profitability.

My goal is to continue to contribute to the success story that is Telefônica and carry on the digital transformation of this company. To achieve this, I have the best team in the industry: all the professionals who are part of this great company.

2015 was key to paving the way toward profitable and sustainable growth for the long term, while improving our competitive position in our core strategic markets in Europe and Latin America – Spain, Germany and Brazil.

By the end of 2015, we were serving 322 million customers in the countries where we operate, and had increased our base of fiber customers by 30%, tripled Long Term Evolution (LTE), and increased our smartphone and pay TV customers by 29% and 12%, respectively.

It is also worth noting that for the first time in our history the entry of traditional (voice access) customers represented less than 50% of the

total. This explains why we are talking about a very different Telefônica, where the core of our business is connectivity.

We live in a context of constant technological advancement, which has no historical precedent. Digitalization is transforming everything at a breakneck pace and, as we move into the future, will do so at an even greater pace. The scope of technology has grown exponentially and its spread, at this accelerated speed, is advancing into every corner of the world.

Telecommunications companies are in the middle all this change, as connectivity is a part of everyone's life, and, with each passing day, we are more and more dependent on it. At Telefônica, we're certain that a digital life is a longer life and that technology is a essential part



"We live in a context of constant technological advancement, unprecedented in history. Digitalization is transforming life at a breakneck pace."

(1) This is an edited version. To read the full text, please visit: www.telefonica.com/es/web/sostenibilidad/informe-de-sostenibilidad/2015. The information provided herein refers to the Group's worldwide operations, not only those in Brazil.



"Telefônica believes in promoting a responsible business model, capable of generating confidence in our customers, investors, employees and shareholders, and throughout society as a whole."



of being human. We facilitate connections that give people the ability to choose from a world of endless possibilities. This is our reason for being and, by placing our focus on people, it inspires us to transform ourselves into an OnLife Telco.

Our company has always been characterized by its strong commitment to societal development and progress. It's a commitment that goes beyond the direct and indirect impacts of our business in creating wealth in a given country – investment, employment generation and tax contributions over the years have materialized through various programs and initiatives.

I would also like to highlight the company's focus, via the Telefônica Foundation, on digital education, which has positioned us as the third-ranked company in the world in terms of educational investing. We know that education is the most powerful tool for reducing inequality and expanding the foundations for sustained growth of society.

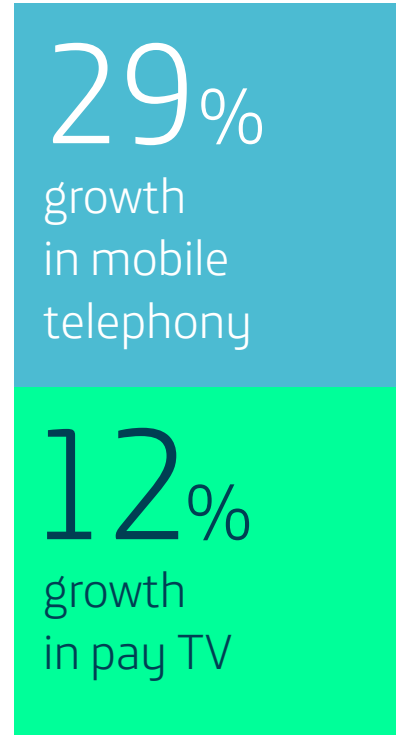
Finally, Telefônica believes in promoting a responsible business model, which is able to generate confidence in our customers, investors, employees and shareholders, and throughout society as a whole.

This trust becomes more relevant in a new digital world. A world where traditional channels are superseded and new rules and new values are needed.

I appreciate all the support and trust I have received, especially in this new phase and exciting moment. I have no doubt that together we will continue to make Telefônica a great company and that every day will be about which we can take increasing pride.

Thank you, [G4-1](#), [G4-15](#)

José María Álvarez-Pallete
President of Telefônica SA





Amos Genish
President of Telefônica Brasil

DEAR FRIENDS,

2015 was marked by the strengthening of Vivo as a leader in Brazil's telecommunications sector, where the synergies between Telefônica Brasil and GVT were maximized. The achievements of the integration process are relevant and should be celebrated. We can proudly say that we are already a unified company, working as a single team.

The integration of our companies solidifies a high-performance culture that places the customer as the central focus of what we have to offer – excellent quality services that enable a unique experience of the digital world.

Also in 2015, we set forth a new strategy, which aims at transforming the company to be more relevant to customers, generating increased value for shareholders, and having highly engaged employees. The strategy was christened "We Chose to Reinvent, We Want It All" (Escolhemos Tudo, Escolhemos Reinventar) and is supported by three pillars – Customer Focus, Sustainable Business Model and High Performance Culture.

To be recognized as a benchmark sustainable company is among the objectives of this new positioning. Therefore, in addition to connecting people, our activities must generate economic, social and environmental

benefits, which reflect our commitment to development.

In economic terms, in addition to the intrinsic advantages of telecommunications, we have projects to encourage innovation and entrepreneurship that will foster a new generation of business leaders and open doors for ideas with the potential to enrich our portfolio.

In the social sphere, Telefônica's global commitment is to contribute to improving quality of life through educational projects that use technology as a learning tool and social investments and sponsorships focused on culture, with an emphasis on regional initiatives.

2015
A year of synergy

A new Vivo is born to lead the market in digital age

4.5

MILLION

potential customers for mobile connectivity and fixed broadband services

"Our global commitment is to contribute to improving quality of life using technology as a social transformation tool."



"To be a benchmark for sustainability, we need to deliver superior services."

R\$41

MILLION

invested in social projects

2010

the year we became a signatory to the principles of the UN Global Compact

We are also committed to respecting the environment, contributing through products and services that deliver more connectivity and enable, in many respects, an eco-efficient and low carbon economy.

However, we know, first of all, we need to deliver superior services. We'll continue expanding our coverage in 4G and fiber optic networks, and will seize opportunities to connect even more people to our networks in Brazil. Our complete portfolio – which includes broadband, fixed voice and mobile telephony, as well as pay TV and digital services – enables us to achieve an integrated and transparent set of offerings, capable of satisfying customer preferences and winning their confidence.

The positive performance of the company along its various fronts enabled our inclusion, for the fourth consecutive year, in the the BM&FBovespa Corporate Sustainability Index

(ISE). Moreover, for the third consecutive year, we were featured in Exame magazine's Sustainability Guide. We also reaffirmed our commitment to the principles of the UN Global Compact, of which we have been a signatory since 2010.

None of our achievements would be possible without our employees, with whom we seek to share the value we generated in the best possible way – fair compensation and offering opportunities for professional growth.

We believe we're on track and we know there's still much to accomplish. In this mission, we rely on the support of our employees, partners and investors. You'll find more information in this report about them, what we're doing together and what is to come in this new moment for Telefônica.

Here's wishing you all good reading!
[G4-1, G4-15](#)

Amos Genish
President of Telefônica Brasil

3rd 
consecutive year in Exame magazine's Sustainability Guide

4th +
consecutive year

(2016) in BM&FBovespa's Corporate Sustainability Index (ISE)



1. Telefônica Vivo today



Profile

G4-3, G4-6, G4-7, G4-8, G4-9, G4-13, G4-23, G4-56

Telefônica Brasil is Brazil's largest telecommunications company and Grupo Telefônica's principal enterprise in Latin America, one of the more important telecommunications, information and entertainment clusters in the world.

Strengthened in 2015 by the acquisition of GVT, the company operates today as a completely integrated company with national presence and absolute leadership in the telecom market. It offers the best in mobile and fixed telephony, mobile and fixed internet, pay TV, as well as digital services and solutions for businesses. The company is committed to generating value for its stakeholders, further investing in quality, innovation and sustainability.

The results from the synergies arising from the union between Vivo and GVT are included in this publication.

GVT

Telefônica Brasil

viva **tudo** +

- ✓ Excellent connectivity
- ✓ Values
- ✓ Customer Experience
- ✓ Bundled Offer
- ✓ and guided by high performance and the principles of sustainability

WE OPERATE IN BRAZIL SINCE 1998

MORE THAN **97** MILLION **customers**

3,975 CITIES **served**

MORE THAN **33,000** **employees**

(total connections in December 2015)

TELEFONICA WORLDWIDE

REVENUES OF **47.2** BILLION **euros**

16 **countries**

322 MILLION **user accesses**

OVER **129,000** **employees**

VISÃO

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

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

VALUES

Are represented in all our activities and are divided into:

RELIABILITY: Reliable, honest and simple.
The best network, which offers security for the customer. Excellence in execution, the best quality. Trustworthy and credible. Straightforward and easy to understand.

OPEN: Collaborative, transparent, close and courteous.
In the business model and the relationship with the customer.

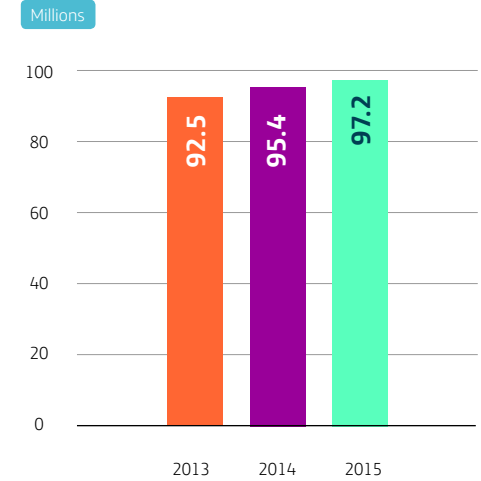
CHALLENGING: Disruptive, visionary, innovative, agile, restless and transformative.
Always a step beyond what is expected of us.



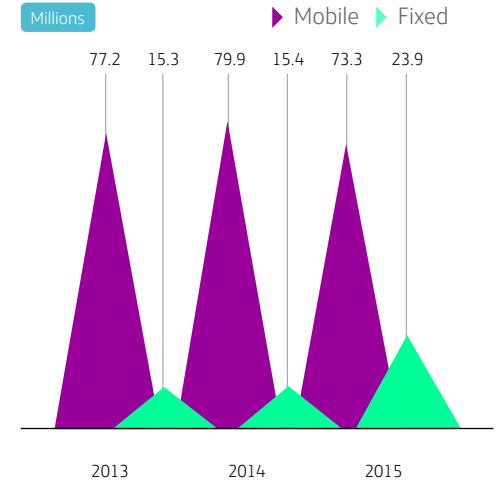
Our Businesses G4-4



TOTAL CUSTOMER BASE



CONNECTIONS BY SERVICE



302

company-owned stores

624,000

recharge locations

12,100

Points-of-sale (revenda e varejo)

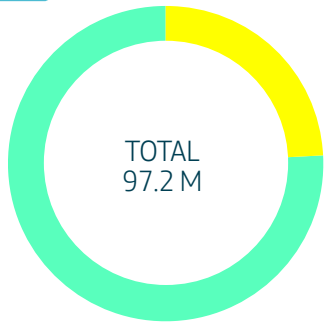
28.4%

Mobile market share



CUSTOMERS

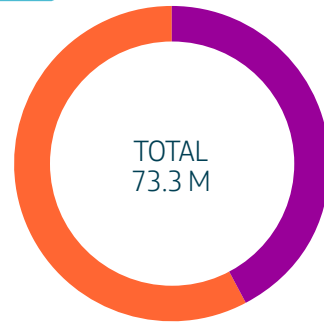
Millions



▶ Mobile service **73.3** ▶ Fixed service **23.9**

MOBILE SERVICE CUSTOMERS

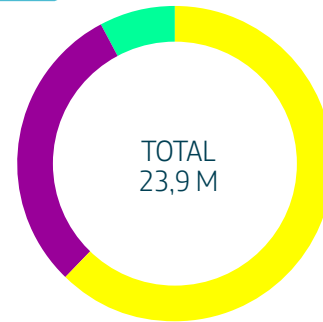
Millions



▶ Prepaid **42.2** ▶ Postpaid **31.1**

FIXED SERVICE CUSTOMERS

Millions

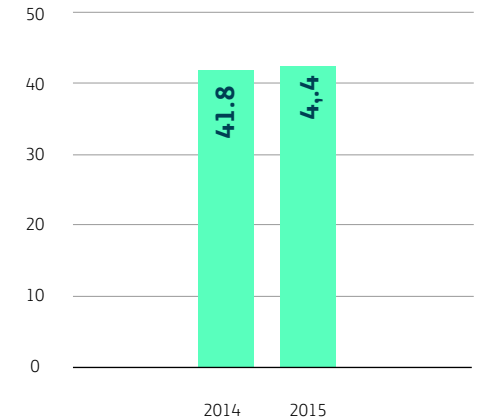


▶ Pay TV **1.8** ▶ Fixed voice **15.0**
▶ Broadband **7.1**

POSTPAID MARKET SHARE

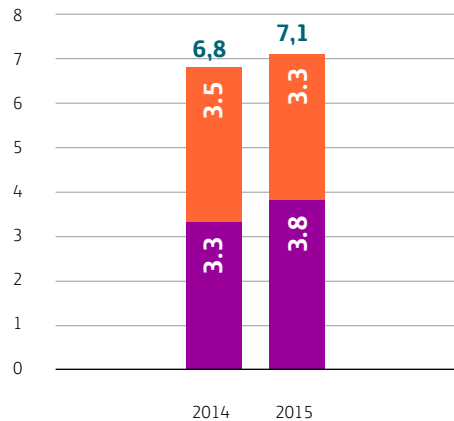
%

↑ 0.6p.p



BROADBAND CUSTOMERS

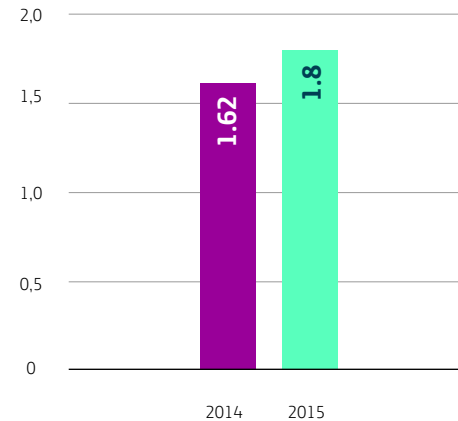
Millions



▶ Broadband FFX (fiber)
▶ Other broadband

PAY TV CUSTOMERS

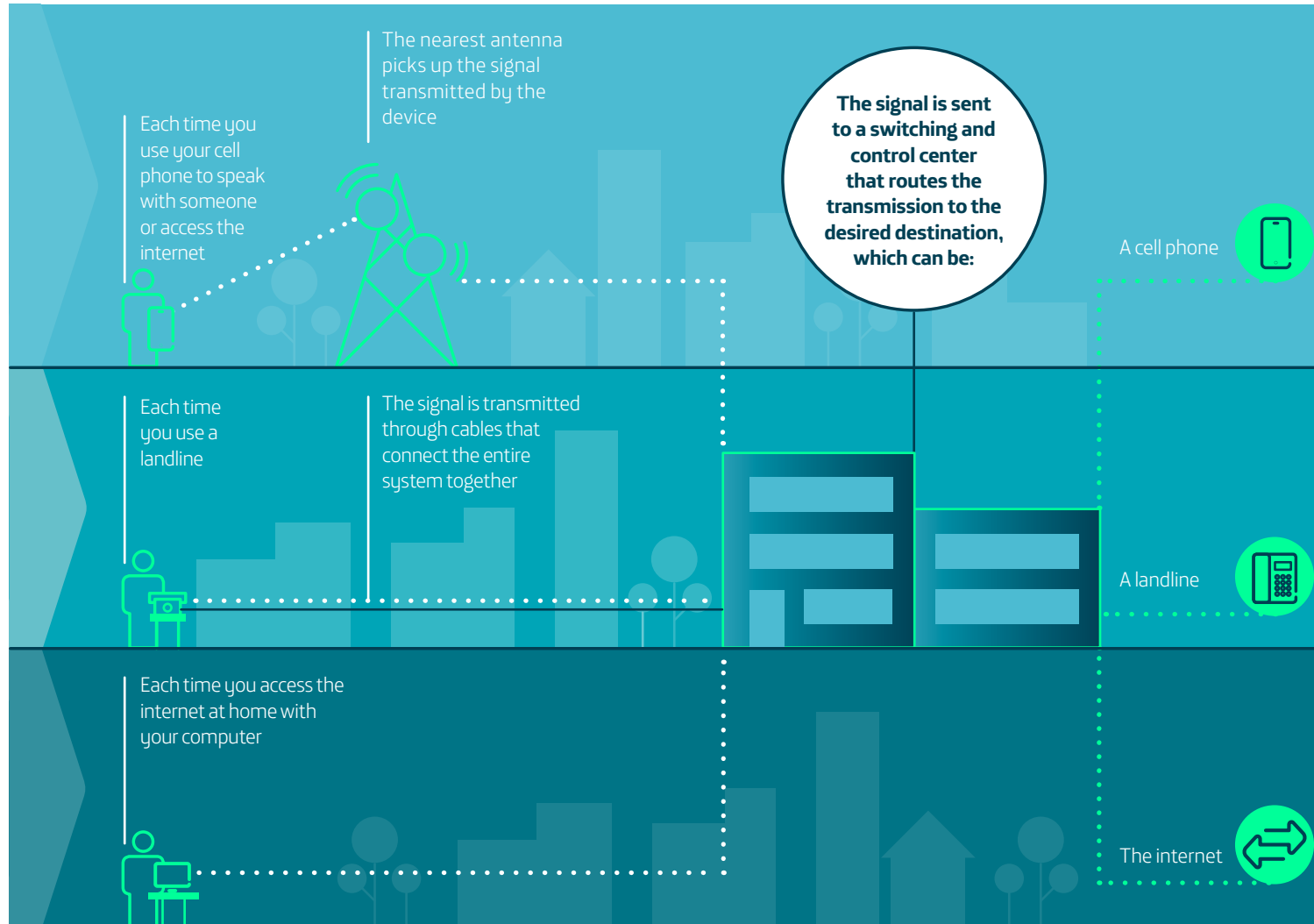
Millions



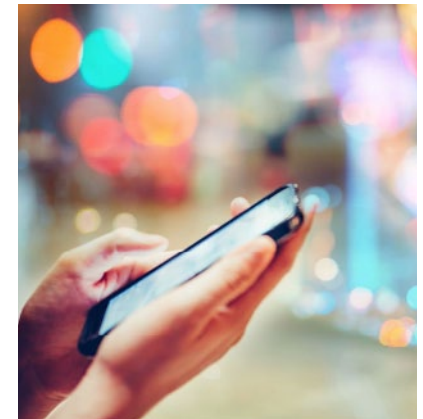
We distinguish the company in the market with our strategy, which is supported by three pillars – **Customer Focus, Sustainable Business Model and High Performance Culture.**



Connections_



CELL PHONES



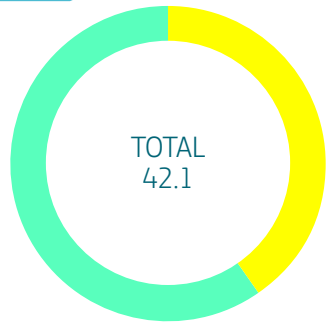
Mobile phones can communicate directly with each other or access the internet without the need to go through a switching center. A signal simply needs to be within range of a base station antenna (*learn more on p. 32*). The greater the number of base stations, the greater the signal coverage and the less chance of network congestion due to excessive hits.



Economic and financial highlights

NET REVENUE DISTRIBUTION

R\$ Million



Mobile service
25.1

Fixed service
17.0

16.3%
growth in Ultra
Broadband-
UBB or FTTx

7.7%

growth in
net revenue
from
broadband

27.6%

growth in net
revenue from
pay TV

Financial Data: Telefônica Brasil (R\$ billion)²

	2014	2015
Gross operating revenue	62.1	64.3
Net operating revenue	40.2	42.1
Net income	5.2	3.3
EBITDA	12.3	12.7
EBITDA margin (%)	30.6	30.2
Net debt	7.1	4.6
Investments (including licenses)	11.2	8.3

(2) Includes proforma results for GVT through April and consolidated as from May, as was disclosed in the press release regarding the fourth quarter results of Telefonica Brazil SA. For comparison purposes, we present the combined, proforma scenario, which includes GVT Holdings SA as from January 1, 2014.



Non-financial data

Economic ³	2014	2015
Locally contracted suppliers (thousands)	2.03	2.05
Municipalities with coverage	3,791	3,958
Customer satisfaction index	7.06	7.39
Municipalities with 3G	3,288	3,537
Municipalities with 4G	140	183
Persons benefiting from Telefônica Brasil Foundation social projects (thousands)	358	450
Environmental	2014	2015
Power consumption (kwh)	1,559,018,212	1,559,018,212
% purchased from renewable energy sources	26%	22%
Emissions (tCO ₂ eq)	228,614	249,527
Internal waste (tons)	n/a	7,145
Customer-generated waste (tons)	n/a	646
Water consumption (m ³)	1,154,269.55	1,138,231.05

(3) includes proforma results for GVT through April and consolidated as from May, which was reported in the results for Telefônica Brasil SA for the fourth quarter of 2015 *Adjusted 2014 data.

Social	2014	2015
Employees	18,419	33,847
Avg. age of employees (years)	34	34
Avg. time employees working for company (years)	6	5
% women	46%	41%
% women in management positions	29%	20%
Persons with disabilities (total)	216	223
% Afro-Brazilians	n/a	25.4%
% employees w/collective bargaining agreement	92%	96%
Employee satisfaction index	86%	82%
Number of hours of training	176,562.60	1,261,253
Investment in training (R\$ million)	10.5	16.8
Turnover rate ²	24*	24.3
Absenteeism rate	2,284.09	3,182.68
Accident rate	0.09	0.51
Telefônica Brasil Foundation investments (R\$ million)	41.9	41

(4) Adjusted 2014 data.



Commitments

During 2015, Telefônica Brasil engaged in activities to which it had committed itself in the 2014 Sustainability Report.

- ▶ Strategic priority
- 🎯 Guidelines
- ✓ Achievements

19.7%
of net revenue was directed to investments in improvements

▶ Maintain undisputed leadership in the mobile sector and convergence

- 🎯 Continue to distinguish our mobile offerings through data network quality and innovative digital services; engage in cross-sell activities (marketing the company's mobile service to GVT customers and vice versa) to evolve convergent offers (4-Play) that deliver benefits to customers.
- 🎯 Expand the Vivo brand to strengthen attributes of GVT.
- 🎯 Strengthen our network of channels to provide the best customer experience, both online and in our bricks-and-mortar stores.
- ✓ Integration between Vivo and GVT has positioned our firm as an integrated telecommunications operator and pay TV leader in the Brazilian market, which is built upon a robust network with national presence and a comprehensive portfolio to satisfy all market segments.
- ✓ We implemented a series of cross-sell activities via various channels, offering mobile service benefits to GVT customers and vice versa. By the close of 2015, more than 150 Vivo stores were offering GVT products.

▶ Achieving a national leadership position in the 3P market

- 🎯 Offer a competitive 3P (triple-play bundle) portfolio nationwide, which will be leveraged through an improved pay TV offer (100% HD with interactive services).
- 🎯 Fortify our operating model, ensuring best practices, segmented models and technological solutions to streamline processes and improve the customer experience.
- 🎯 Expand and optimize our high-speed broadband (ultra broadband) network, using the most appropriate technology for each market segment, within and outside of São Paulo.
- ✓ Maintain our absolute leadership position in 3G coverage – over 3,500 municipalities served in Brazil, which is 51.7% more than our closest competitor.
- ✓ In 4G service, coverage reached more than 90.3 million people in 183 cities.

In February 2016, OpenSignal Report cited Vivo's 4G network as the fastest in Brazil.

- ✓ GVT integration doubled the number fixed broadband connections, with greater participation of high-speed customers, and doubled the subscription TV customer base, which has already reached 1.8 million connections.
- ✓ We are moving ahead in expanding our fiber optic network. By year's end, we were at 16.7 million homes passed (residences served by the service). The fiber network outside the state of São Paulo (in operational areas of the former GVT) continued to expand, reaching new locations, such as Navegantes, Santa Catarina; Sete Lagoas, Minas Gerais; and Cachoeiro de Itapemirim, Espírito Santo.
- ✓ We have begun several structural projects to integrate and elevate our 3P portfolio to a national level, simplify processes and improve service models for fixed telephony customers in the state of São Paulo.

Our strategy is focused on the valuation of our company and generating returns to our shareholders, investors and stakeholders.



▶ **Consolidate our national position in the business segment.**

- ⦿ Leverage the GVT network outside of São Paulo to grow in the corporate sphere.
- ⦿ Harness high-speed, broadband network expansion in São Paulo to gain competitiveness in the SME market.
- ⦿ Maximize revenue through cross-selling mobile and digital services.
- ✔ We invested R\$ 180.4 million to support strong growth in demand for data (fixed and mobile data services, as well as high-speed services dedicated to the corporate market) and to supplement the 4G network in major cities including the metropolitan areas São Paulo, Rio de Janeiro, Florianópolis and Porto Alegre, among others.
- ✔ Integrate the sales force for the business segment and implement several cross-sell activities to consolidate our national presence through Vivo integration with GVT.
- ▶ **Customer focus as a key value proposition**
- ⦿ Sustain our premium positioning with the implementation of:
 - a segmented customer service model,

- a quality end-to-end program, and
- an optimized field operations plan
- ⦿ Tactically leverage GVT information technology systems to improve customer experience within the concession area.
- ✔ We have adopted a new strategy focused on customers and business model sustainability. A significant portion of the R\$ 8.3 billion total invested over the course of the year was directed toward expanding and maintain systems and networks to satisfy, in an optimal fashion and with the best possible service, customer demand for mobile and fixed data.
- ✔ We launched a Quality Plan that involves the entire company, which is focused on improving the customer experience, allowing us to consistently increase customer satisfaction indicators.
- ▶ **Constantly seek excellence in costs and the optimization of CAPEX**
- ⦿ Leverage the complementarity of the Telefônica Brasil and GVT networks to optimize our infrastructure.
- ⦿ Capture value through efficiency and scale initiatives in purchasing, logistics, administration and other areas.

- ✔ Investments in maintaining the quality of services and expansion of customer base accounted for 73% of total investments in 2015. Substantial investments were made in the maintenance and expansion of voice and mobile internet services, which represent a significant portion of the company's revenues.
- ✔ In 2015, through 2,565 new construction sites, we maintained a concerted effort to improve signal quality in several regions and expanded rural coverage to achieve company goals. In addition, we are continuing to deploy the future of mobile internet, reaching 183 municipalities with 4G service.
- ▶ **Implementing a high performance culture based on**
- ⦿ Establishing a unique culture that is customer-driven, financially disciplined and oriented towards performance, effectively leveraging Grupo Telefônica's global scale and know-how.
- ✔ Promoting a set of activities that results in substantial improvement of the customer satisfaction index.
- ✔ Designing a new organizational structure that allows for total integration of the management team, only a few months following the completion of the GVT acquisition.





Recognition



EXAME MAGAZINE SUSTAINABILITY GUIDE

- ▶ 3rd consecutive year
- ▶ Exame magazine and Getúlio Vargas Foundation Studies Center (GVCES)
- ▶ One of Brazil's most sustainable companies



MOST ADMIRED COMPANIES IN BRAZIL (CARTA CAPITAL MAGAZINE)

- ▶ 1st place in the Fixed Telephony Operator and Mobile Telephony Operator segments.



MARKETING BEST SUSTAINABILITY AWARD (MARKETING MAGAZINE AND MADIAMUNDOMARKETING)

- ▶ 3 award-winning projects
- Volunteer Day
- Rural Schools Online Program
- Digital Billing



CORPORATE SUSTAINABILITY INDEX (ISE)

- ▶ 4th consecutive year
- ▶ BM&FBovespa
- ▶ One of 40 companies recognized for sustainable performance



GREAT PLACE TO WORK (FORTUNE MAGAZINE RANKING)

- ▶ 5th best company to work for in the world
- ▶ 2nd best company to work for in Latin America



GOLD CERTIFICATION, BRAZILIAN GHG PROTOCOL PROGRAM

- ▶ 3rd consecutive year; 1st incorporating GVT data



TOP OF MIND (FOLHA DE S. PAULO NEWSPAPER)

- ▶ Most remembered brand by consumers in the broadband category



BEST AND BIGGEST (EXAME MAGAZINE RANKING)

- ▶ Best in the Telecommunications industry



VALOR 1000 ANNUAL (VALOR ECONÔMICO NEWSPAPER)

- ▶ Best IT & Telecom company



2 Corporate Governance



Governance model G4-34

Our value proposition to shareholders and investors is to maintain a responsible business, with profitability and sustainability. To accomplish this, we maintain a business strategy focused on business performance to enhance the value of our company. We believe in achieving this through activities and relationships guided by sustainability and values such as transparency, accountability, efficiency, innovation and trust.

Our Value Proposition

Maintain a responsible business, with profitability and sustainability through an action strategy focused on business performance to enhance the value of our company.

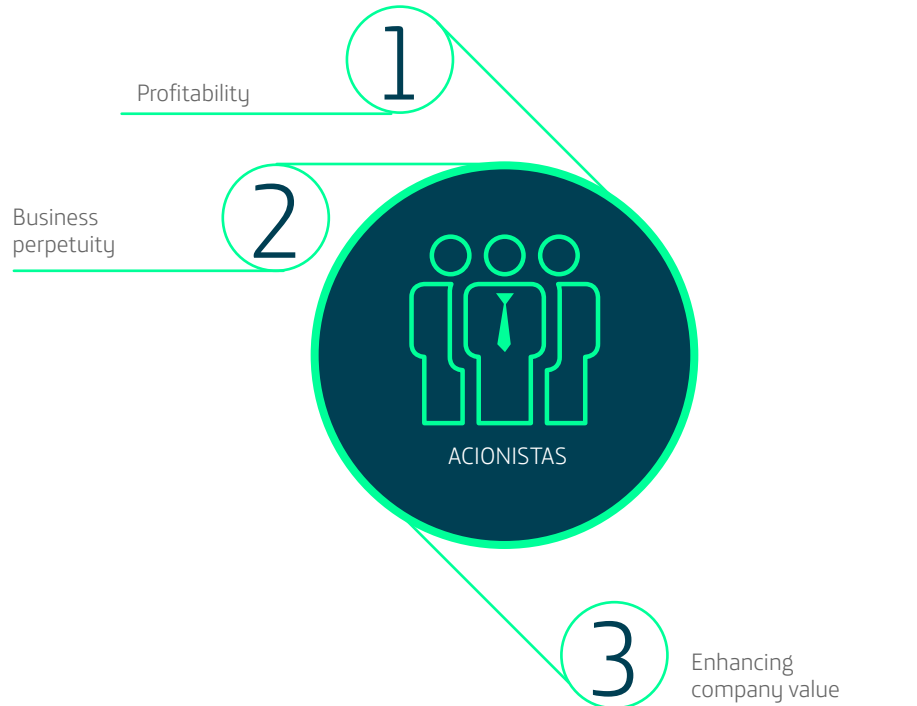
GOVERNANCE STRUCTURE

The role of our corporate governance is to ensure that these values orient all aspects of the company's management. Its structure consists of:

- EXECUTIVE BOARD**
- AUDIT BOARD**
- BOARD OF DIRECTORS**
- STANDING COMMITTEES**

There are three advisory committees to the Board of Directors

- ▶ Audit and Control Committee
- ▶ Service Quality and Customer Service Committee
- ▶ Nominating, Remuneration and Corporate Governance Committee



3 standing committees advise the Board of Directors

3 members currently serve on the Executive Board

6 members comprise the Audit Board, three of which are alternates



BOARD OF DIRECTORS

Monitors the Company's performance and makes decisions on issues relevant to the business.

It meets quarterly or when convened by the chairman.

Board composition*

Eduardo Navarro de Carvalho
Chairman

Angel Vilá Boix
Member

Amos Genish
Member

Antonio Gonçalves de Oliveira
Member

Antonio Carlos Valente da Silva
Member

Francisco Javier de Paz Mancho
Member

Ramiro Sánchez de Lerín Garcia-Ovies
Member

Luis Francisco Javier Bastida Ibargüen
Member

Luiz Fernando Furlan
Member

Narcís Serra Serra
Member

Roberto Oliveira de Lima
Member

Sonia Julia Sulzbeck VillaLobos
Member

* New membership approved at the Annual General Meeting held on 4/28/2016.

** New position approved at meeting of Board held on 6/10/2016.

CURRENT COMPOSITION





EXECUTIVE BOARD

Composed of no less than 3 to as many as 15 members. It is responsible for the conduct of the business, adhering to guidelines established by the board of directors. Currently the company's Executive Board is composed of three members.

Executive Board Composition

Amos Genish
CEO

David Melcon
Director of Finance and Investor Relations¹

Breno Rodrigo Pacheco de Oliveira
General Secretary and Legal Director

(1) On 4/8/2016, David Melcon took over as Director of Finance and Investor Relations, a position which had been held, on an interim basis, by Amos Genish.

AUDIT BOARD

A permanent body, it consists of three members and three alternates.

Composition of the Audit Board

Flavio Stamm
Sitting member

Cremênio Medola Neto
Sitting member

Charles Edwards Allen
Sitting member

Gilberto Lerio
Alternate

Stael Prata Silva Filho
Alternate

Juarez Rosa da Silva²
Alternate

(2) Elected at the Annual General Meeting held on 4/28/2016.

Contribution to progress

The significant increase in mobile data consumption has resulted in changes in marketing dynamics, which were underway in 2015.

Telefônica Brasil focused its investments on expanding its 4G network and the capacity of its 3G network to maintain the company's quality advantage in the market. With its GVT acquisition complete, the company was able to expand its fixed network nationwide, with fiber technology, through the integration of the Vivo and GVT networks. A structured process of capturing synergies is underway with initial gains being higher than anticipated.

From a marketing standpoint, Telefônica Brasil has begun to focus its offerings on data. The effects of this strategy can be seen in our Customer Satisfaction Index (CSI), which has increased since integration (*learn more on p. 41*), and especially as we are the operator in Brazil that has experienced largest growth in revenue in the sector.

Taken as a whole, our efforts to contribute to progress represent a value proposition for society, which includes universalization of services, as well as social and cultural activities (*learn more about our Commitment to society on p. 30*).

New technologies are helping to reduce digital bottlenecks and boost economic, environmental and social development

LEARN MORE
Access our Reference Form at www.Telefônica.com.br/ri



ECONOMIC IMPACTS

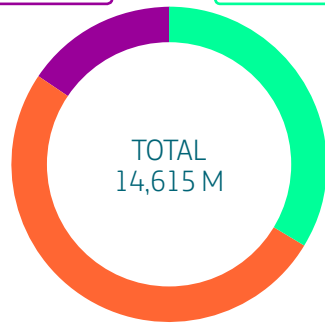
We are one of the most important economic drivers of progress within the communities in which we operate. As a contributor to GDP growth, we help to propel the economy forward, both directly and indirectly, as we have the ability to generate a wealth multiplier effect through our activities. In 2015, our presence represented 1.07% of Brazil's GDP.

1.07%
is our share of
Brazil's GDP

IMPACTS ON GDP BY IMPACT TYPE

Millions of euros

0.16% of GDP*
0.36% of GDP*



TOTAL
14,615 M

0.55% of GDP*

- ▶ Induced impact **2,241**
- ▶ Direct impact **4,926**
- ▶ Indirect impact **7,448**

IMPACTS ON EMPLOYMENT

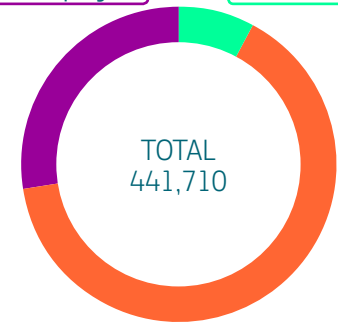
Telefônica is also a major driver of job creation. In 2015, we contributed to Brazil with more than 441,710 jobs – direct, indirect and induced.

0.48%
of jobs created in Brazil
in 2015 were generated
by Telefônica

11.44
additional jobs are created
every time Telefônica hires
a Telefônica employee

IMPACTS ON EMPLOYMENT BY IMPACT TYPE

0.13% of the number employed*
0.04% of the number employed*



TOTAL
441,710

0.31% of the number employed*

- ▶ Impact induced **120,359**
- ▶ Direct impact **35,512**
- ▶ Indirect impact **285,839**

* Percentage in relation to the total of those employed.

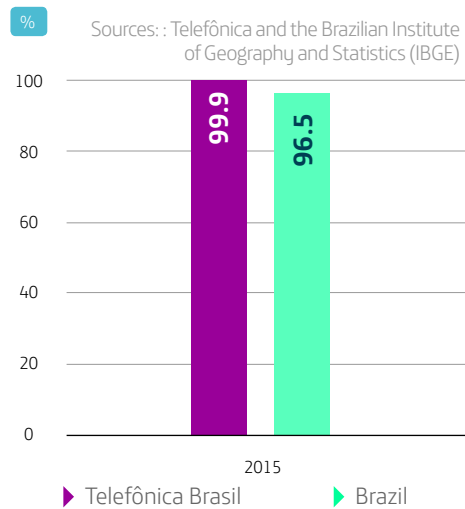
Source: Análisis PwC



SOCIAL IMPACTS

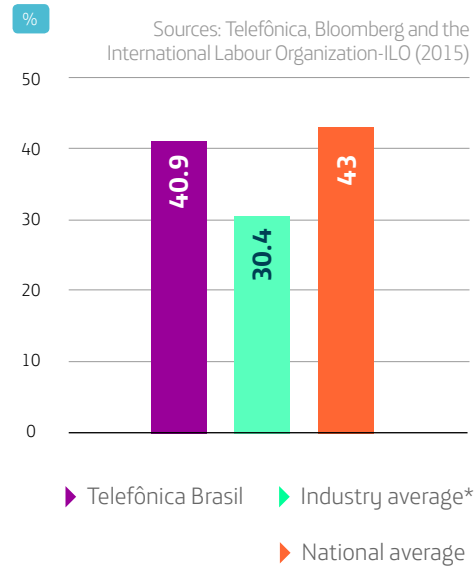
PERCENTAGE OF FIXED-TERM

The percentage of fixed-term contracts at Telefônica Brasil exceeds the national average by 3.4 percentage points.



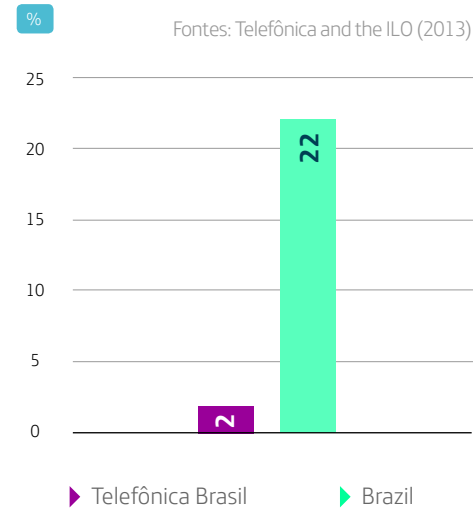
PERCENTAGE OF WOMEN

In 2015, the percentage of women at Telefônica stood at 40.9%, more than 10 percentage points above the average for telecommunications sector companies and close to the average for women employed in Brazil (43%).



SALARY DIFFERENCE BETWEEN MEN AND WOMEN

The wage gap between men and women that exists in Brazil exceeds, by 10 times, the difference in Telefônica Brasil.



EMPLOYEE TRAINING

In 2015, employee training at Telefônica Brasil reached 35.6 hours per employee, exceeding by 10% the average for Latin American companies (32,3 h/employee).**

LOCAL SUPPLIERS

In 2015, Telefônica contributed to local development through purchases with local suppliers.

(*) Average from a selection of 6 industry companies analyzed by Bloomberg (KT Corp, Telecom Italia, BT Group, Orange, Vodafone, AT&T), 2014 data.

(**) A PwC Saratoga study is a benchmarking tool that contains HR indicators from over 2,000 companies worldwide.

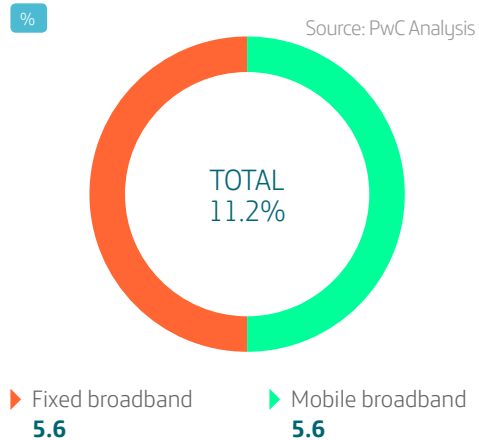


NETWORK IMPACTS GRI G4-EC7

Broadband deployment contributes to the development of society by improving the productive and competitive capacities of local business, which are aided by significant improvements in the speed of data traffic and the automatization of processes, as well as expanding the possibilities for people to access information and culture, and diversifying their entertainment options.

In 2015, the broadband set (fixed and mobile) had an 11.2% positive impact on GDP.

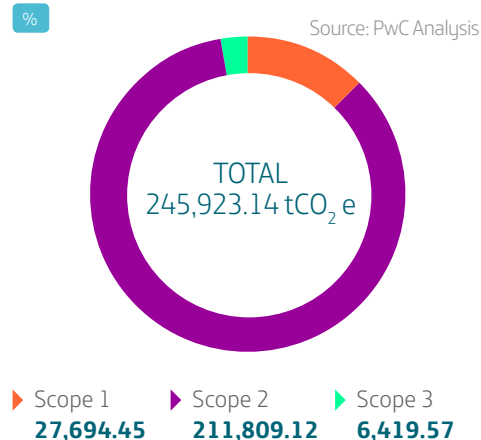
TELEFÔNICA'S BROADBAND IMPACT ON GDP



ENVIRONMENTAL IMPACTS

Industry studies indicate that our services have the potential, by 2030, to reduce, by 9.7 times, our environmental footprint. Currently, our carbon footprint is 249,527.69 tCO₂e.

OUR CARBON FOOTPRINT



0.13%

percentage share of our carbon footprint carbon in Brazil

2.09%

percentage share of our carbon footprint on the population of Brazil



3



Responsible business



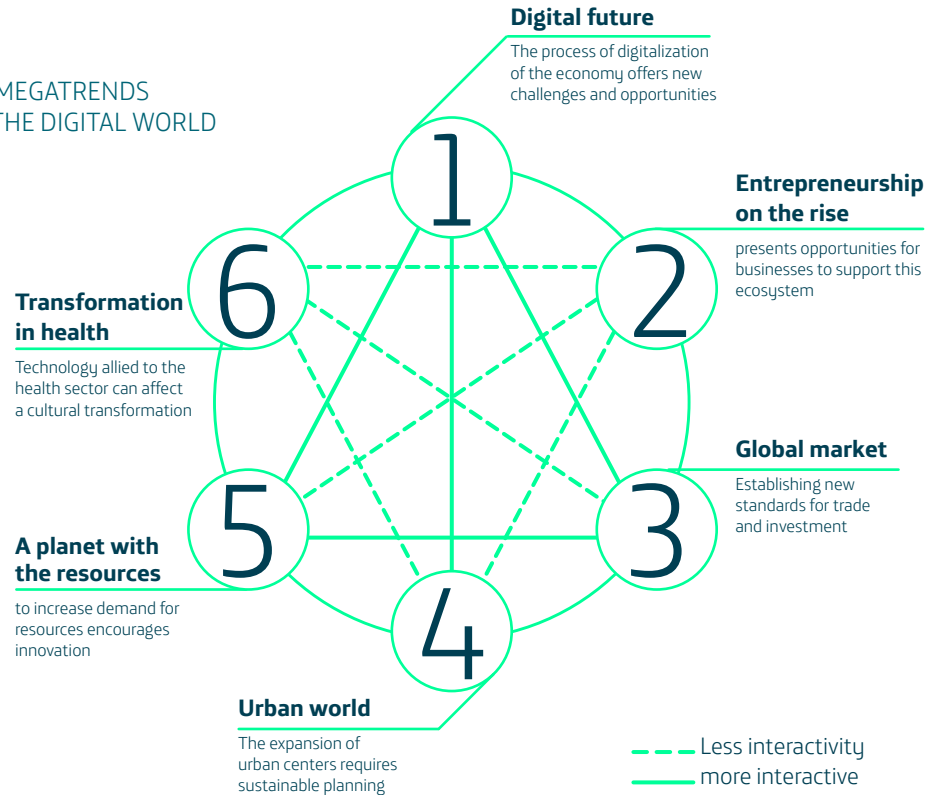
Trends

We live in a world that's in constant motion and ever evolving; in which borders are increasingly becoming easier to overcome. Phenomena such as climate change and mass immigration, let alone concerns over the economy, education and health are today more global than ever. What yesterday was in the future is today's reality.

Technological transformation is taking place in all areas of our lives. Connectivity and digitalization have transformed society and the economy, transforming those two essential elements and differentiation in a world that is increasingly global, open and digital. Today, people need and want be connected all the time to communicate, share opinions and information or simply consume content.

Precisely in this regard we have identified six closely related megatrends that will define different industrial sectors by 2030 and technology's role in these is undeniable. The increasing use of mobile devices, along with the proliferation data and digital processing are some of the keys to changing market behavior in most industries.

SIX MEGATRENDS OF THE DIGITAL WORLD



CONNECTIVITY AND CONVERGENCE

The digital future, rising entrepreneurship and the global marketplace are having a profound impact on businesses. On the other hand, some trends are also important for business sustainability, such as urbanization of the planet, raw materials shortages and the reinvention of healthcare. The technology sector continues to gain

market share in the global GDP and that makes technology's role in people's lives ever more significant, as it allows them to access products and services that represent economic and social developments. Connectivity, therefore, is becoming more important, such that we can identify three specific trends in the telecommunications sector:

INTERNET AND MEDIA

Content is offered via applications running on networks. There is increasing traffic demand for the consumption of video, which is, in turn, making it a key element of commercial packages.

FIXED + MOBILE

Consumers want comprehensive solutions that embrace connectivity needs anywhere – at home, in the office or on the road. This translates into a need for more infrastructure investments and the proliferation of 4-Play packages.

NETWORK AND I.T.

Cloud technology allows those functions previously performed by physical servers to become virtual, producing efficiencies and operational flexibility. It allows for an evolution of new, more software intensive architectures, which will represent a competitive advantage for initiatives based more in applications than equipment.



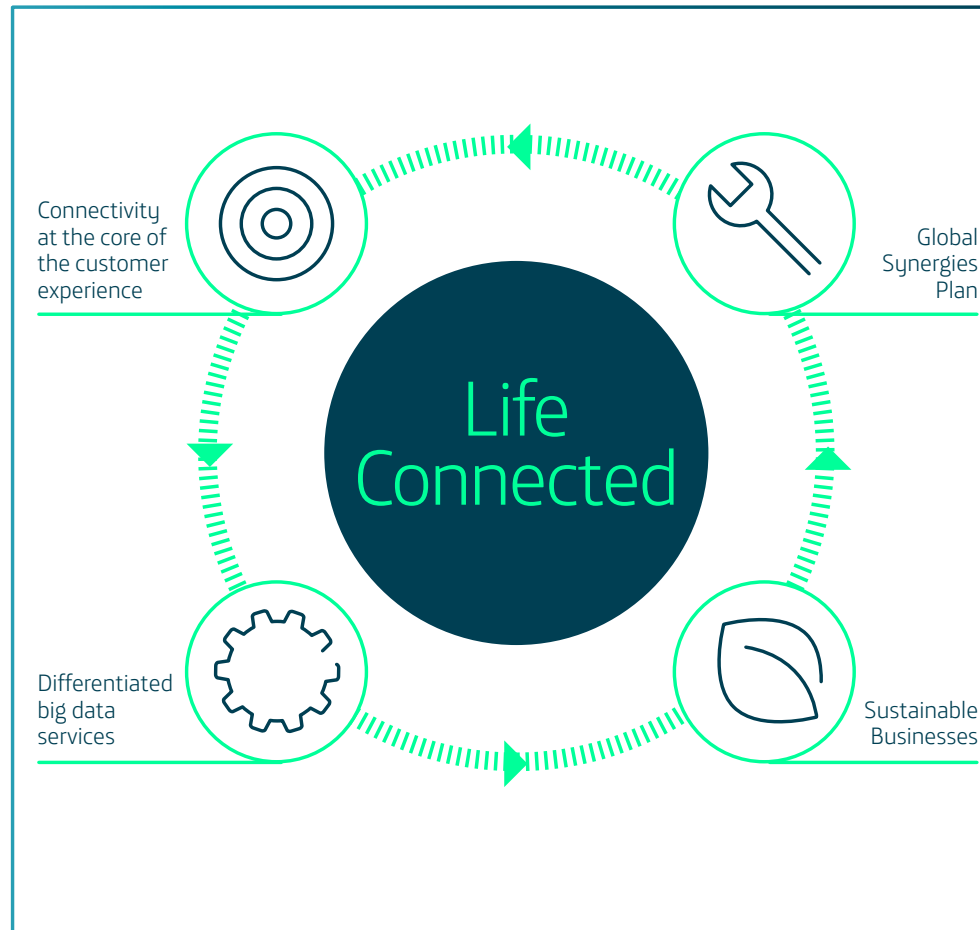
Our strategy

To achieve the goal of becoming an "OnLife Telco" and placing the customer at the center of everything we do, we will focus on offering a value proposition with excellent connectivity, integrated products and services, and a unique user experience.

At Telefônica, we believe the data economy is one of the great opportunities for the future and, therefore, we view this as an opportunity for growth.

Telefônica's strategy aims stimulate an economy of platforms and take advantage of data and market opportunities. We want to become the best ally of the digital lives of our customers and, therefore, we will orient our business model toward this purpose.

Our challenge is focused on giving customers sovereignty over their digital lives, enabling them to take action on our network. By taking all the data that we generate and bringing it together, our goal is to give citizens the opportunity to empower their network activities and decide how best to use such data.



29% of connection to websites occur via smartphones and tablets⁴

US\$204 BILLION have been spent by means of mobile devices in 2014⁴

(4) Source: 2015 Megatrends Report



Our business model

Connectivity is in our DNA because we believe that it's the oxygen of digital life. Accordingly, we work to improve our customers' range, helping them to reduce geographic difference geographic, connecting more people at greater speed and better traffic management. In this way, customers get the service and required quality they want. Meanwhile, we are constantly vigilant about infrastructure management and making necessary investments to sustain and grow our network.

In addition to getting our customers connected, we strive to speak with one voice to our customers. Thus, our objective is to present people with a simple, integrated and unified offer that is attractive and easy to understand. Customers want us to facilitate their digital lives with and we seek to fulfill that desire with the best products, services and content bundled in a single commercial package.

Connectivity and the delivery of content and services are insufficient if they're not accompanied by a differential experience that reinforces the values we seek to showcase, which demonstrates our capabilities and strength as a reliable, challenging and open company. At Telefônica, we believe the foundation of a responsible enterprise is one that goes beyond short-term profitability. Our tools to achieve this objective are, primarily, "big data" and "end-to-end digitization," together with an optimization of our capital and corporate simplification.

At Telefônica, we want our business to have a positive impact on society, contributing to the creation of wealth and well-being. Therefore, our business model not only ensures corporate growth in the medium and long term, but also solidifies a vision for the future that highlights our work as a responsible business.

We want our business to generate positive societal impacts that contribute to wealth creation and well-being.

We chose to reinvent

CUSTOMER FOCUS	SUSTAINABLE BUSINESS MODEL
 <p>Excellent connectivity Leveraging our national presence and portfolio to provide our customers access to their digital lives – anywhere, anytime, with the appropriate speed to meet their needs.</p>	 <p>Big Data and innovation Responsibly leverage available data to make decisions, which optimize our business through scientific methodologies and facts.</p>
 <p>Bundled packages Innovate with bundled, integrated offerings, of 3P to 4P and 5P, for all segments.</p>	 <p>End-to-end digitalization Accelerate the transformation of our business through digitization, streamlined processes and efficiency generation.</p>
 <p>Customer values and experience Putting the customer at the center of our value proposition ensures our effectiveness in customer care and allows us to build digital and convenient services that offer them a unique experience.</p>	 <p>Capital allocation and simplification Simplify, optimize and direct our resources towards more effective achievement of our commitments to customers and shareholders.</p>

Materiality and stakeholder engagement

G4-18, G4-19, G4-20, G4-21, G4-24, G4-25, G4-26, G4-27

In 2015, for the first time, we conducted a materiality identification initiative Telefônica Brasil in Brazil. The process was aimed at learning, from the perspective of our key stakeholders, which social and environmental issues are most significant to them and, thereafter, using this knowledge as the basis for a Sustainability strategy review and a means of defining the scope of our 2015 Sustainability Report. The results of this endeavor can be seen in the image on the right.

To accomplish this task, dialogue and consultation sessions were carried out, which generated significant insights, expanding Telefônica Brasil's perception of the issues and challenges that are most critical to the industry. Ten direct interviews were conducted with company shareholders and executives, while another 1,511 interviews took place via an online questionnaire submitted to employees, suppliers, service providers and commercial partners, in addition to the convening of focus groups with 14 employees, six board representatives and 9 members of civil society. Other investigations included a review of existing industry standards and guidelines, as well as secondary and follow-up research.

MATERIALITY MATRIX (CONSOLIDATED)

Stakeholders	High significance		Corruption	Transparency and reporting Growth of the industry and the economy	Service quality and customer care
	Significant	Local supply Service use by at-risk groups	Training and empowerment Reverse logistics Privacy and information security	Social investing Employee engagement Energy efficiency E-waste Innovation and technological development	Marketing and communications Directors and managers Digital inclusion and accessibility
	Average significance	Mining in conflict zones Other solid wastes Planned obsolescence Biodiversity** Climate change User health and safety	Outsourcing and offshoring Conditions and benefits Protection and guarantee of human rights Smart cities Diversity Electromagnetic fields Freedom of expression	Health and safety Atmospheric emissions Use of natural resources Labor relations in the supply chain Environmental impacts in the supply chain Internet of Things (IoT) Disaster preparedness and response Green IT and efficient products Volunteerism Cultural support	Social applications for IT
	Insignificant/ Not mentioned				
		Insignificant/ Not mentioned	Average significance	Significant	High Significance

Telefônica Brasil Executives

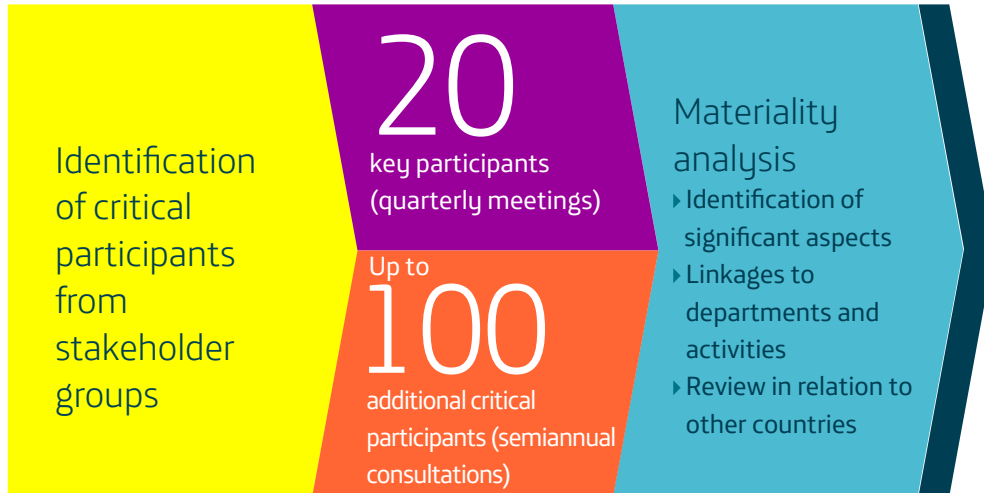


SUSTAINABILITY PANEL

To maintain our consultation with stakeholders in 2016 we will put together a Sustainability Panel, whose aim will be to make tangible the expectations of these interested parties and engage with fundamental elements of our materiality matrix materiality and stakeholders' current recommendations.

Composed of experts, the panel will be consulted regularly on social, innovation and environment issues. Beyond this, we will make it possible for our stakeholders to interact with each other in a structured manner, facilitating the tracking of common challenges.

2016 PROCESS



RESULTS

- ▶ Dialogue platform
- ▶ Structured process and insertion into our materiality analysis
- ▶ Quarterly reports
- ▶ Global, semiannual analysis of opinions
- ▶ Annual report: Recommendations and trends

Risk management

Through our risk management, we have established policies and procedures to identify, monitor and mitigate threats to which we are exposed, thus maintaining a preventive stance against potential strategic, economic, operational, social or environmental impacts on our operations.

Principal risks have been divided into four categories - business, financial, operational and global. All are divided into subcategories that include additional risks as regard reputation, regulatory and legal compliance, human resources, fraud, and communications, among others.

Our risk management philosophy and practices are disseminated to our strategic partners through training, which ensures compliance with our operational business principles and other aspects that can impact our brand and institutional image. Additionally, coordinate the application of resources to anticipate trends and legislative changes.

[G4-14](#), [G4-57](#)



Sustainability G4-15

To make Telefônica Vivo into a benchmark telecom company for sustainability, We want to reduce impacts and risks related to our activities, taking advantage of opportunities to ensure efficiency and sustainable growth.

Applying sustainability in our strategy permits us to identify opportunities offered by new technologies to generate societal value and execute effective management of impacts associated with our activities, thus making our business ever more responsible. We seek transparency in our business and the construction of balanced and long-lasting relationships.

To ensure effective implementation of strategy in our activities, we take the views of our employees and other stakeholders into consideration, as we strive, together, towards the generation of shared value, as well as the development of individuals and society. In this way, we link the goals of sustainability to the development and management of our business, incorporating the processes and objectives, which are then interwoven into the DNA of Telefônica.

Sustainability is embedded in Telefônica's business strategy in Brazil, as it is worldwide.

To achieve this, we rely on a common model of action, which structured along three levels of commitment and covers our entire value chain.



RISK MANAGEMENT

We work to anticipate trends and legislative changes, which might directly impact our business.

The company's strategy orients our Globally Responsible Business Plan, which sets forth the achievement of concrete goals. It embraces the following priorities:

- ▶ Customer satisfaction
- ▶ Digital trust
- ▶ Supply chain
- ▶ Diversity and talent management
- ▶ Environmental management
- ▶ Sustainable innovation
- ▶ Cultural sponsorships

RESPONSIBLE PRODUCTIVITY

We work to improve our productivity, transversely incorporating sustainability criteria in our processes. In this context, we work to satisfy the expectations of our customers and ensure quality. Additionally, to generate more value for our products, services and the business itself, we focus on talent management, energy efficiency and environmental management in our processes and facilities, as well as the responsible management of our supply chain. We strive to maintain an ethical, transparent and fully consistent approach to all our activities.

LEVERAGING GROWTH THROUGH SUSTAINABILITY

Enhance the social and environmental benefits of products and services we offer to our customers, both corporate and individual. Our efforts are also focused on making the digital environment ever more open and secure, allowing the geographic, social and personal accessibility opportunities that technology brings to be available to all. We also seek to support cultural projects that address social needs.



G4-16

To ensure that our understanding of sustainability is aligned to societal demands the company voluntarily became a signatory to principal global commitments focused on economic, social and environmental development. Among these are:

Global Compact

An initiative of the United Nations (UN) to encourage companies to adopt corporate social responsibility and sustainability policies by adopting ten principles related to human rights, labor, the environment and corruption.

Carbon Disclosure Project (CDP)

Worldwide support mechanism for organizations to measure carbon emissions and implement effective reductions, stimulating an economy more focused on more rational use of energy and the adoption of renewable matrices.

Open Letter to Brazil on Climate Change

An Ethos Institute initiative for companies whereby they undertake to control and reduce greenhouse gas (GHG) emissions and collectively press demands to public authorities for the good of the nation.

GHG Protocol

A calculation tool that establishes a worldwide standard to measure, manage and report greenhouse gas (GHG) emissions. It was developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) to assist managers in the preparation of emissions inventories.

Women's Empowerment Principles

Created by UN Women and the UN Global Compact, this initiative sets forth seven principles to help the business community to incorporate values and practices aimed at gender equity. Telefônica Vivo signed the commitment in March 2016.

ICQ₂

A joint initiative of BM&FBovespa and the Brazilian National Development Bank, this indicator is composed of the shares of IBRX-501⁵ index participants that have agreed participate in the initiative, adopting transparency practices with respect to their greenhouse gas (GHG) emissions.

SUSTAINABILITY GOVERNANCE

Ensures the practice of responsible management in our activities, which is always in line with values such as balance, transparency, accountability, efficiency and innovation. Our role is to contribute to sustainability by making it increasingly present in our business model.

With the 2015 merger of Telefônica Vivo and GVT, an executive board for Responsible and Sustainable Management was created, whose role is to evolve in synergy with all areas of the company and to orient the social, environmental and economic development of our services, products and projects, ensuring the implementation of a responsible business plan. To achieve this, we are working to offer guidance to all of our divisions on sustainable concepts related to their activities.

In the merger process, we created a unified positioning platform, Vivo transforms. The platform aims to offer communications, in the most objective and strategic way possible, about projects and initiatives being carried out as part of our sustainability strategy, as well as the evolution of our governance to become an ever more responsible business.

As we make continuous improvements and increasingly incorporate sustainability in strategic processes, we are using the model suggested by Corporate Sustainability Index (ISE) with indicators being monitored by the company.

ISE

In 2015, Telefônica was included for the 4th consecutive year in BM&FBovespa's Corporate Sustainability Index, which gathers together the shares of 40 companies recognized for their sustainability performance into a single portfolio. This pioneering initiative for Latin America was launched in 2005 to establish a investment environment compatible with demands for sustainable development and to encourage ethical responsibility within corporations. Internally, we manage the continuous improvement of our performance in the portfolio through the involvement of a variety of divisions and executives. For each of the seven ISE dimensions, we have a vice president as sponsor.

(5) An index that measures the total return of a theoretical portfolio comprised of 50 stocks selected from among those most traded on the BM&FBovespa in terms of liquidity, which are weighted in the portfolio by the market value of those shares that are available for trading.



CORPORATE BEHAVIOR PRINCIPLES COMMITTEE

Ethics and compliance G4-56, G4-57, G4-58

We guarantee the solidity and prestige of Telefônica Brasil based on our **Corporate Responsibility and Behavior Principles**, which define and inspire how we develop our activities. Equivalent to a corporate code of ethics, they represent the set of internal regulations that define how we should act.

The company has the Principles of Behavior channel on its intranet where visitors can find answers to questions about issues related to this topic. The channel, together with other means of communication (toll-free 0800 phone line, e-mail, and others) are available to employees for reporting on situations that violate the Principles of Behavior, such as conflicts of interest, inappropriate access to confidential information, among others. This provides all employees with the means by which to make inquiries about these topics, as well as file complaints.

Telefônica Brasil analyzes and takes appropriate measures when situations are reported.

Over the course of the year, there were 867 recorded complaints and inquiries, which, when added to another 14 that were still pending from 2014, totaled 881 internal reports that were forwarded along for analysis. Of this total, investigations were completed on 689, of which 111 were found to have merit.* [G4-S05](#)

(* These numbers include all communications received through Telefônica Brasil's official channels, without excluding any contacts.

Our Principles

DEFINING OUR ETHICAL CONDUCT IN EVERYTHING WE DO



CORPORATE BEHAVIOR PRINCIPLES COMMITTEE

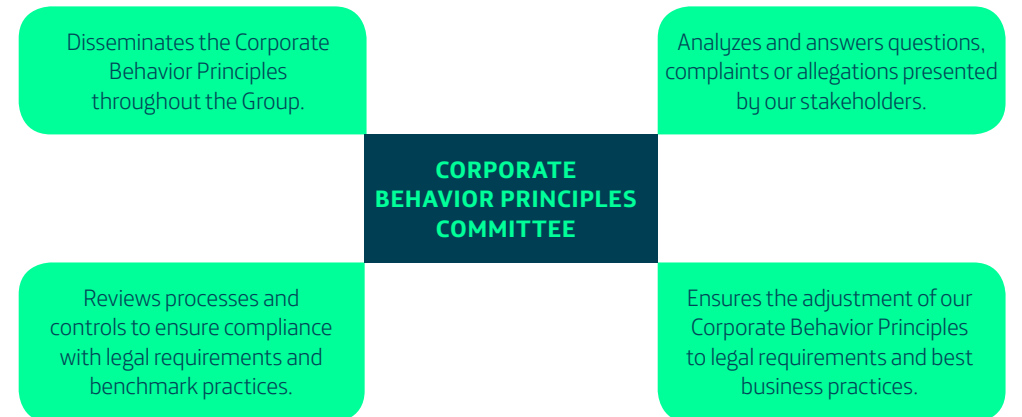
The body that monitors the implementation of Our Corporate Behavior Principles is comprised of top management executives with representatives from the divisions of Corporate Communication, Institutional Relations, Human Resources, Auditing, Investor Relations, Legal and the Office of the President.

Established in 2009, the committee meets periodically to ensure that guidelines are in keeping with legal requirements and best corporate practices. In addition, support is provided by the executive board on Sustainable and Responsible Management, which carries out the function of secretary.

Among the topics covered by our Corporate Behavior Principles are respect for human rights, combatting corruption and a ban on donations to political parties or persons and entities related to them.

LEARN MORE ABOUT OUR CORPORATE BEHAVIOR PRINCIPLES

www.Telefônica.com.br > About Telefônica > Corporate Behavior Principles





Innovation_

To become a telecommunications company able to offer services that digital age consumers want, Telefônica Brasil works to consolidate its heritage as a telecom operator with long-standing experience in fixed and mobile telephony, becoming an ever more competent company that offers advanced and differentiated, customer-oriented services who live in this new digital ecosystem.

We have an **Innovation Center** that develops technology focused on the early stages of new solutions. Based in São Paulo, it is the first Telefônica SA research and development center created outside of Spain. It develops future digital solutions, as well as fosters knowledge about technology, enhancing innovation in an open and collaborative fashion.

In 2015, the Telefônica Brasil Innovation Center was included as part of Office of the Vice President for B2B. The change in reporting structure was followed by an evolution in the manner of the center's

activities, which are now entirely focused on Internet of Things (IoT) projects. One of the outstanding initiatives during the year was an energy efficiency project. It involved the installation of sensors and actuators in major pieces of electricity-consuming equipment, which were connected to a dedicated platform. This solution allowed for the use optimizations that generated significant savings in energy consumption. The installation of the pilot project began in the fourth quarter in the Meliá Hotels International chain of hospitality establishments.

To build a solid relationship with academia similar to the way by which other large companies are pursuing knowledge production and innovation, we moved forward with a technological cooperation agreement with Centro Universitário da FEI (University Center of FEI), which was signed in January 2014. Over the past year, we have developed research related to information architecture and wearables.

The Telefônica SA Innovation Center in São Paulo is the company's first established outside of Spain

SMARTCITIES

In April 2014, Telefônica Brasil initiated a project to transform Águas de São Pedro – a tourist community of 2,700 inhabitants, 187 km from the city of São Paulo – into Brazil's first, 100% digital city. The modernization of the municipality's telecom infrastructure involved replacing old telephone exchanges and its copper cables with fiber optics. This paved the way for a technological revolution and the making of a smart city.

Together with private partners and public authorities, the company brought new services and connection possibilities to the population. Health, education, the environment, mobility, safety and municipal management all benefited from this project. An example is a solution for sanitation management, which enables agents be connected by tablets with applications that allow them to identify the location of dengue outbreaks, as well as other health risk situations. It also offers citizen applications, which allow them, through their handsets, to monitor potentially hazardous conditions. In December, with the completion of the pilot initiative, project control was transferred to the city, leaving a legacy of technology and knowledge.

50%

of the world's entrepreneurs are between 25-44 years old

19%

growth is expected in the global micro-finance market over the next five years

US\$ 14

billion

in micro-finance transactions will take place by 2019



OPEN INNOVATION

In 2015, the company's innovation and entrepreneurship expanded with the arrival in Brazil of **Telefônica's Open Future**, the company's global network, which is present in 17 countries and whose goal is to capture and develop talent, as well as digital entrepreneurship existing in successful businesses. The Open Future program brings together all ongoing activities, initiatives and projects in the field of open innovation, such as the startups accelerator, Wayra, which, in 2015, celebrated three years in Brazil. There is also the Amerigo Fund that invests in digital businesses through venture capital.

Wayra has consolidated itself as the main startup accelerator in the country. Over the course of the past three years, this Brazilian academy has invested R\$ 5.8 million in digital businesses, while its startups raised more than R\$ 36 million from the market. Across the portfolio of Wayra-accelerated companies, eight have already signed partnership agreements with Telefônica Brasil, demonstrating the effectiveness of the company and Brazil itself as innovation ecosystem.

Another success factor was the level of growth experienced by 15 startups supported by Wayra Brasil in 2015.

INTERNET OF THINGS

In Brazil, Telefônica Brasil is testing Sigfox, a pioneering network in the nation, which already exists in Europe, for specific use in Internet of Things (IoT) devices, where IoT refers to a monitoring network that connects objects as a means of monitoring them.

The advantage of the system is to reduce energy consumption in IoT-equipped devices as compared to others. This can be significant for objects in which this factor is critical, such as water and gas meters gas, high-value load tracking meters, rubbish dump and sewer monitors, and parking sensors on public roads.

The cities of São Paulo and Rio de Janeiro must have full coverage by the close of 2016 and, soon, Sigfox use will expand with anticipated demand.



The Open Future program, a global network of the company that is present in 17 countries, expanded Telefônica Brasil's performance in open innovation and entrepreneurship

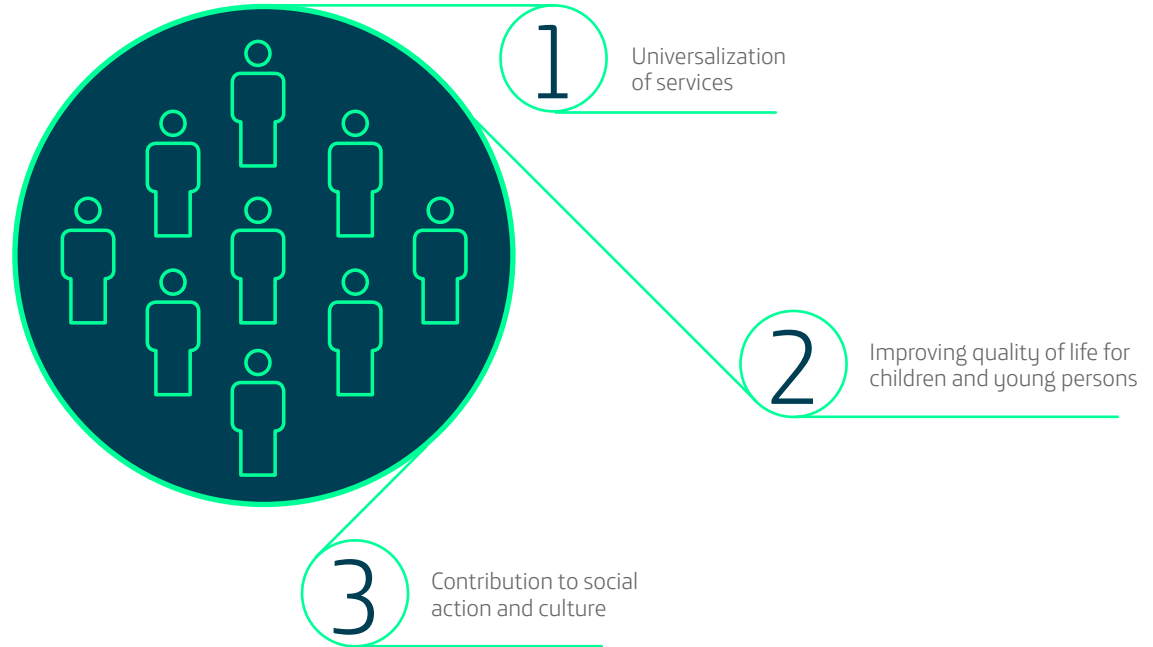


4

Commitment to society



As a concessionaire and the largest company in Brazil's telecommunications sector, Telefônica Brasil promotes social development from increased investments in network coverage – achieving connectivity goals for more and more people, even in remote localities – to the supply of services, products and initiatives that contribute to the quality of life and promote education and culture for the citizenry .



2 

BILLION

is the estimated number of residents living in low-income areas by 2030, double the current total⁽⁶⁾

(6) Source: 2015 Megatrends Report

Our Value Proposition

Reduce inequalities through the universalization our services, providing access to all, and seize opportunities for the use of new technologies in the advancement of knowledge attainment, culture, and solidarity, successfully applied and aiding in the work of societal transformation .



Universalization of services

Universal service means enabling access to all people, regardless of their income levels or geographic location.

Bringing connectivity to all is still a challenge for the telecommunications industry. According to the World Economic Forum's Global Information Technology Report 2015, currently 60% of the world's population does not have internet access. In developing nations, this figure rises to 90%.

DIGITAL INCLUSION, INFRASTRUCTURE AND NETWORK EXPANSION G4-EC7

Digital inclusion necessarily implies network coverage expansion, something that occurs, principally, through the increase of radio base stations, or antennas, allowing signals to reach remote or socially vulnerable localities.

In 2015, investments of R\$ 8.3 billion were made, of which US\$ 7.1 billion were network-dedicated, not only to expand coverage, but also to improve service and customer care quality. In its mobile business, the company continued enhancing its leadership in 3G coverage, which reached 3,500 municipalities, while our 4G service increased to serve over 90.3 million people in 183 cities.



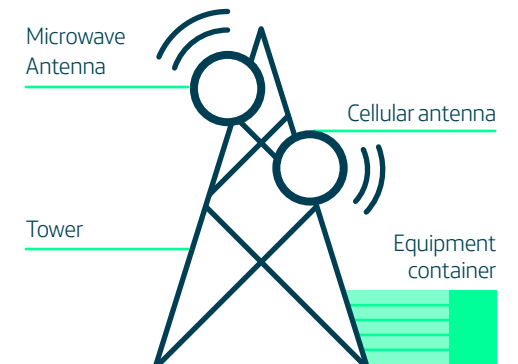
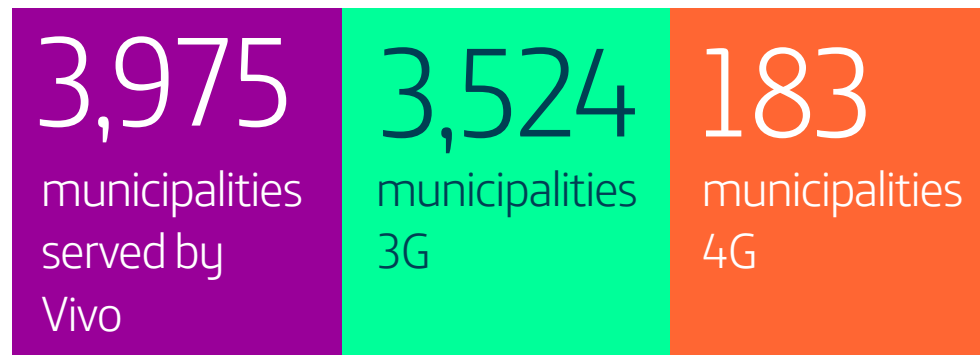
The resource application priority is in the expansion of 4G service – a technology that delivers greater data transmission speeds – and 3G capacity expansion, providing greater capillarity across Brazil.

ANTENNAS

Popularly known as antennas, Radio Base Stations (RBS) are a radio wave system by which cellular phones can communicate with the system and each other. Each unit connects to the nearest RBS within its range. The signal is relayed, antenna-to-antenna until it reaches a destination device or a Switching Control Center (learn more on p.12).

Each RBS coverage area is known as a "cell," which is how we get the term "cellular."

COBERTURA





Criteria for installation site selection

- 1 Cost
- 2 Security
- 3 Licensing scenario
- 4 Strategic position
- 5 Energy autonomy
- 6 Legal context
- 7 Contractual situation

LOCAL INSTALLATION G4-EC7

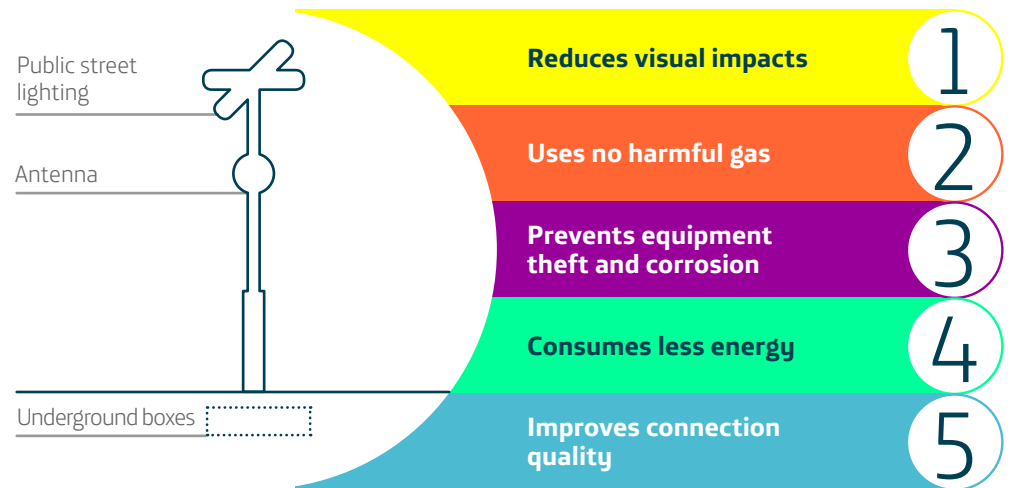
When out of antenna range, a cell phone has no signal. This is why one of the main focuses of attention in network deployment is the selection and maintenance of RBS locations. In making such selections, a set of criteria is evaluated so as to identify the best locations for equipment installation.

The importance of evaluation is highlighted by the fact that, after installation, it is critical that each site remains in operation because, once incorporated into the network, these sites are of great importance to overall system connectivity. This can be experienced when an antenna fails to function, causing a momentary coverage outage.

SUSTAINABLE SITES

With 100% national technology, with innovations developed by Telefônica Brasil, sustainable sites transmit wireless signal transmit wireless signals from public street light poles. The initiative mitigates visual impacts in urban areas and offers additional benefits. Its use is aimed at increasing the amount of equipment available in urban areas, thus improving the range and service quality.

Advantages of sustainable sites



Sustainable sites is positioned also satisfy local laws and enable the installation of antennas needed to improve and expand services, as well as accelerate 4G network deployment.

URBAN (STREET) FURNITURE

Other elements have already been integrated into urban (street) furniture, such as public telephones, newstands, and Vivo's own customer service stores. They are also utilized as transmission bases, thereby increasing the signal density, improving connection quality and, generally, the overall quality of the customer experience.

R\$ 7.1 billion invested to enlarge coverage and improve quality of service and customer care



Circular economy

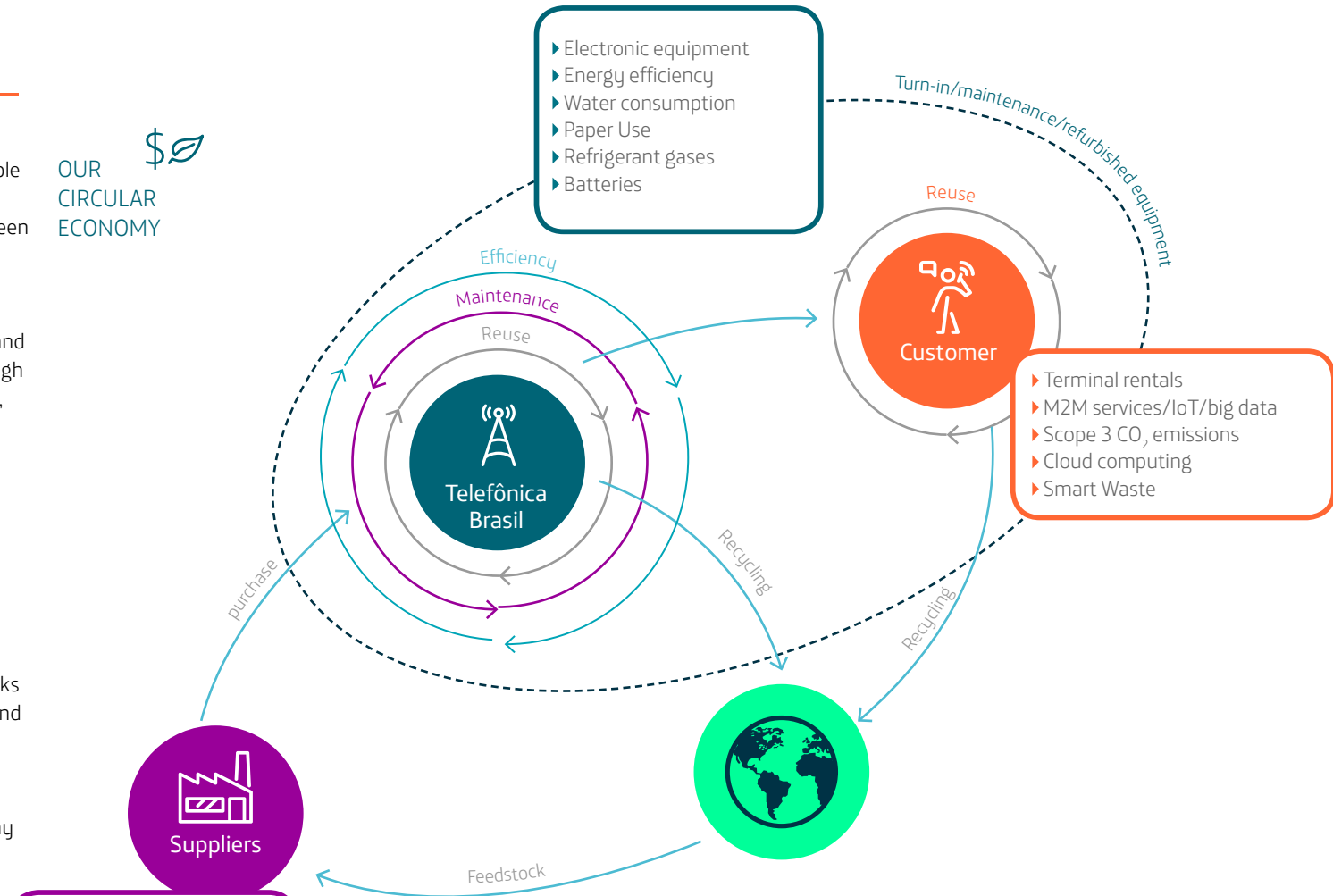
The circular economy simulates the sustainable behavior of ecosystems, where there is waste and balance, based on the relationships between the different actors.

At Telefônica Brasil, we have integrated this philosophy into our activities through reuse and recycling. In our value chain it is evident through low-carbon purchasing, infrastructure sharing, and initiatives such as Vivo Renova, which encourages the replacement of smartphones and tablets for new models through turn-in programs, among others.

We have implemented different strategies to optimize the resource use throughout our value chain and promote the turn-in of used merchandise as part of the production cycle. These initiatives are focused on major networks and customers, which have the highest demand on materials and resources.

In addition, we focused on development of digital services where there is circular economy possibilities, such as Smart Waste, global initiative for waste management.

OUR CIRCULAR ECONOMY



TELEFÔNICA BRASIL'S CIRCULAR ECONOMY PRINCIPLES

- ▶ Ecoprojetos
- ▶ Low carbon TCO₂ purchasing
- ▶ Scope 3 CO₂ emissions

Materials and renewable/ ecofriendly resources

Share and reuse

Efficiency and ecoprojetos less waste

Closed circle, recycling

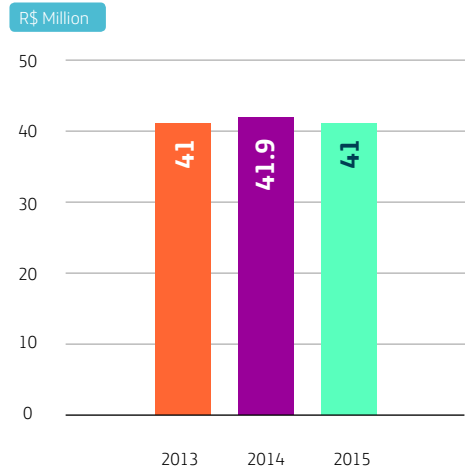
Virtualization and dematerialization

Innovation



Improving the quality of life for children and young people

TELEFÔNICA FOUNDATION: INVESTMENTS

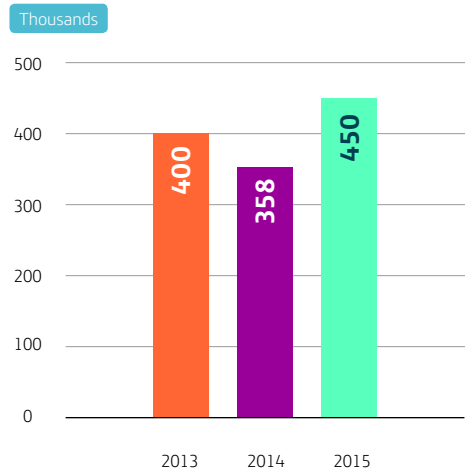


Technology and knowledge are instruments for the transformation of society. Moreover, they are bridges for personal and social development. The Telefônica Brasil Foundation uses digital strategies as a means of sharing information, creating opportunities for connectivity and stimulating dialogue for action, as well as to mobilize and inspire.

TELEFÔNICA BRASIL FOUNDATION

Created 16 years ago to improve the quality of life for children and young people through the use of technology, Telefônica Brasil Foundation sponsors hallmark national initiatives that contribute to knowledge access democratization. The foundation operates through a global network that is present in 17 countries.

PERSONS BENEFITED DIRECTLY



Currently, the Telefônica Brasil Foundation is studying trends in innovation and technology to impact its current activities and assist it in its search for a better future. In 2015, it invested R\$ 41 million in social projects, directly benefiting approximately 450,000 people.

The activities of the foundation establish the connectivity between technology and entrepreneurship, citizenship and education. Our work is based on three areas – education, digital citizenship and social entrepreneurship.

EDUCA XXI

Focused on developing multidisciplinary skills for the training of young protagonists in the digital age. Investments are directed towards training in digital digital, teacher development and content creation capacities.

Learn more at: fundacaotelefonica.org.br/educa-xxi

DIGITAL CITIZENSHIP

With the objective of developing citizen awareness and stimulating solidarity, this project relies on technology to connect individuals to initiatives that encourage transformative activities.

Learn more at: fundacaotelefonica.org.br/cidadania-digital

RURAL SCHOOLS CONNECTED

Brazil has 5,570 municipalities and, in rural areas there are approximately 65,000 public schools. To ensure access to these localities have access to knowledge and technology that respects cultural particularities, the Rural Schools Connected program aims to encourage educational processes in schools situated in non-urban areas. In addition to technological infrastructure, the program provides teacher training, deployment methodologies, digital experimentation laboratories, and content. Since 2012, over 5,000 teachers were given classroom training, where the knowledge they acquired benefitted approximately 115,000 students.

Learn more at: www.escolasconectadas.org.br

JOVEMPREENDER (YOUNG ENTREPRENEUR)

Encouraging social entrepreneurship as a lifestyle for young people. We integrate younger generations into knowledge and collaboration networks, and connect them to accelerators and universities, providing them with the conditions for innovation to flourish and transformations to occur.

Learn more at: fundacaotelefonica.org.br/jovempreender

(7) Sources: Brazilian Institute of Geography and Statistics (IBGE) and the National Textbook Field Program.



Contribution to social and cultural activities

CULTURAL SPONSORSHIPS

We support social and cultural initiatives that ensures the promotion of Brazilian culture and constructs a cultural legacy for the country.

We operate in a transparent manner through the appropriate use of cultural incentive laws, aligning projects we support with our mission and business values. Our activities seek to transform society, connect cultures and people, care for the planet and help people live better lives through cultural options that encourage leisure, creativity and social inclusion. We seek to minimize any impacts our activities may have leaving nothing but a positive legacy for the regions in which we operate, strengthening our relationship and communication with the society. Throughout 2015, Telefônica Brasil supported – through its Vivo and GVT brands – more than 50 cultural projects across the nation, providing and expanding access for communities to cultural assets and Brazilian cultural heritage, especially music. In total, these supported activities and projects impacted more than 3 million people and contributed to the music education of over 5,000 children and young persons .

MUSIC

- **Vivo EnCena (Vivo OnStage):** Encourages cultural exchange through performing arts projects.
 - ▶ Seven different plays were staged, attracting 75,000 spectators at over 260 performances in 16 Brazilian cities.

- **Meninos de Araçuaí (The Boys of Araçuaí):** Promotes social and cultural inclusion for at-risk youth through extracurricular musical initiation activities at school.
 - ▶ A chorus of children and young persons (7-16 years of age) recorded six CDs and two DVDs, and performed on Pieta, an album by Brazilian singer-songwriter, Milton Nascimento; at numerous concerts presented in several cities in Brazil and abroad, such as Paris (during the “Year of Brazil in France).
- **MiniDocs – From the Stage to the World:** Recognizes and supports new talent in Musica Popular Brasileira (MPB).
 - ▶ Concerts at the Vivo theater and TomJazz venue, with 13 exponents of next generation MPB artists and tickets available at a “solidarity” price (the donation of a book), which offered audiences an opportunity for knowledge dissemination and exposure to the performing arts, as well as the talents of these aspiring musicians. Videos of these activities have been turned into a 13-episode documentary series shown on broadcast television and digital video platforms.
- **Rio é Samba Rock, meu irmão! (Rio is Samba Rock, my brother!)** contributes to the democratization of access to music and strengthening the Samba Rock genre.
 - ▶ Staged in low-income communities of Rio de Janeiro, these free concert of singer Sylvia Patrícia and her guests (such as Leila Pinheiro, Zelia Duncan, Paulinho Moska, Jussara Silveira,

and the band, Moinho) had the objective of showcasing samba rock samba rock, which is already significantly present in the local culture.

- **The EX4Socio Cultural Circuit:** Promotes values of citizenship, as well as safer and more humane school spaces by using rock to address anti-drug and anti-bullying themes.
 - ▶ Musical performances and workshops were held in public schools in the state of São Paulo.
- **Teaching Concerts with Orchestra:** Offers free concert performances by the Chamber Orchestra of ULBRA (Lutheran University of Brazil).
 - ▶ Held exclusively for public school students and teachers in six cities in the state of Rio Grande do Sul. Conductor James Flowers taught the school children about various instruments and orchestral movements.
- **Bituca Project:** Free, professional-level music instruction based on an exclusive and unique method that features a repertoire focused on Brazilian music.
 - ▶ Individual instruction on 11 instruments, singing, sound engineering and production, piano tuning and restoration.
- **Pracatum Program:** Promotes the socio-economic transformation of young persons, showcasing the cultural heritage of the Candéal neighborhood in the city of Salvador, Bahia (BA) through music and elements of its local reality.

3

MILLION people

impacted by cultural projects sponsored through tax incentives



5,000

children and young persons benefitted from cultural projects, particularly those associated with musical training





50 sociocultural projects



across Brazil offered access to Brazil's cultural heritage

75,000 spectators



in 16 Brazilian cities attended over 260 performances of stage plays, as part of Vivo EnCena (Vivo OnStage)

Professionally-led, technical education courses in musical instruments were conducted at the secondary school level with certificates issued by the Ministry of Education. In total, 200 young people and adults received instruction.

State of Bahia Youth and Children's Orchestra Centers Neojiba: Núcleo Inspires children, adolescents and young adults through lessons and presentations on instrumental music. More than 4,500 beneficiaries in orchestral and choral practice centers.

Belo Horizonte's International Chamber Music Week: Showcased the variety of concert music for small groupings of instruments over the centuries. Concerts held in several cities across the state of Minas Gerais featuring pianist Simone Leitão and musicians from Venezuela, Italy, England, Croatia and the United States.

Caymmi Music Award: Revives the tradition of old festivals with the aim of strengthening and giving recognition to those on the music scene in the state of Bahia. Recognize, strengthen and award new Bahian music productions, showcasing new creations. Inspired by the history of musical awards and the master musical awards and the Bahian master of Música Popular Brasileira, Dorival Caymmi. The award seeks to stimulate a dialogue on the cultural needs of Bahia's cultural marketplace.

MUSEUMS

The São Paulo Museum of Modern Art (MAM): As a museum sponsor, Telefônica makes possible the mounting of major exhibitions and other activities, such as social activities, educational programs and accessibility initiatives. MAM, whose collection includes over 5,000 works by significant artists in the field of contemporary and modern art from Brazil and around the world, has reinforced its reputation as a major presenter of this type of art.

COMMERCIAL SPONSORSHIPS

The aim of commercial sponsorships is to contribute to brand building, strengthening its attributes with various stakeholders, seeking to position Vivo as a leader that supports innovative, yet evergreen projects, which offer unique benefits to customers.

Brazilian Soccer Team: Vivo – through its sponsorship of the Brazilian national soccer team, which is playing in 2018 World Cup qualifying matches, both in Brazil and abroad – has carried out several brand activation activities which paired well with results on different commercial fronts. The Vivo Values Relationship, points redemption program, benefited over 1,600 customers who secured tickets to the four matches that have been played in Brazil and provided unforgettable experiences, such as dinner with vice-captain for the Brazil national team, David Luiz. Additionally, in the six matches that were played

abroad, 300 individual customers who activated Vivo's International Roaming Travel Combo International, multinational clients and Movistar, won tickets to those matches. According to IBOPE Repucom image results for 2015, Vivo ranked in 2nd place for spontaneous media coverage. The encounter between "mini David Luiz" (recognized as the star player's pint-sized lookalike) with his idol garnered the brand over 3 million unique views, while a photo post of the encounter by Luiz on Instagram was the third liked in the country.

Tennis - Incentive Sponsorships: In 2015, in the world of sports, Vivo began to offer its support for tennis. With the arrival in Brazil of the ATP World Tour 500, Rafael Nadal, came, too. As the Telefônica Group's global brand ambassador, Vivo held an exclusive Meet & Greet for strategically invited guests. With the objective of exploring the potential benefits of this type of activity for high-value customers, as well as relationship building activities with various stakeholders, we used incentive funds to sponsor 10 tournaments during the course of the year. At these, we were able to generate over 1,800 qualified leads by offering opportunities for a variety of services to be sampled – Vivo Fibra, 4G and Vivo Values Relationships Program loyalty initiatives. Support was also provided to the Instituto Tênis (Tennis Institute) as a way to encourage the sport's practice and the training of young Brazilian tennis players.



- **Vivo Open Air:** An initiative 100% supported through Brazil’s Federal Cultural Incentive (or Rouanet) Law, returned to São Paulo after 7 editions were across Brazil over the past 3 years. For 18 days, over 22,000 people attended a program of cinema classics, blockbusters and domestic and international premieres, followed musical performances and cuisine. The return of Vivo Open Air to Sao Paulo was highlighted in the city’s principal press outlets and generated spontaneous media worth over R\$ 6M. More than 2,000 high-value customers were welcomed to the exclusive V Lounge and, exclusive), and during the season, attendees were able to confirm their activations of Vivo 4G, Vivo Música and Vivo Fibra services through innovative and digital activities. As a filmgoing event, popcorn was, of course, available was served by the Vivo Values Relationships Program, which also offered 25% discounts on ticket purchases. Research conducted by the Bridge Research Institute, found Vivo Open Air was considered to be totally innovative, adding value to brand for 99% of those interviewed.

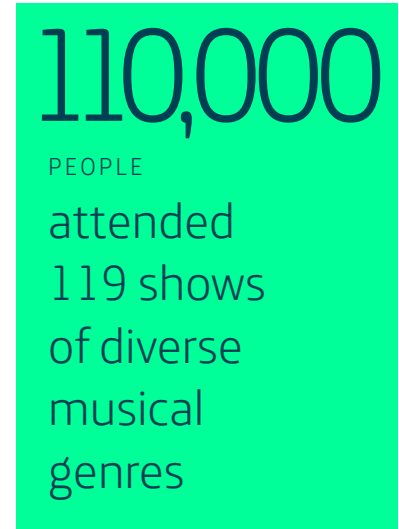
- **Exaggerated Brand Content:** In 2015, this project moved the Company’s content branding strategy forward with an initiative honoring the late Brazilian singer-songwriter, Cazuza honored with a novel re-release of his very first single, “Exagerado” (Exaggerated), which kept this artist’s voice alive, still ranking among the great musicians in the Brazilian pantheon of notable

originals. Released to radio stations in São Paulo, Rio de Janeiro, Minas Gerais and the Federal District, “Exagerado 3.0” rose to become one of the 5 most played songs on the radio and the most played in Rio de Janeiro. For the release of the film, “Exagerado 4G,” in the city of Rio de Janeiro, Vivo presented, with sponsorship from Circo Voador on Arpoador Beach, a replica of the performance space where Cazuza began his career. Circo Voador, now in Rio’s trendy and bohemian Lapa district began its life in Apoador, where it launched the careers of national artists and transformed the culture of Rio in the 1980s. Then, as today, Circo Voador (literally, Flying Circus) was more than a concert venue, hosting cultural workshops, plays, debates and more. It offered an intense schedule and a dizzying array of activities – all totally free. The 2015 Exagerado event was attended by more than 4,000 people with thousands more enjoying the show via screens installed all along Apoador Beach. The secured 47.5 million views on YouTube, making it the most watched in Brazil. The event was covered in 300 different press reports nationwide.

- **Campus Party:** Sponsorship for the 8th consecutive year of the main event for technology, innovation and the digital entertainment world. It welcomed approximately 8,000 “campuseiros” from 21 countries. There was also a free space visited by over 100,000 people who had access to 12 stands and 63 lectures/workshops. Vivo created interactive

sampling activities for its many services – 4G, Nuvem do Jornaleiro (an original, online newsstand app), Vivo Música, Vivo Fibra and Vivo TV Fibra. During the second half of the year, the city of Recife, considered the largest technological park in Brazil, played host to the event for the fourth time. From July 23-26, there were 4,000 “campuseiros” and 2,500 others who participated in 250 activities, which featured 224 presenters and over 300 hours of content .

- **Vivo Rio:** Considered one of the best concert halls in Brazil, Vivo Rio, which gets its name through sponsorship naming rights secured in 2006, is a 5,000-person capacity, 11,000 m² space in Rio de Janeiro’s Flamengo neighborhood. In 2015, the venue welcomed over 110,000 attendees of 119 shows that featured a diverse array musical genres. Throughout the year, relationship activities were carried out with various stakeholders, both individual and corporate subscribers, and exclusive benefits (such as 25% discounts on ticket purchases) were offered to registered Vivo Values Relationships customers.



Our activities transform society, connecting cultures and individuals; encouraging leisure, creativity and social inclusion



Disaster preparedness and response

Though service disruptions can happen, we take preventive actions to maintain the integrity of our network and restore service quickly and efficiently when an interruption occurs. Good management is a prerequisite for customers, public and civil defense authorities – all need to stay connected, particularly in the event of a major disaster. We have a contingency plan in place for situations such as accidents, natural disasters, power supply disruptions, and security breaches.

Our network management centers – in São Paulo, Brasília and Minas Gerais – monitor transmission operating parameters, service platforms, network access and infrastructure. They are able to identify system abnormalities through a fault monitoring and alert system.

PARTNERSHIPS

Brazil's National Center for Monitoring and Early Warning of Natural Disasters (CEMADEN) and Telefônica Brasil established a partnership in 2013 to prevent disasters caused by global warming and to ensure monitoring and the issuance of public alerts in cases of landslides and floods. By the close of 2015, 2,688 rain gauges with 3G chips (1,500 of them using our data network) had been installed in schools, federal government buildings and radio stations. Communicating to a company base, these were situated in the risk areas of 957 municipalities across the

country. Through Vivo Clima (Vivo Climate) Machine-to-Machine (M2M) technologies and 3G/GPRS, risk area rainfall data is reported to CEMADEN in real time. Between moderate, high and very high alerts, in 2015, system-issued alerts totaled 645 for land movements, 568 for rainfall, and 549 for rainfall/land movements combined.

We have a contingency plan for situations such as accidents, natural disasters, power outages and security breaches

Alerts in 2015





5 _ Customer approach



To be globally recognized for the transformative customer experience we offer, our company works to ensure delivery of the best connectivity and a ready supply of bundled communication and digital service solutions. Positioned as **"We choose to Reinvent"** (lean more on p. 23), we assess existing operational patterns and best market practices to establish a business model that is fully focused on the satisfaction of our customers.

Our Value Proposition

Provide quality services, with connectivity and excellence, through a bundled offer that provides customers a unique experience.

Currently, Telefônica Brasil has a total subscriber base of 96.5 million customers nationwide.



1 Excellence in connectivity

2 Values and experience

3 Bundled offer

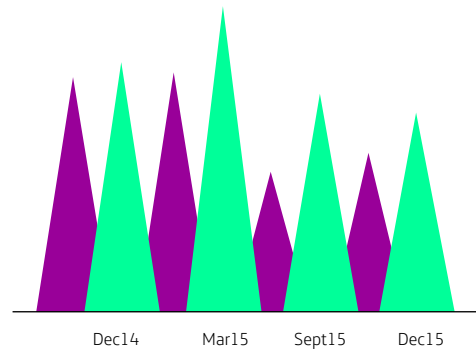
A major lever to strengthen our customer commitment is our **Quality Plan**, which we released in July 2015. Its ambition is to create a process for transformation and continuous improvements within the company.

The first months of the plan's implementation demonstrated that with focus and determination, we can bring about significant changes in the levels of quality we offer to our customers.

RATE OF CONTACT*

↓18%

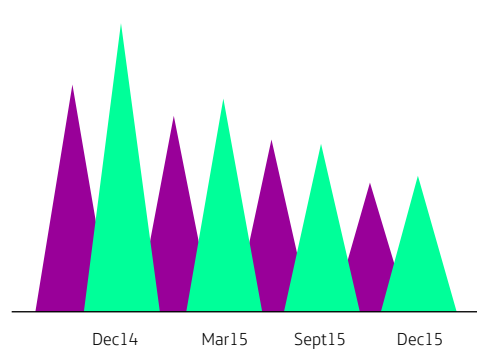
↓12%



CALL TRANSFER*

↓21%

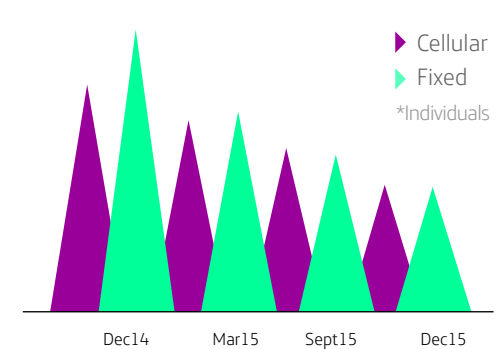
↓43%



REDIAL*

↓15%

↓29%



▶ Cellular
▶ Fixed
*Individuals



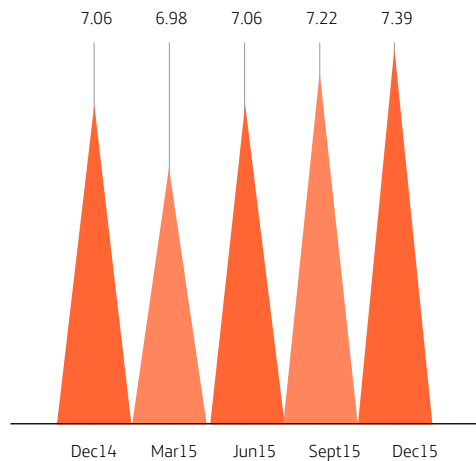
Quality Plan G4-PR5

As a means of monitoring the results of our Quality Plan we carried out a monthly Customer Satisfaction Index survey⁸, which produced a score of 7.39 (on a 1 to 10 scale). This demonstrated consistent growth throughout the year.

This result indicates that the Telefônica Brasil is heading in the right direction, listening to its customers and delivering a positive experience with its brand.

In 2016, Telefônica Brasil will continue with a variety of strong, focused initiatives and activities to continually transform the customer experience.

CUSTOMER SATISFACTION INDEX



CUSTOMER CARE

As regards customer care, we are working to integrate systems used in these operations – better defining processes and business standards to internalize and business practices considered essential to transforming the customer experience through all channels and points of contact.

We are working continuously to expand, standardize and integrate our customer care channels. Among the main actions we have taken are:

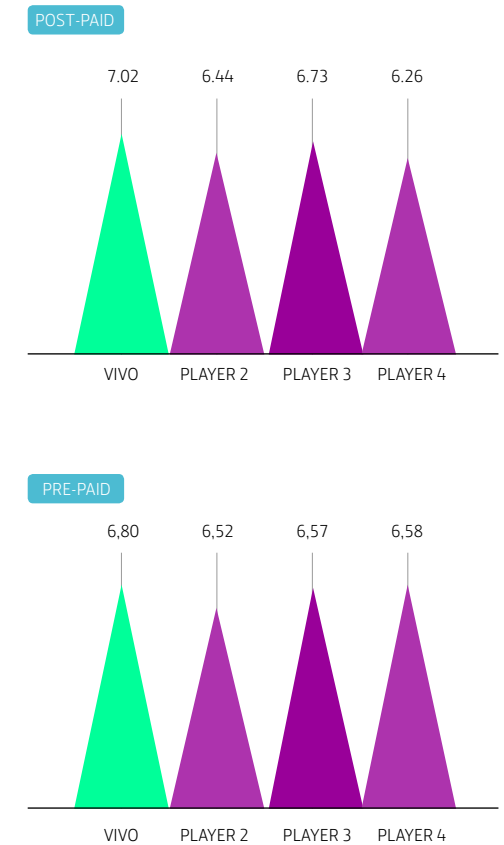
- Expanding the SMS channel to our entire subscriber base, providing them with yet another contact option.
- Rolling out a new version of our direct access cellular app. By December, it had already registered 9 million contacts.
- Refining the assertiveness and scope of the Virtual Vivi assistant, which now produces a hit rate (in terms of accuracy) to over 90% of the customer care requests made of it.

Moreover, we are resolving customer problems more quickly and efficiently, providing answers to over 60% of questions posed to our electronic Relationship Central customer care service. And this does not include the evolution of our customer care outreach via social or the expansion of our online forum.

As regards telecommunications sector problems solved, we are proud of our 92.29% leadership ranking in the city of São Paulo with the Fundação PROCON (Consumer Protection and Defense Foundation). Leadership rankings were also achieved in the state of São Paulo, both for Telefônica/Vivo and GVT, whose scores stood at 89.18% and 91.72%, respectively. All of this, combined customer satisfaction survey results, demonstrate that we are able to transform the contacts we receive into a positive for our brand.

In 2016, we will continue to enrich our customer care content and expand resources available to each of our service channels, working to evolve an interactive agility between them, such that our customers can be assured of obtaining the same standard of response and quality of service across the entire portfolio. Our focus is on accelerating the digitization of customer care, offering more flexibility, standardization and convenience – all of which are decisive factors for increased satisfaction.

PERCEIVED QUALITY AND SATISFACTION (PRE-PAID AND POST-PAID)



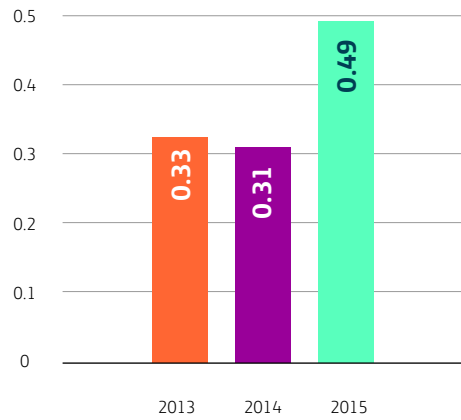
(8) The Global Methodology for the Telefônica Group's Customer Satisfaction Survey is based on the 1-10 scale of the American Customer Satisfaction Index (ACSI). The survey was conducted with 8,000 customers.

Source: Brazilian National Telecommunications Agency (ANATEL) survey of cellular customers (pre- and post-paid)



AVERAGE COMPLAINTS (CELLULAR)

Per million customers



86%

of cases registered with the ombudsman

were settled within five business days

92.29%

of questions and concerns

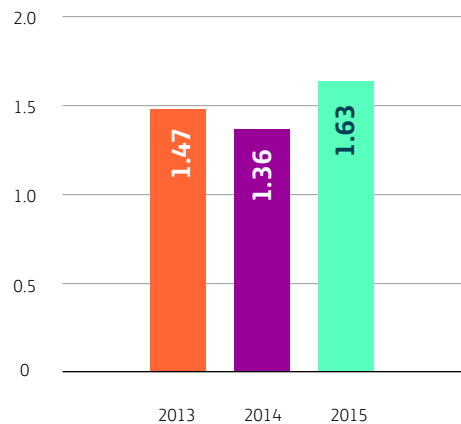
registered with PROCOM in the city of São Paulo were resolved

OMBUDSMAN

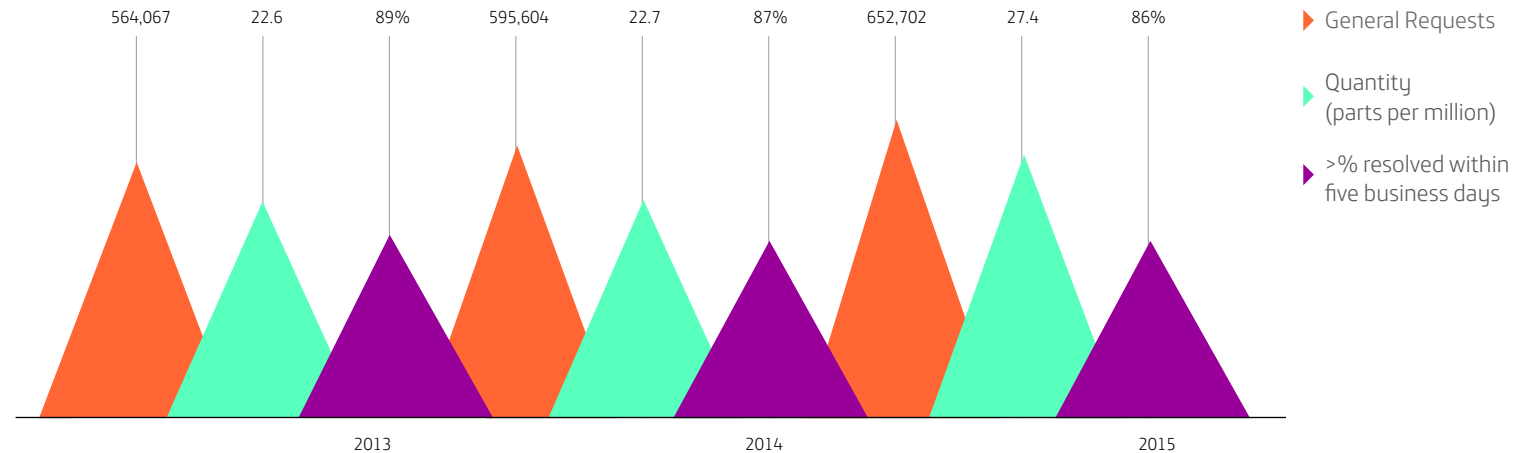
Our ombudsman's office serves those customers who have already sought solutions from our Relationship Central, but are not yet totally satisfied. In 2015: Our Ombudsman registered 652,702 requests and resolved, in partnership with appropriate divisions, 86% of those cases within five business days.

AVERAGE COMPLAINTS (FIXED)

Per million customers



REQUESTS RECEIVED BY THE OMBUDSMAN





Stores

Vivo's company-owned stores are designed to offer the best shopping experience through innovation, quality, comfort, accessibility and sustainability.

Currently, there are 32, bricks-and-mortar stores whose construction adheres to sustainability criteria, among which are:

- 100% recyclable floors that feature FloorScore certification⁹;
- Furniture made with certified wood;
- Furniture with coatings produced from recycled plastics;
- LED lighting, which consumes up to 85% less power than other types of bulbs;
- Digital communications, which reduce the need for hard copy printing and produces savings by reducing the demand for paper, ink and other inputs.

SUSTAINABLE SALES

All company-owned stores have adopted the Sustainable Sales system, which allows for document management via tablets. The tool simplifies the business process, reduces costs and service time, as well as eliminates paper use.

Just one year after deployment, in almost all company-owned stores, Sustainable Sales has produced impressive results. In total, the company avoided the use of 10,094,080 sheets of paper through the new, digital signature process.

A savings of R\$ 2.7 million have been achieved through 2,523,520, digitally-signed contracts.

The goal for 2016 is to extend this process to major retailers and, by year's end, to register a volume of 200,000 digitally-signed documents per month.

DIGITAL BILLING

Digital billing reduces the amount of printed paper generated and also provides a modern tool for mobile customers and individuals looking to review their bills, payment histories and other information via their electronic devices – anytime, anywhere. In September 2015, billing statements began being sent by e-mail, ensuring still more convenience for our customers. In 2015, we avoided the printing of 40 million billing statements, thus reducing the consumption of approximately 80 million sheets of paper.

REVERSE LOGISTICS GRI G4-EN28

In 2016, the Reciclar Pega Bem (Recycling is Cool) initiative became **Reciclar Transforma** (Recycling Transforms). It is one of the main projects demonstrating Telefônica Brasil's commitment to solid waste management. The program, which was introduced in 2006, aims to collect cell phones, batteries and accessories for recycling as material for new products.

Inclusion

The company currently offers 2,400 collection points installed in Vivo stores (company-owned and resellers) in all regions of the country.

In 2015, the program collected 131,000 items (devices and accessories), which corresponds to 7 tons of waste. Between 2006 and 2015, a total of 1 million devices and 3.5 million other items were collected. The material is sent to a storage center in the state of São Paulo, where items are sorted and then sent for recycling.

The recycling volume still does not track with cellular phone sales in Brazil, with less than 1% of recycled material being generated. Therefore, Telefônica Brasil is planning an initiative with customers to encourage them to turn-in such equipment.


(9) Certification that ensures that materials do not impair air quality.

Different services and communication channels offer special tools and accessibility options for persons with disabilities.

- The Vivo website is 100% accessible and conforms to W3C10 accessibility guidelines;¹⁰
- Dedicated, Customer Care Center telephone number for visually and hearing impaired persons.

In addition, the company offers special products, such as **Torpedo Recado** that transforms voicemail messages into SMS text and targeted plans, such as **Vivo Mais Mensagens**, which is specially designed for hearing impaired persons, allowing them to communicate via text messaging at promotional rates.

(10) The World Wide Web Consortium is a standardization organization for the creation and interpretation of internet content.

100% 

of public telephones

have been adapted for the visually impaired

32 

stores feature

reduced environmental impact characteristics



Responsible use G4-PR1

Among the major challenges of the digital age are issues such as the conscientious use, privacy and security for people operating in the online environment – Of particular concern are vulnerable groups, such as children and adolescents.

In an increasingly connected world, we want to encourage the proper use of our services throughout our value chain. Management focuses special attention on these matters and the performance of our company is critical in our promoting an affordable and secure internet for all audiences.

In 2015, one of the highlights in this area was the launch of the **#UsarBemPegaBem** ('Responsible Use is Cool') campaign, whose aim is to raise awareness about the proper use of cellphones.

The increased exposure of the campaign occurred with the release of the YouTube video, "Vamos falar sobre isso? ("Let's talk about it?") Celular #UsarBemPegaBem, which after four days got more than 1 million views.

The #UsarBemPegaBem campaign, initiated in January 2015, offers weekly posts on the internet and via social networks on topics such as the use of cell phones while driving, one's relationship with cell phones, small accidents and cellular use by children. Dialogando

(Dialoguing) is another initiative, which evolved from a pioneering GVT program focused on the responsible use of the internet. Its objective is to stimulate an open dialogue among adults, young people and children about the conscientious use of the internet.

The portal addresses, transparently and objectively, significant issues related to behavior in the digital world, such as accessing inappropriate content, overuse of networks, caution as regards online relationships, sexuality on the network, privacy and online games.

The purpose of Dialogando is not to establish usage rules or prohibitions, but to contribute in a meaningful way, assisting responsible adults to establish an ideal dynamic that will allow them to broach these topics with teenagers and children. Content is made available in an innovative and attractive way, through texts, podcasts, downloadable materials and even talk shows with experts on these issues. The site also maintains an open channel, offering users the opportunity to contribute their own subject ideas and questions.

Dialogando offers content developed in partnership with the following entities: Catraca Livre (Free Turnstile), Committee for the Democratization of Information Technology (CDI), Humaniza Networks, Safernet Brasil and Twitter.

To collaborate towards the establishment of a safer internet environment for children and adolescents we signed – together with other telecommunications firms, government agencies and Safernet – the Mutual Cooperation Agreement Against Pedophilia.

Among other activities, noteworthy is our channel where one can anonymously report on webpages, chats, documents and other spaces on the internet that contain images or content that represent a risk to this audience. To file a formal report, simply access www.safernet.org.br/site/denunciar.



The Dialogando portal (<http://dialogando.com.br>) encourages open dialogue between adults, young people and children on conscientious internet use and addresses key issues linked to behavior in the digital world.

(11) Source: Net Losses: Estimating the Global Cost of Cybercrime, Center for Strategic and International Studies; McAfee, June 2014.



Digital trust G4-PR1

In an increasingly digital world, it is imperative for people to have confidence that their data is private, secure and being managed in a transparent manner. Trust is key for people to take best advantage of the opportunities that technology offers.

Our goal is to ensure the privacy of our customers and ensure transparency in their rights to use our products and services. All this within a secure environment that gives customers control over their digital lives.

PRIVACY

Our commitment is expressed in our Privacy Policy, which describes the type of information we handle, as the why, how and where it is handled. Approved in March 2013, in 2015 it was updated to be further in alignment with new industry challenges.

In 2015 under the supervision of the Global Privacy Committee, we implemented an internal data protection standard. It established concrete, mandatory measures to be implemented and adhered to throughout the company. We endeavor to ensure that personal data is handled appropriately and that guidelines set forth in legislation is followed.

Oversight of Privacy Policy implementation is the responsibility of Telefônica's Chief Privacy Officer. Nevertheless, mindful of the increasing importance of economic data, we have appointed a Chief Data Officer.

This new staff position was created with the goal of defining a corporate strategy for the management and personalization of digital products and services, which is based on transparency and customer control of personal data.

TRAINING AND AWARENESS

On our official website, Vivo Portal de Segurança (Vivo Security Portal), we offer news, advice, videos and educational guides to sensitize our customers to this subject. Our employees are involved in internal campaigns on

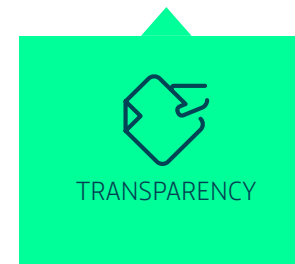
responsible behavior in relation to information security, with training provided to administrative employees, company-owned stores and suppliers.

We were the main sponsor of Mind the Sec, a corporate event on information security in Brazil, which was held from August 26-27 at the Grand Hyatt São Paulo and attended by notable industry figures, such as Eugene Kaspersky and Bruce Schneider, who discussed security-related management issues, information technology and solutions. Our company also participated in the public consultation on a personal data protection bill, offering suggested changes to the draft legislation.

FREEDOM OF EXPRESSION

During 2015, we worked to support privacy and freedom of expression, actively participating in Telecom Industry Dialogue (TID), a telecommunications sector roundtable. We also participated in the with the Global Network Initiative (GNI). Starting in 2016, TID members will have GNI observer status, a significant development in the advancement of privacy and freedom of expression.

In the following table, you can learn more about our progress in implementing the 10 IT privacy and freedom of expression principles adopted in 2013:



We address the digital trust from the standpoint of sustainability, ensuring that citizens have control over their digital lives



TELEFÔNICA'S GUIDING PRINCIPLES FOR PRIVACY AND FREEDOM OF EXPRESSION

- Guiding principle
- Telefônica's progress

Under the supervision of the board of directors or equivalent, create and/or maintain relevant policies, which highlight the company's commitment to assessing, mitigating and preventing, to the extent of their capabilities, risks to privacy and freedom of expression that are associated with the design, sale and operation of telecommunications technology and services.

Our Responsible Business Principles, revised in 2010, recognize the right to privacy, which is based on a relationship of trust with our stakeholders. The Group also maintains a privacy policy, adopted, in March 2013, by the board of directors. In 2015, it was updated to bring it in alignment with the new challenges facing the sector. We also have a set of data protection instructions, which establish concrete and mandatory measures to be carried out by the Group. In developing its

privacy policy principles, Telefônica works, within the legal context of each country in which it operates, to ensure the proper handling of personal data. Our Chief Privacy Officer is charged with implementation and monitoring of this policy. In addition, the company created the position of Chief Data Officer, responsible for implementing guidelines and corporate data control, as well as database storage, protection and design – now and into the future. As regards security management, we have a Corporate Policy on Information Security, which is based on international standards and updated to satisfy increasing global demands for security. We also carry out dedicated training for about these Policies with company employees who have access to this material through the corporate intranet.

We conduct regular reviews of human rights impacts and engage in a due diligence process appropriate for the company to identify, mitigate and manage risks related to privacy and freedom of expression (in terms of technology, products and services), which is in accordance with the guiding principles of the United Nations' landmark Framework for Business and Human Rights" – "Protect, Respect and Remedy."

A respect for and commitment to human rights is a cornerstone of our Responsible Business Principles. Therefore, in keeping with the structure of the guiding principles for business and principles on human rights, adopted in 2012, an assessment was carried out (with support from Business for Social Responsibility) to better understand the overall impact of our activities. During 2015, the following due diligence procedures took shape: Periodic, global reviews of the most significant risks to privacy and security that affect our business. Development and presentation by our Privacy Committee of a procedural guide that sets forth existing legal and regulatory requirements. Additionally, our Chief Protection Officer implemented a data protection directive.

Create and/or maintain processes and operational procedures to evaluate governmental requests, which may impact privacy and freedom of expression.

We have a formal process in place to satisfy requests received from local, governmental authorities, whose execution is the responsibility of the Office of the General Secretary and our Security division. In 2015, a procedural guide on governmental requests was issued for application at all Telefônica Group companies.

To the degree possible, we adopt strategies to anticipate, respond to and minimize potential impacts on privacy and freedom of expression when illegal governmental requests or demands are received, or when we consider that governments are endeavoring to misuse our products or use our technologies for illegitimate purposes.

In addition to formal processes set forth in the above-stated principle, we have a global Chief Privacy Officer and a Data Protection Officer, which assures greater uniformity in our processes and procedures as they affect our customers' privacy. We also created another new position for the Group, Chief Data Officer. This individual is responsible for database storage, protection and design – now and into the future.

We endeavor to ensure the security and freedom of expression of our employees who may be exposed to risk situations.

As regards workplace health and safety, as well as the well-being of our personnel, there are three pillars at Telefônica, which ensure employee protection and also have direct bearing upon their satisfaction on-the-job. In terms of physical security, our



global security orientation establishes a series of appropriate guidelines to address risks identified in each country.

☉ We also provide employee education and for those professional who are involved with relevant policies and processes.

✓ We have designed a specific plan to train and sensitize our employees on policies and processes over which they are responsible. The training program takes place in person and online.

☉ The sharing of knowledge and impressions, where appropriate and relevant, is carried out with all interested parties to gain a better understanding of the legal environment and the effectiveness of these principles in practice, as well as to provide support for their implementation further development.

✓ We consider ongoing dialogue with our stakeholders an essential part of identifying and minimizing risks, and developing new business opportunities. As a means of sharing knowledge with these stakeholders, we believe that transparency is the key to advancing these guiding principles. We would note that as members of the Telecom Industry Dialogue, we participated in the "Conversation with Stakeholders" roundtable discussion, which explored the global experience of participating

companies' stakeholder groups on issues of privacy and freedom of expression. Preparation of a panel of stakeholders to serve as a structured and formal platform for dialogue with our key stakeholders. The results of the stakeholders panel will serve to enrich materiality and planning at Telefônica, as regards global and local social, environmental, ethical, and privacy initiatives.

Em 2015, também preparamos um painel de grupos de interesse que servirá de plataforma de diálogo formal e estruturado para os nossos principais stakeholders. Os resultados do painel servirá para enriquecer a materialidade e o planejamento da empresa, tanto no âmbito global como em nível local nas iniciativas sociais, ambientais, éticas, entre elas privacidade.

☉ Annually and as necessary, we disclose information externally about the progress we have achieved in relation to these principles, as well as when significant events have resulted in noteworthy advancements.

✓ This report summarizes the progress that Telefônica has made on the issues of privacy and freedom of expression.

☉ As a means of mitigating potential negative impacts derived from policies and regulations, on our own and in collaboration with other institutions, we contribute to the

development of policies and standards that promote privacy and freedom of expression.

✓ At Telefônica, we are convinced that the best way to achieve overall progress on this front is through dialogue between governments, industry, civil society (including human rights experts), investors and other affected interested parties. We participate in public consultations related to privacy and freedom of expression sponsored by different international organizations. We contribute to dialogues on international policies in a variety of forums and at numerous events related to these issues, at both the company level – in 2015, the Annual Data Summit and the Global Dialogue on Data Protection – and through the Telecommunications Industry Dialogue group, whose activities are detailed on their website (www.telecomindustrydialogue.org).

☉ We analyze the possibility of implementing appropriate mechanisms for grievance to be registered, as described in Principle 31 ("Effectiveness Criteria for Non-Judicial Grievance Mechanisms") of the "Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework."

✓ In 2015, we engaged in an internal initiative to establish an appropriate grievance mechanism that addresses various aspects of human rights, including privacy and freedom of expression.

Security G4-PR1

To offer our customers confidence and certainty that our products and services are secure and contain appropriate defense mechanisms, we possess all necessary technology and apply an architecture of security.

DATA SECURITY

The Corporate Security Committee is responsible for establishing policies, standards and procedures for the effective and efficient management (of both human resources and materials) of our communications, such that they are, today, more secure and reliable.

SECURITY IN OUR SERVICES

The effort we make to understand new threats and the latest trends in the digital world, as well as anticipate changes with innovative security solutions is reflected in a wide range of security products and services that meet our customers' needs.

To achieve this, we have specific research and development capabilities in our digital security company, ElevenPath, as well as specific developments that designed for operations, engineering and support that come from Telefônica's Security Engineering division.



Telefônica's Global Privacy Policy

PROTECTING YOUR INFORMATION

WHAT WE DO

- ▶ Promote and provide contracted services to our customers
- ▶ Innovate and improve products we offer
- ▶ Internally manage our employees
- ▶ When your information is to be used for other purposes, you will always be contacted and have opportunity to opt out

HOW WE COLLECT YOUR INFORMATION

- ▶ When you contract or use our products, enter our site, send queries or incident reports, and participate in market research
- ▶ When you browse the internet and with your permission, through the use of cookies, which are used as necessary and always in compliance with the law

WHAT TYPE OF DATA WE HANDLE

- ▶ That which is necessary to provide, improve, or adjust our products to your needs
- ▶ Information on the use of our services, navigation and location, when the legislation allows, as permissible by law

WHERE DATA IS HANDLED

- ▶ In countries where we provide services
- ▶ It may be transferred internationally to Telefônica Group companies, as well as to third party companies, always respecting legal regimes, contractual terms and Telefônica security standards.



TRANSPARENCY

- ▶ If your data is to be used in a manner that is different from what was communicated to you, you will be informed and we will obtain, as legally applicable, your consent.



RIGHTS

- ▶ Through our website, we inform you of your user rights and how you can exercise them.
- ▶ There are employees in every Group country responsible for responding to requests.
- ▶ Only we will retain your information and, then, only for the time permitted by law or, as necessary, to execute a legitimate goal of our business.



SECURITY

- ▶ We manage and store your customer information in a responsible and secure manner.
- ▶ We commit ourselves to act swiftly and responsibly if the security of your information and related data is in jeopardy.



MINORS

- ▶ We work to create an environment that encourages the responsible use of the internet and cellular phones by children and adolescents.



ACCESS TELEFÔNICA'S GLOBAL PRIVACY POLICY AT

www.Telefônica.com/documents/364672/473798/politica_privacidad_esp_2015.pdf/



6



Employees



Our people are the ones who are best able to transform the customer experience. Therefore, we seek to attract, develop and retain the best talent – human capital that can turn possibilities into reality, contribute to an organization with the skills necessary to create technology from the raw material of solutions and innovations, changing the lives of people and the destinies of businesses for the better.

Committed to plurality, inclusion and social equality, we are a company that

offers opportunities without prejudice. Our culture encourages the personal and professional development of all, regardless of gender, sexual orientation, ethnicity or belief. And we seek professionals with a digital profile.

In 2015, we engaged in the hard work of integrating cultures, as we labored to strengthen the bonding of our employees following the merger between Telefônica Brasil and GVT. The strategy was guided by Telefônica's global efforts

to orient behaviors and attitudes. Adapted to the characteristics of Brazilian reality, management of this process is focused on maximizing the company's results and the skills of the team.

With the integration of these two companies, more than 17,000 employees were incorporated into our professional ranks, now consisting of 33,800 employees. Our Human Resources division took vigorous steps to integrate new employees, implementing unification processes and activities to support our business in this moment of significant growth.

In March, we conducted a pilot sample survey, along with our first transformation study. The Climate and Engagement pilot survey showed an overall favorability index of 84% and significant information, useful in the drafting of our Engagement Model. The official Engagement Survey was conducted in February 2016, producing a favorability index of 82% at Telefônica Brasil through participation of 88% (27,698) of eligible employees.

Another important move was a redesign of our Climate and Engagement Model and, together with our global coordination, the creation of a Quarterly Transformation Study and a new questionnaire, whose results will comprise an Annual Climate

and Engagement Survey. It has a more streamlined questionnaire, which consists of 32 questions focused on engagement and the employee's role as the protagonist of her/his own activities and development.

The 2016 calendar also provides for the launch of a variety of culture integration projects, aimed at further aligning employee directions. April is the cornerstone of this new initiative. With it, we are confident that we will strengthen our leadership position in the Brazilian marketplace as the company with the best professionals, who share with the best professionals, all of whom share the same principles and follow the same processes. [G4-10](#)

Our Value Proposition

Promote professional development, provide fair salaries and ensure respect for human rights.



"CONNECTED TO THE PRESIDENT"

A corporate communications channel aimed at transparency and bringing critical staff in closer contact with the company's leaders, Connected to the President presents internal news for executives (VPs, Directors and Managers) who can then share key information with employees.



Our team GRI G4-10, GRI G4-11; G4-LA9 G4-LA12

Total employees

18,419
2014

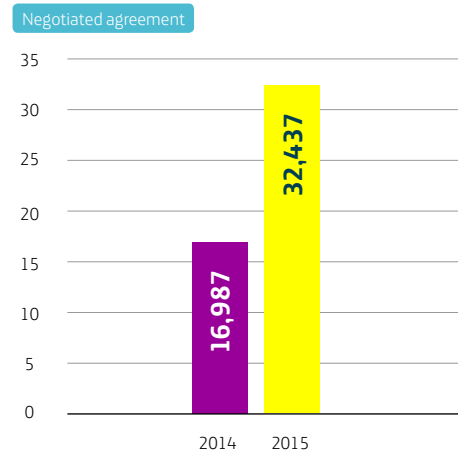
33,847
2015

Age range

34
years
average age

5
average number
of years at company

EMPLOYEES BY CONTRACT TYPE



Workplace health and safety

We work proactively toward preventive management of labor risks related to the mental and physical integrity of our employees. Telefônica Brasil professionals are provided a secure working environment, guaranteed by mechanisms, strictly adhered to, for the prevention of accidents, injuries and diseases related to our activities.

Health and safety indicators <small>G4I - LA5, GRI LA6</small>	2014	2015 ¹²
Fatalities	1	1 ¹³
Total no. of accidents	16	181
Total no. of days lost due to workplace accidents	231	2801
Total no. of days lost due to any type of disability	52,457	135,771
Total no. of occupational diseases	0	0
No. health and safety training hours	10,449	196,938
Absenteeism rate (units)	ND	1.56%
Health and safety committees	25	78

(12) The change in values in 2015 is due to consolidation of data that includes GVT, which internalizes operational positions, such as installers and call center personnel. (13) The employee suffered an accident while commuting.



Diversidade GRI G4-LA12

Among the most important aspects of the workplace is respect for diversity. We are a company that values differences, not only in our efforts toward greater balance in workforce in terms of gender, ethnicity, sexuality, age and persons with disabilities, but also in respect to those individuals.

In 2016, the focus of our internal activities will be on two main stakeholder groups – women and persons with disabilities (PWD).

VIVO WOMEN'S INITIATIVES

Women's Empowerment Principles

Created by UN Women and the Global Compact, sets forth seven principles that assist the business community to incorporate values and practices that promote gender equality. Telefônica Brasil signed this agreement in March 2016.

Gender and Racial Equality Program

We have begun to develop an internal action plan to join with a Brazilian federal government initiative, which grants the program's seal to firms that voluntarily establish a model for equality activities.

VIVO ACCESSIBLE INITIATIVES (2016 PLAN)

Internal awareness

This program is designed to be a permanent policy to extinguish efforts focused on social action in the integration of persons with disabilities. Instead, it establishes effective mechanisms to seek out persons with disabilities who possess talents that will strengthen our business.

Equality

We want to create a mindset that challenges employees with disabilities to develop themselves, regardless of whether they were freely contracted due to a voluntary commitment or compulsory adherence to established quotas. To accomplish this, we need the assistance of specialized recruiting firms.

Internal census

We will conduct an internal census to to understand the profile of our professionals. Through self-declarations, we will identify these profiles and, with these, adapt to their integration needs, assisting them towards professional achievement and the optimization of company performance.

DIVERSITY PROGRAMS

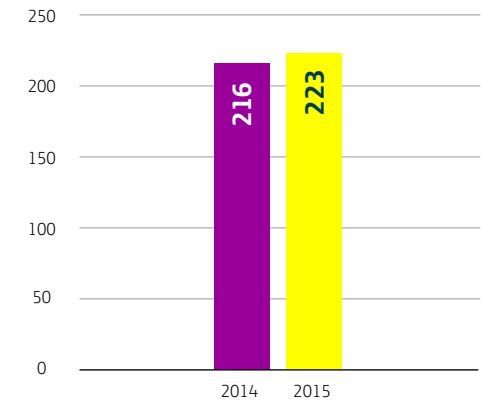


FOSTERING DIVERSITY CAMPAIGN

In the lead-up to Brazil's equivalent of Valentine's Day (June 12), a campaign was launched with support from Samsung that used images of Brazilian singer-songwriter, Cazuza, as a means of respecting different forms of love – regardless of age, ethnicity, gender or sexuality.

The video envisions the musician as a Cupid, whose mission to unite loving couples on Earth. Using Cazuza's signature tune, "Exagerado," his character shoots arrows and arouses passions in a variety of situations.

PERSONS WITH DISABILITIES



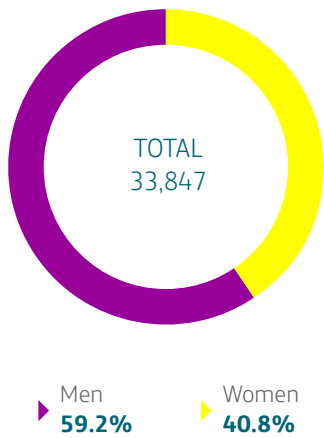
EMPLOYEES BY RACE

Self declared	Hdc	%
Asian	342	1.0%
White	24,860	73.4%
Indigenous	32	0.1%
Undisclosed	17	0.1%
Mixed	7,121	21.0%
Black	1,475	4.4%
Total	33,847	100.0%*

* Obs.: Afro-Brazilians (mixed + black) = 8,596 employees, which represent 25.4% of the total.

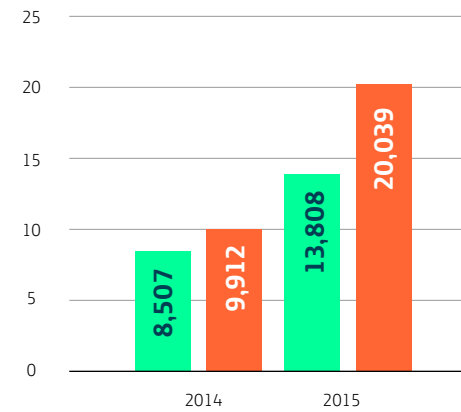


MEN AND WOMEN

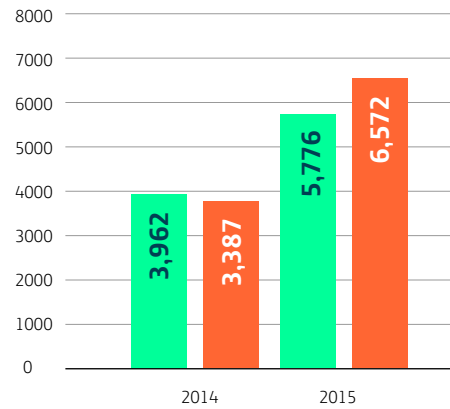


▶ WOMEN ▶ MEN

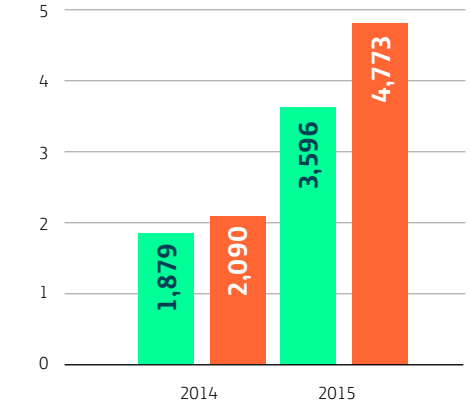
Total by gender



< 30 years

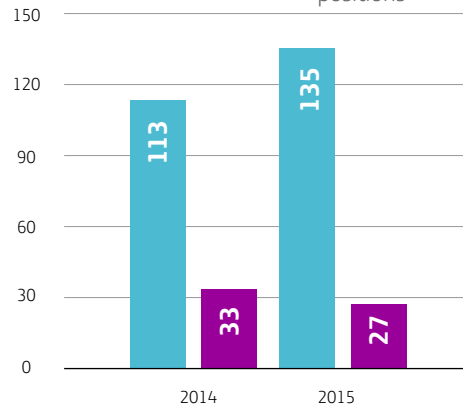


30 to 34 years

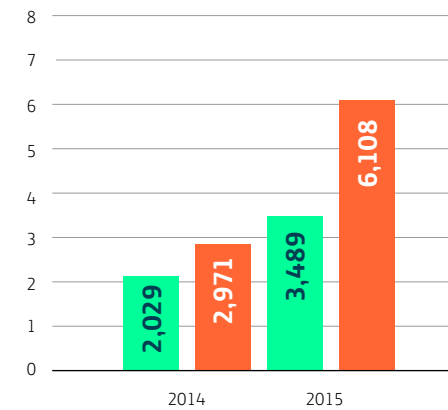


WOMEN IN MGT POSITIONS

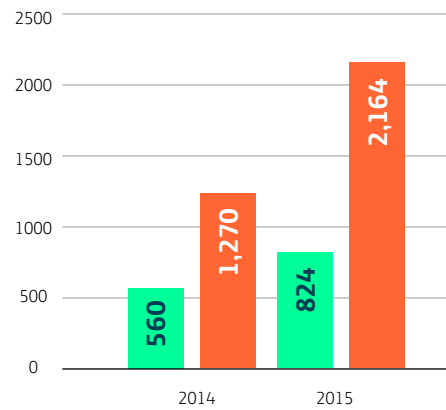
▶ Total mgt positions ▶ Women in mgt positions



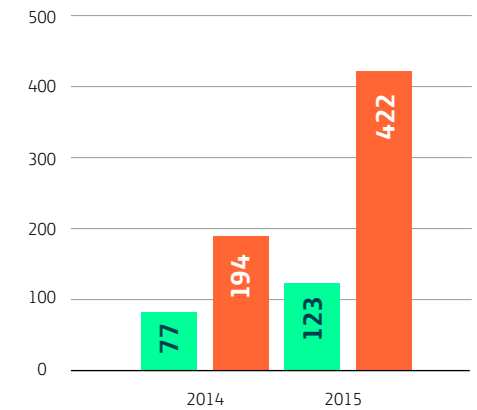
35 to 44 years



45 to 54 years



> 54 years





Attracting, training and retaining talent

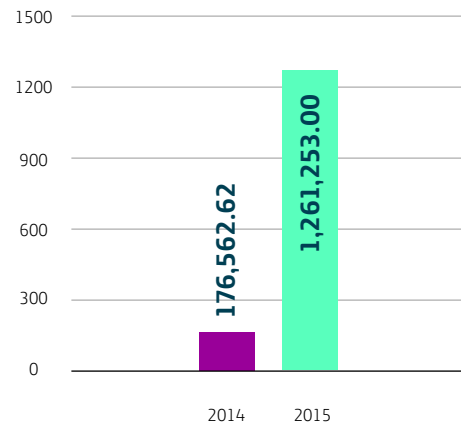
Telefônica Brasil seeks out those with a professional profile noteworthy for an attentiveness to the ever more rapid transformations taking place in the telecommunications marketplace, which are opening up a vast universe of technological innovation.

We seek innovative, team-oriented professionals, able to anticipate the challenges of change and who are genuinely interested in improving the customer experience.

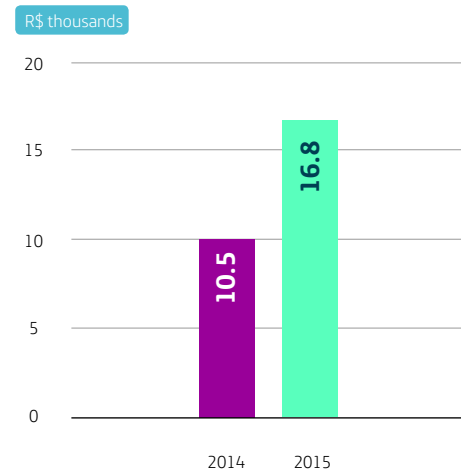
Our leaders need to overcome barriers to connectivity, have a positive vision for the business and, thus, increase the efficiency of our processes.

Worldwide, a process, in partnership with the consulting firm, Korn Ferry, is analyzing the profile of managers with the objective of aligning their leadership characteristics with our desired digital profile. Based on this diagnosis, we will create tools to support this transformation in our personnel. In Brazil, in 2015, an assessment was initiated with directors, which will continue in 2016. [GRI G4-LA9](#)

HOURS OF TRAINING



INVESTMENT IN TRAINING



CUSTOMER INSIGHT

In 2015, our Customer Focus initiative was introduced to better understand the customer experience in their direct interactions with our employees. The project allows officers, directors and vice presidents to spend some time in the company's several operational areas.

Participants monitor technical activities, such as installation and maintenance, customer care in stores and routine call center activities. At the end of the program, a workshop is held with the managers of visited areas as a means of analyzing these visits and improve processes.

In 2015, thirty-six people, in four groups, participated in the project – three in São Paulo and one in Curitiba – Over the course of the year, sixty-two improvement opportunities were identified. Among these, 37% were implemented, 48% were close being implemented and/or in the process of being standardized, while 15% are still being evaluated. The program will be extended to other levels of leadership in 2016.

INTERNAL RECRUITMENT

Through Telefônica Brasil's Internal Recruitment Program qualified or potentially qualified employees take on new challenges within the company. In 2016, with the launch of the SuccessFactors system's Career module, we have raised the visibility of these opportunities, which offers all employees an added incentive to act as protagonists for their own career advancement. With the new platform in place to manage the selection process, it will now be possible for all employees to be aware of and apply for available opportunities in all divisions of Telefônica – not just in Brazil, but wherever the company operates worldwide.



TRAINING AND CUSTOMER FOCUS

Individual evaluation and development plan

Throughout 2015, the Telefônica Group worked to redesign its performance assessments to better align it with the company's business needs and changes taking place in the sector. In 2016, the new assessment system will be applied in Brazil in a pilot format.

Thus, the employee development cycle (which will be guided by this assessment) will evolve as part of a shared responsibility between manager and employee, the latter being expected to seek support proactively to satisfy the demands of this plan.

Feedback

At Telefônica this is an ongoing process, which means that everyone should have the freedom to offer and request performance reviews at any time.

SPECIFIC CASES

All employees involved directly with the customer experience – principally the sales, service and installation divisions, which represent approximately 60% of the company's operations – receive training before taking on their responsibilities. In addition, we offer skills enhancement opportunities to satisfy technical or behavioral demands necessary to accomplishing day-to-day work.

For employees operating in the areas of administrative and support, there is the Professional Development Program. Created to satisfy specific demands, annual training is defined by each vice president as part of a model that considers competencies and skills needed for teams to function effectively, as well as to assure the continuous improvement of our processes, values and organizational strategy.

SELF-DEVELOPMENT WEEK

Held in October 2015, the objective of this initiative was to contribute to the improvement of the corporate brand through a cycle of presentations, as well as to provide our employees with an opportunity for career enhancement through education to strengthen their professional qualifications.

Self-Development Week took place in 20 cities and enjoyed the participation of a little over 9,000 employees. One hundred and sixty-nine activities were developed on topics such as culture, technology, and personal development, which were addressed as part of lectures, talk shows and workshops that were led by 116 in-house presenters and 43 consultants and external presenters.

BUSINESS PRINCIPLES

Employees receive training on our performance principles. In 2015, we implemented training through e-learning and video lessons. Monitoring of the application of our principles and other corporate norms is the responsibility of our Executive Board for Sustainability. Until the close of 2015, approximately 40% of all employees completed the course, totaling 14,000 hours of training.



We seek innovative, team-oriented professionals who anticipate the challenges of change and work to improve the customer experience.



RECOGNITION AND RETENTION

We maintain a professional appreciation model that allows our employees to be directly recognized not only by their managers, but by their colleagues for the projects they develop, as well as by Vice Presidents and the President of the company, receiving symbolic gifts (virtual medals). Sometimes they may even be invited to attend events or go on trips.

In 2016 this will be the model:

Corporate recognition

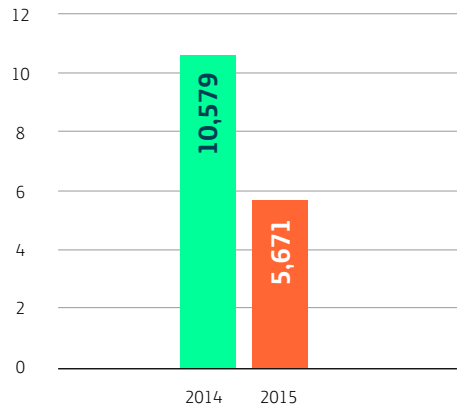
VALUED PEOPLE PROGRAM

Sector	Valued people/ manager	Valued people/ colleague	Valued project/ trophy	Valued people/ Vice President	Valued person/ President	Quality trophy
Public	All employees	All employees	All employees	Employees up to the managerial level	Employees up to the managerial level	All employees
Who offers recognition?	Immediate manager	Any employee	Evaluation Committee/ Executive Committee	Vice President of the division	President	Evaluation Committee
How it works	Immediate manager chooses a corporate gift in a virtual store	Employees exchange virtual medals from within the system	Employees sign up for projects linked to corporate strategies	Executives acknowledge notable achievements, of their VPs, from completed projects to results	Eligible in this category are winners from the Vice Presidential sector	Employees create initiatives aimed at improving the experience of customers
Limitations	10% of direct staff per each half of the year	Unlimited, quarterly	1 winner per category	1 to 3 per quarter	30 per year	6 initiatives per year

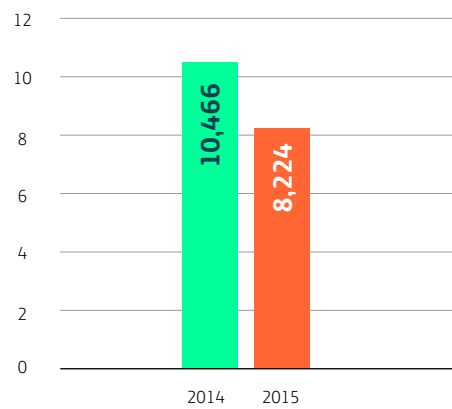


Turnover GRI G4-LA1

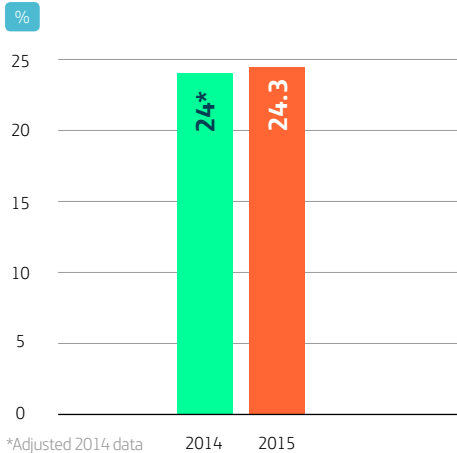
HIRING



DISMISSALS



TURNOVER RATE



*Adjusted 2014 data

FAIR REMUNERATION

Telefônica Brasil's remuneration policy is consistent with the market's best practices. It seeks to attract and retain the best professionals and recognize individual performance matched against the fulfillment of goals and results. The variable remuneration programs, along with a wide variety of benefits complement the total remuneration package.

In 2015, 3,888 professionals were promoted and 993 were included in the in a salary increase process, totaling 4,881 professionals who received raises, as well as legally applicable adjustments.

BENEFITS

Total remuneration includes a base salary and a benefits package, which goes from health plans to private pension plans private, on through to a Profit Sharing Program Profit Sharing, babysitting assistance and life insurance, among others. In 2015, following with the integration of the companies, a benefits review process began and a unified plan will only be forthcoming in 2016 when the corporate tax IDs (CNPJs) of the two companies are unified.

993

professionals

with increased remuneration, in addition to applicable legal adjustments

3,800

employees promoted in 2015



4,800

employees received salary increases beyond legal obligations



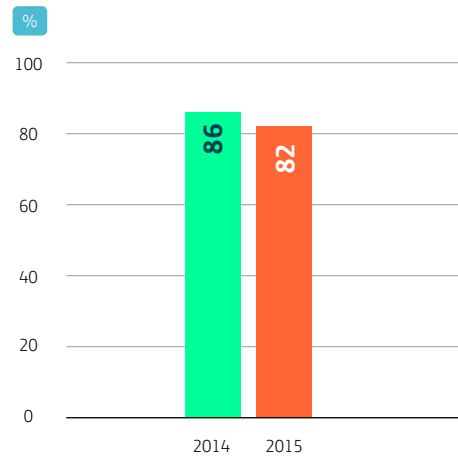


Workplace climate

As regards our employees, we are constantly seeking to achieve and maintain a healthy and secure organizational climate, which allows all professionals to develop their work with maximum income for the benefit of our customers.

As a result of our ongoing search for high standards, in 2015, once again, we were cited as being among the best companies to work for, making the list published by the Great Place to Work (GPTW) Institute. This time around, the Telefônica Group was chosen as the second-best company to work for in Latin America and the fifth-best in the world. The ranking is published by Fortune magazine.

EMPLOYEE SATISFACTION



The Telefônica Group was chosen as the 2nd best company to work for in Latin America and the 5th best in the world by Fortune magazine.

Volunteer Program

The Volunteer Program provides a number initiatives that mobilize employees from several Telefônica Group companies to engage in volunteer activities, both in-person and at a distance, enhancing the practice of citizenship. The program consists several components – Volunteer Committee, Volunteers' Day, Digital Volunteering (Doing Good Game) and Solidarity Holidays.

Telefônica's Volunteers' Day is a global activity involving employees from all Telefônica Group companies, mobilizing efforts and working to assist a variety of worthy organizations and causes. Since 2005, on a date chosen during October, employees focus their attentions on institutions selected in advance by the Volunteer Committee to carry out activities such as renovations, construction, recreation, landscaping, storage, etc. Besides encouraging citizen awareness among all and assisting the lives of so many others, the initiative is an opportunity for skills development and the improvement of relationships within the company.

Another important initiative is the Doing Good Game, a platform where employees and their family members can carry out online and offline carry out that contribute directly to societal transformations.

The game involves issues such as education and technology, digital citizenship, urban mobility, social entrepreneurship, the environment and animal welfare.

DIGITAL VOLUNTEERS

1,929

players
in the game

9,000+

hours
dedicated

5,496

missions
accomplished



7



Supply chain



Suppliers

Our strategic plan provides for fostering the development of the productive chain in Brazilian communications and encouraging the use of goods and services with national technology. We understand that this is the best way to achieve our value proposition with suppliers.

In addition, we work to promote traceability, innovation and a circular economy, while assuring risk mitigation, and the elimination of potential economic and reputational damages. [G4-12](#)

Promoting sustainability throughout the supply chain is increasingly a key challenge in the telecommunications industry, as concessionaires are increasingly including suppliers and subcontractors in their processes. To identify and manage risks associated with their participation in our activities is essential task, especially when it comes to compliance with legal requirements associated with our operations and customer satisfaction.

To ensure assertive diligence in the contracting of suppliers, we use global, procurement management model, which considers a variety of concerns, such as risk management, efficient production, culture of sustainability and sustainable products.

In addition, to orient sustainability management in our value chain, we monitor an array of risks and opportunities associated with suppliers. [GRI G4-EC9](#)

Our Value Proposition

Increasingly share benefits generated in the value chain with our suppliers and service providers.



Purchase volume (millions of euros)	2013	2014	2015
Awarded purchase volume	6.89	6.76	6.34
Locally-awarded purchase volume	6.78	6.75	6.32

Contracted suppliers (thousands of units)	2013	2014	2015
Contracted locally	2.95	2.03	2.05
Total contracted	3.05	2.07	2.09

RISKS AND OPPORTUNITIES IN THE SUPPLY CHAIN

- 
Outsourced labor rights (in conformity with the law)
 - ▶ hours and remuneration
 - ▶ freedom of association
 - ▶ health and safety
- 
Environmental impacts
 - ▶ licensing
 - ▶ hazardous materials
 - ▶ waste recycling
- 
Customer trust

Some suppliers represent us through direct contact with our customers
- 
Energy consumption and emissions

Company reductions or services that generating consumption savings
- 
Human rights
 - ▶ impacts on equipment and devices
 - ▶ child labor
 - ▶ mining in conflict zones
- 
Privacy and security
 - ▶ protection of customer data



Our Business Principles also guide us in our relationships with suppliers. Accordingly, this commitment leads us to:

- Inform and evaluate our suppliers in relation to the content and objectives of our principles and policies to ensure that we share the same vision.
- Be concerned that our suppliers respect local laws, encouraging them to be proactive and adhere to even the most demanding regulations.
- Encourage our suppliers to carry out actions of this nature in their own supply chain, so as to create a multiplier effect that will positively impact on the social, labor and environmental aspects.

In 2015, there were 3,959 administrative and 19 local audits of at-risk suppliers, from which 265 improvements have been proposed.

19 

accountability audits in the supply chain

ALLIES MANAGEMENT G4-S010

The Allies Program is an initiative for transformation and commitment with Telefônica Brasil's collaborating companies and their partners. This is a strategic program, as approximately 80% of the direct contacts made with our customers is carried out by a third parties.

Through this program, Telefônica seeks to:

- ▶ Strengthen strategic partnerships with allies.
- ▶ Ensuring compliance with organizational, technical and security objectives, as well as develop risk prevention mechanisms.
- ▶ Sensitize third-party firms regarding the necessity to comply with Telefônica's standards.

The program ensures the fulfillment of social, labor and ethical standards, promotes service excellence with customers and facilitates the advancement of allied companies in terms of sustainability management.

Minerals in conflict zones G4-HR6

In some instances, the processes for the extraction and treatment of minerals represent a serious problem, as they can cause negative impacts to the environment and jeopardize human rights. This is particularly so in the case of minerals from conflict zones in Africa and, as regards Indonesia, tin, which is the material that main component holding together circuit boards, transistors and resistors in cellular phones, as well as other technological products.

Conscious of our role as agents in promoting a solution to this problem, we are working to foster accountability and transparency in the supply chain, so as to ensure the traceability of minerals used.

We have integrated some key industry initiatives that are aimed at reducing the impact and

repairing this consequences linked to mineral mining. Additionally, as a company listed on the New York Stock Exchange, which must fulfill the requirements of Section 1,502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are obligated to follow Organization for Economic Cooperation and Development (OECD) (OECD) guidelines set forth in its "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas" by promoting the application of these recommendations to suppliers that work with minerals.

We have adopted a specific policy and maintain an internal management structure to monitor supply chain-related problems.

We work to promote accountability and transparency in the supply chain to guarantee the traceability of minerals used.



8



Commitment to the environment



Telefônica Brasil's environmental management minimizes the environmental impact of the company's activities and maximizes the capacity of technology to create new opportunities for sustainable development. Information and Communication Technology (ICT) assists society to become more economically efficient in the use of natural resources and can play a relevant role in solving many current environmental problems.

In addition to offering products and services with characteristics that, intrinsically, contribute to a low-carbon economy, we maintain internal strategies to reduce our environmental footprint. We accomplish this through process improvements, efficient use of electricity, waste management and compliance with environmental laws.

Our Value Proposition

Through our products and services, contribute to a low-carbon economy and, with steady management, work to reduce our environment impacts.



Environmental Management System

To ensure compliance of our environmental policy with current legislation, in 2015, we began to implement our Environmental Management System (EMS) in fixed and mobile networks in 50 priority municipalities, which corresponds to 62% of our total network. Its implementation will ensure better management of our operations, reducing impacts and assuring stricter adherence to existing environmental laws.

EMS implementation started with the training of all professionals involved and 2016 will mark the beginning of the certification process.

Environmental policy



We communicate in a transparent manner about our environmental performance



We transform the entire value chain with our environmental principles



We foster digital innovation by improving the environment



We reduce our environmental footprint



We implement environmental management systems to be more eco-efficient



We collaborate with other organizations in the search for solutions to current environmental challenges



We act with sensitivity in everything we do in our day-to-day operations



We seek in our services a low-carbon, less energy consumptive, less CO₂ producing economy



We set environmental targets and and continue to improve them



We are vigilant in our efforts to comply with environmental laws and other voluntary commitments

Environmental

investments GRI G4-EN31

R\$ 13,989,006



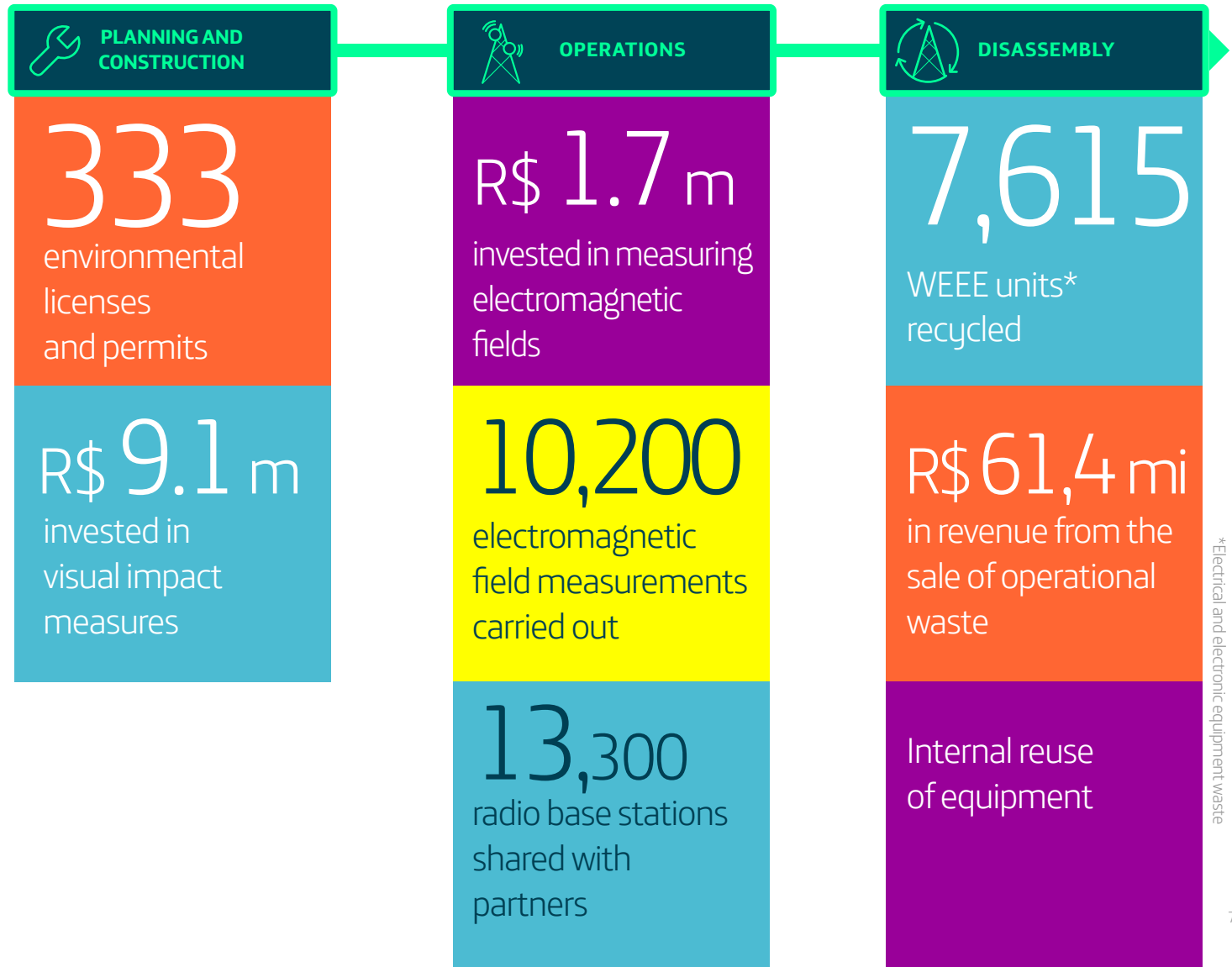
Responsible network

The greatest environmental impacts related to energy consumption, visual impact and waste is concentrated in our network.

The network's environmental impacts are managed at all stages – from design and deployment, through to maintenance and shutdown.

Whenever possible, we share our facilities with other operators or communications tower management firms. This results in less visual impacts, as well as reductions in energy consumption and waste generation. In 2015, we shared 13,337 of our base stations.

NETWORK DEVELOPMENT



*Electrical and electronic equipment waste



Energy

A key input for Telefônica Brasil's operations, electricity is consumed at our sites and in our buildings is the focus of an ongoing, efficient use management process that is aligned with the world's best practices.

In this sense, our work has two main fronts:

- energy efficiency
- renewable energy use

In terms of energy efficiency, we have a team focused exclusively on developing processes to improve our indices.

In 2015, we did a great job of replacing equipment for more efficient models. Furthermore, we currently maintain the the only data center in Latin America with TIER 3 facility design and operations certification.

Vivo's Datacenter offers innovative solutions and infrastructure that makes economical use of resources, physical space and energy. It employs a modular growth concept, which guarantees flexibility in satisfying increasing demands in a sustainable manner and to adapt to technological developments.

Located in Alphaville, São Paulo, it was developed by EYP, responsible for the most respected data center projects around the world. Its construction respected green building8

sustainability principles, which minimize environmental impacts in both the construction and operational phase.

As regards renewable energy, we develop initiatives to reduce the consumption of fossil fuels in generators, replacing them with cleaner sources. We also use lower environmental-impact vehicles in our fleet and enhance the generation of renewable power.

In 2015, we consumed 1,702,075,565 kWh of energy, a 9% increase compared to 2014, which reflects the unification of GVT and Vivo. In 2016, our work will focus on developing a business model, together with Spain, which can identify opportunities to reduce energy consumption through Energy Efficiency Services (EES). On another front, we will engage in an effort to expand the number of stations in the free market.

[GRI G4-EN3 e G4-EN4](#)

Energy Consumption	2013	2014	2015
Technical areas (service delivery) - kWh	1,372,878,025	1,470,330,440	1,587,312,772
Administrative - kWh	48,197,793	68,495,362	99,945,247
Shops - kWh	24,205,510	20,192,410	14,817,546
Total - kWh	1,445,281,328	1,559,018,212	1,702,075,565
% purchased from renewable energy sources	30%	26%	22%

6TH GLOBAL WORKSHOP ON ENERGY AND CLIMATE CHANGE

During 2015, we were a part of Telefônica's 6th Global Workshop on Energy and Climate Change, which was held in Quito, Ecuador. The event brought together over 200 participants, including energy managers, environmental technology partners and other special guests. During the event, Telefônica Brasil was recognized for its energy management in 2015.

(14) A sustainability-focused, international initiative to encourage the construction of buildings based on environmental guidelines and, thereby, inspire the transformation of building projects, building construction and building operations.

FREE MARKET

22% 
of Telefônica Brasil's power consumption comes from the free market

369,5

BILLION KWH

of renewable energy purchased

29%

2016 target for quantity of renewable energy purchased




Climate change


Climate change is a global concern, where Telefônica Brasil is contributing to the search for efficiency in the use of resources. It drives us towards innovation, ensuring increasingly consistent economic, technological, environmental and social results that foster the responsible and healthy growth for the company, for the industry and society as a whole. According to a study published in December 2015 by the **Carbon Trust**, a global organization that helps companies, governments and the public sector to accelerate the transition to a low-carbon economy, the telecommunications sector can have a major, positive impact on climate change.


The analysis concludes that the use of smartphones in the U.S. and Europe has avoided the emission of 180 million tons of carbon per year, an amount greater than the total annual emissions of, for example, The Netherlands. This, at a time when only a fraction of the full potential of emissions reductions has been achieved.

EMISSIONS INVENTORY

To survey and identify all greenhouse gas (GHG) emission sources, we have prepared a GHG emissions inventory, which adheres to the international guidelines of the GHG Protocol. In so doing, for the third consecutive year, we have received the gold seal from the Brazilian GHG Protocol Program.

69% 
of the population worldwide
has access to 3G service (2015)

84% 
of drivers
use smartphone apps to identify the most efficient routes, which results in fuel savings

80% 
use their mobile devices when on-the-job or to study at home

We are also signatories of an open letter from the Ethos Institute, in which participating companies commit themselves to control and reduce their GHG emissions and collectively lobby public authorities to establish similar requirements for the good of the nation.

Almost 85% of our GHG emissions come from our network's energy utilization, where supplying power to equipment and communications networks are the major sources of consumption.

Another relevant source of GHG emissions comes from fuel use for our vehicles fleet.

In 2015, we experienced a 280% increase in direct emissions due to the unification of GVT and Vivo;

notably a five-fold increase in company-owned vehicles, which are the main source of direct emissions.

Considering fuel consumption alone, in 2015, Telefônica Brasil's use rose by a little more than 2 million liters to a total usage of 12.7 million liters. Once again, this increase was a result of the merger.

To reduce GHG emissions, we switched from gasoline to ethanol for a part of our fleet. This generated an 89% reduction in emissions from those vehicles. Since that measure was implemented, in September 2015, we have been able to certify our generation of 90 tons in carbon credits.

GRI G4 EN15, EN16, EN17

Emissions (tCO ₂ e)	2013	2014	2015
Direct ¹⁵	24,146.7	9,885.98	27,694.45
Indirect ¹⁶	138,795.18	211,220.98	211,809.12
Other emissions ¹⁷	4,733.66	7,507.2	6,419.57
Total	167,675.54	228,614.16	245,923.14

(15) Emissions from sources, which are the property of Telefônica Brasil or controlled by the company; the increase in Scope 1 emissions is due to the merger with GVT, which has increased the size of the company-owned vehicles fleet.

(16) Emissions from Telefônica Brasil operations, but arising from sources whose ownership or control resides with another organization.

(17) Indirect emissions not from the generation of electricity, heating, cooling or steam.



Life Cycle Analysis (LCA) G4-EN27

Vivo Telefônica is part of the Center for Sustainability Studies (GVces) at the Business Administration School of the Getúlio Vargas Foundation (FGV-EAESP). In 2015, we participated in a Life Cycle Analysis (LCA) study, which assessed, step-by-step, equivalent GHG emissions and, thereby, making it possible to identify where, in the operation of an organization, there is a greater rate of carbon emissions. In our case, we chose to investigate LTE (4G) technology use in the city of Bertioga, São Paulo. For this, we studied construction site data (greenfield and rooftop), operation and and maintenance

data, as well as information regarding useful life cell phone usage and site demobilizations.

Through this study, it was possible to identify that the power consumption of network equipment is the principal emitter of GHGs and that network structures, as they have long life cycles (e.g., over 20 years for a metal tower), produce greatly reduced impacts due to their durability. The study was a pilot project that will be expanded in 2016 to better refine this approach and apply it to other sites.

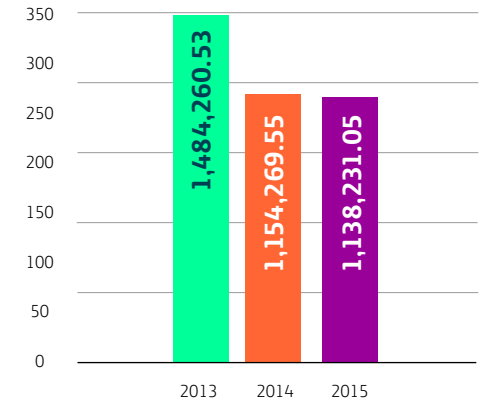
Water

Water management is carried out in a manner intended to stimulate employee awareness and reduce consumption for more efficient operations.

Our buildings have equipment allowing us to reduce consumption and avoid waste, such as automatic, flow control taps and dry cleaning. São Paulo's Eco Berrini building and Curitiba's Corporate Botânico are equipped with water reuse systems for bathrooms and irrigation, where the water used in sinks is collected, treated, mixed with rainwater and reused in toilets and for landscaping.

In 2015, due to water crisis, we reduced water consumption in our operations by 1.38%. In one of our divisions, we implemented a home office initiative; at some sites the water cooling systems were replaced with forced ventilation, as well as the expanded deployment of flow control taps in the restrooms.

WATER CONSUMPTION (M³) GRI G4-EN8



91%

have replaced digital photography cameras with smartphones

81%

have replaced alarm clocks with smartphones

49%

use digital media instead of physical products, such as print publications, printed and music players

Source: Mobile Carbon Impact Survey— Carbon Trust

346,000

m³

reduction in water consumption compared to 2013, even with the GVT/Vivo merger



Waste

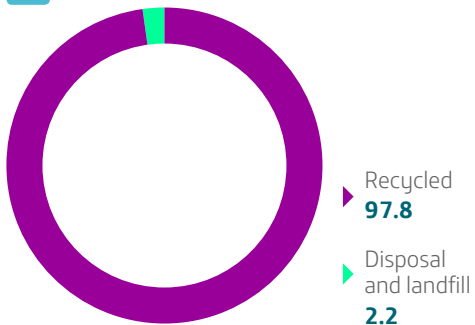
In all our activities (network, office and customers), we generate waste and have unused equipment, which represent a very relevant aspect of our environmental management and are critical to the circular economy.

Some may have dangerous components (e.g., batteries, etc.). Our main challenge is to reduce waste generation and promote a circular economy through our support for reuse and recycling. To achieve this, we encourage, whenever possible, practices that encourage the reuse of equipment, both in-house and among our customers.

Where reuse is not an option, recycling is, of course, the best alternative for dealing with waste. Thus, in 2015, we generated 7,145 tons of waste, of which 97.8% was recycled. [GRI G4-EN23](#)

WASTE GENERATED BY TELEFÔNICA BRASIL

tons



Waste generated by Telefônica Vivo (tons)	
Paper and cardboard	
Recycling	33
Disposal and landfill	0
Cables and metal	
Recycling	6,238
Disposal and landfill	156
Batteries	
Recycling	555
Disposal and landfill	0
E-waste	
In-house e-waste	42
Fluorescent bulbs	
Recycling	121
TOTAL	7,145

Waste Electrical and Electronic Equipment (WEEE)		
WEEE from Operations		
Recycling	Units	7,615
Disposal and landfill	Tons	154
WEEE from Administration		
Recycling	Tons	42
WEEE from Customers		
Recycling	Units	646

ELECTRONIC WASTE

According to the United Nations, of the 42 million tons of e-waste generated annually, only 12% is recycled. We believe that the responsibility for solving this problem must be shared society-as-a-whole.

Most of the devices used in our operations and by our customers have been recycled or reused. The dynamics of the circular economy will result in an increase in reuse in the coming years.



LEARN MORE

Learn more about Vivo's initiative to encourage the recycling of used cellular phones:

<http://vivo.com.br/reciclarpegabem>



REVERSE LOGISTICS

One of the main environmental risks in the telecommunications arena is associated with e-waste disposal, particularly home-use equipment associated with pay TV, broadband and cellular services.

The reverse logistics process takes place along two fronts – equipment removal by Telefônica Brasil from use locations (residences, commercial sites, buildings, etc.) and delivery of cellular phones and accessories to all Vivo stores and

resellers – a project known until the close of 2015 as Reciclar Pega Bem (Recycling is Cool).

Telefônica Brasil is responsible for removing pay TV and broadband equipment, as well. There are over 30,000 locations with equipment – frequently with two or more devices installed. This volume demands a large reverse logistics effort, which is used not only to collect the equipment that needs be replaced, but reuses the used items when they are still in working order and applicable for further use.

In this case, sorting is carried out, selecting those items that can potentially be reused in other facilities. Those selected are sent for maintenance assessments and another round of sorting to select those pieces of equipment that can returned to operation. Those not selected are sent along for proper e-waste disposal.

Throughout 2015, we collected a total of 1,332,138 pieces of equipment; the 2016 goal is 1,628,681.

Phones, batteries, modems and accessories have all been part of the **Reciclar Pega Bem** project, which seeks to recycle disused equipment that would otherwise be discarded and, when recycling is not an option to dispose of such items in an environmentally sound manner. Vivo was the first operator to deploy a program of this type, beginning with a pilot initiative it launched in 2006 and, in Brazil, in 2008 (*learn more on p. 43*).

Electromagnetic fields G4-PR1

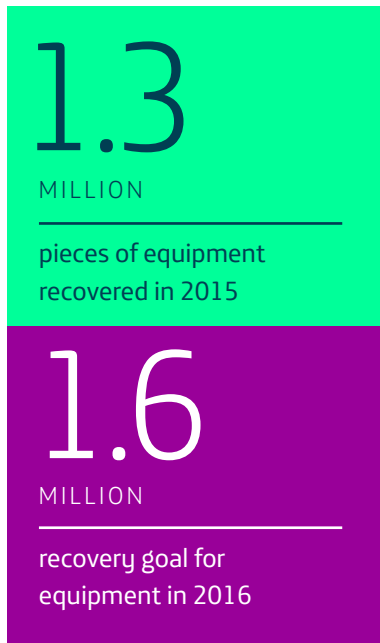
Radio signals, such as those for cellular phones, are electromagnetic waves emitted from antennas, which are the result of electric currents supplied to transmitting equipment.

Throughout our lives we are exposed to electromagnetic wave emissions, not only from cell phones, but a variety of sources, both natural and artificial. Sunlight is a natural source, just as TVs and AM/FM radios are artificial sources. What differentiates the the radiation emitted from each of these is their operational frequencies and the energy that each possesses.

Electromagnetic frequency radiation above 1,016Hz (ultraviolet radiation) is considered ionizing, as it has enough energy to break the molecular bonds of the materials on which it is focused. Cell phones emit waves below this frequency and are classified as non-ionizing, with an operational frequency that is, at least, 3 million times less than the frequency at which electromagnetic radiation is considered to be ionizing. All Telefônica Vivo operational bases were installed in accordance with criteria established by the International Commission on Non-Ionizing Radiation Protection (ICNIRP), the independent advisory body to the World Health Organisation (WHO). The criteria include electromagnetic field exposure limits to ensure that there

are no risks to health. All of Vivo Telefônica's antennas are in compliance with these limits, in Brazil, as well as all of the countries in which it operates.

The main limits established by these entities are the Specific Absorption Rate (SAR), used primarily for measurements in the laboratory; and power density, mostly used for field measurements. Once one of the limits is respected, the other is also automatically given as being equally respected, as one is derived from the other. Telefônica Brasil's towers have a power density limit of 4.35 W/m². Throughout 2015, the company conducted 10,239 electromagnetic field measurements to verify that they are operating within appropriate parameters.





9. Appendices



Principles for the development of this report G4-28, G4-29, G4-30, G4-31, G4-32

This report was prepared based on the methodology of the Global Reporting Initiative, whose guidelines are currently in their fourth version, known as GRI G4.

The content includes 35 items of general content (strategic and analytical information, organizational profile, identified material aspects and their limits, stakeholder engagement, report profile, governance and ethics and integrity). We also reported on 53 economic, social and environmental performance indicators, as well as the forms of management for material aspects, about which this document adheres to essential, Core option guidelines.

Additional guidelines orienting this publication are those for integrated reporting established by International Integrated Reporting Council (IIRC), a multistakeholder, international organization that defined a protocol with principles for reporting and analyzing integrated performance. The objective is to expand the informational transparency and the competency level of organizations to generate value over the short, medium and long term. In this report, we have improved our communication, using a clear and focused approach on material issues to the business, and presenting objective content.

In this edition, we have presented our value propositions for each of our strategic stakeholders. We will continue to evolve our approach in the coming years to provide an increasingly integrated analysis of both financial and non-financial aspects.

PERIOD CONSIDERED

Telefônica Brasil's Sustainability Report is published annually. This edition considers performance for the period between January 1 and December 31, 2015.



CONTACT

Readers that want to ask questions or comment on the practices described in this report may write na e-mail to sustentabilidade.br@Telefônica.com





GRI Summary

Aspect	Description	Page/Response	UN initiatives	External verification	Omission
GENERAL STANDARD DISCLOSURES					
Strategy and analysis	G4-1 President's Message	4,6		Yes	
Organizational profile	G4-3 Name of the organization	9		Yes	
	G4-4 Brands, products and/or services	10		Yes	
	G4-5 Organization's headquarters location	São Paulo, SP		Yes	
	G4-6 Countries where the organization operate	9		Yes	
	G4-7 Nature of ownership and legal form	9		Yes	
	G4-8 Markets in which the organization operates	9		Yes	
	G4-9 Scale of the organization	9		Yes	
	G4-10 Profile of the employees	58,60		Yes	
	G4-11 Percentage of employees covered by collective bargaining agreements	58		Yes	
	G4-12 Description of organization's supply chain	67		Yes	
	G4-13 Significant changes	9		Yes	
	G4-14 Description of precautionary principle	30		Yes	
	G4-15 Charters, principles or other external initiatives	5,7,31		Yes	
	G4-16 Participation in associations and organizations	32		Yes	



Aspect	Description	Page/Response	UN initiatives	External verification	Omission	
	G4-18 Process for defining report content	29		Yes		
	G4-19 List of material aspects	29		Yes		
	G4-20 Aspect boundary within the organization for every material aspect	29		Yes		
	G4-21 Aspect boundary outside the organization for every material aspect	29		Yes		
	G4-22 Restatements of information provided in previous reports	Any significant changes with respect to the data reported in previous years and changes in the basis of calculations or in indicator measurement techniques are outlined in the text and tables of this report.			Yes	
	G4-23 Significant changes in the scope and boundaries of material aspects in relation to previous reports	9			Yes	
Stakeholder engagement	G4-24 List of stakeholder groups engaged by the organization	29		Yes		
	G4-25 Basis for identification and selection of stakeholders with whom to engage	29		Yes		
	G4-26 Approach to stakeholder engagement	29		Yes		
	G4-27 Key topics and concerns raised through stakeholder engagement, by stakeholder group	29		Yes		
Report profile	G4-28 Reporting period	78		Yes		
	G4-29 Date of most recent previous report	78		Yes		
	G4-30 Reporting cycle	78		Yes		
	G4-31 Point of contact regarding the report or its contents	78		Yes		
	G4-32 "In accordance" option, GRI Content Index	78, 79		Yes		



Aspect	Description	Page/Response	UN initiatives	External verification	Omission
Governance	G4-33 Organization's policy and current practice with regard to seeking external assurance for the report	The report was subject to a limited assurance by Independent Auditors (see p.86)		Yes	
	G4-34 Organization's governance structure	19		Yes	
Ethics and integrity	G4-56 Organization's values, principles, standards and norms of behavior	9,19,33		Yes	
	G4-57 Internal and external mechanisms for seeking advice on ethical and lawful behavior	33		Yes	
	G4-58 Internal and external mechanisms for reporting concerns about unethical behavior	33		Yes	

SPECIFIC STANDARD DISCLOSURES

Category – Economic

Economic performance	G4-DMA Management approach	22		Yes	
Indirect economic impacts	G4-DMA Management approach	22,23		Yes	
	G4-EC7 Impact of investments in infrastructure offered for public benefit	38,39	PG 7, SDG 3, SDG 8	Yes	
Procurement practices	G4-DMA Management approach	67		Yes	
	G4-EC9 Policies, practices and proportion of spending on local suppliers	67		Yes	



Aspect	Description	Page/Response	UN initiatives	External verification	Omission
Category – Environmental					
Energy	G4-DMA Management approach	72	PG 8, SDG 3, SDG 7	Yes	
	G4-EN3 Energy consumption within the organization	72	PG 8, SDG 3, SDG 7	Yes	
	G4-EN4 Energy consumption outside of the organization	72	PG 8, PG 9	Yes	
Water	G4-DMA Management approach	74	PG 8, SDG 3, SDG 6, SDG 14	Yes	
	G4-EN8 Total water withdrawal by source	74	PG 8, SDG 3, SDG 6, SDG 14	Yes	
Emissions	G4-DMA Management approach	73	PG 8, SDG 3, SDG 7, SDG 12	Yes	
	G4-EN15 Direct greenhouse gas (GHG) emissions	73	PG 8, SDG 3, SDG 7, SDG 12	Yes	
	G4-EN16 Indirect greenhouse gas (GHG) emissions from energy acquisition	73	PG 8, SDG 3, SDG 7, SDG 12	Yes	
	G4-EN17 Other indirect greenhouse gas (GHG) emissions	73	PG 8, SDG 3, SDG 7, SDG 12	Yes	
Effluents and waste	G4-DMA Management Approach	75	PG 8, SDG 3, SDG 7, SDG 12	Yes	
	G4-EN23 Total weight of waste by type and disposal method	75	PG 8, SDG 3, SDG 14	Yes	
	G4-EN24 Total number and volume of significant spills	There were no significant spills in 2015.	PG 8, SDG 3, SDG 14	Yes	
Products and services	G4-DMA Management approach	74	PG 7, PG 8, PG 9	Yes	
	G4-EN27 Initiatives to mitigate environmental	74	PG 7, PG 8, PG 9	Yes	
	G4-EN28 Percentage of products sold and their packaging materials that are reclaimed by category	50		Yes	
Compliance	G4-DMA Management approach	33	PG 8, SDG 3, SDG 12	Yes	
	G4-EN29 Value of fines and total number of sanctions for noncompliance with laws	In 2015, there were 317 sanctions against Telefônica for violation of environmental legislation. However, the company did not have to make payments for financial sanctions related to environmental legislation.	PG 8, SDG 3, SDG 12	Yes	



Aspect	Description	Page/Response	UN initiatives	External verification	Omission
Overall	G4-DMA Management approach	70	PG 7, PG 8, SDG 3, SDG 12	Yes	
	G4-EN31 Total investments and spending on environmental protection	70	PG 7, PG 8, SDG 3, SDG 12	Yes	
Environmental assessment of suppliers	G4-DMA Management approach	67	PG 8	Yes	
Category: Social – Labor Practices and Decent Work					
Employment	G4-DMA Management approach	22, 61, 63	PG 6, SDG 1, SDG 2, SDG 3	Yes	
	G4-LA1 Total number and rates of new employee hires and employee turnover	64	PG 6, SDG 1, SDG 2, SDG 3	Yes	
Occupational health and safety	G4-DMA Management approach	58	PG 1, PG 2, PG 3, SDG 3	Yes	
	G4-LA5 Percentage of employees represented in formal safety and health committees	58	PG 1, PG 2, PG 3, SDG 3	Yes	
	G4-LA6 Rates of injury, occupational diseases and lost days	58	PG 1, SDG 3	Yes	
Training and education	G4-DMA Management approach	61	PG 6, SDG 3, SDG 4	Yes	
	G4-LA9 Average hours of training per year	58,61	PG 6, SDG 3, SDG 4	Yes	
Diversity and equal opportunity	G4-DMA Management approach	58	PG 1, SDG 3, SDG 5	Yes	
	G4-LA12 Composition of governance bodies and breakdown of employees per employee category	58	PG 1, SDG 3, SDG 5	Yes	
Equal remuneration for women and men	G4-DMA Management approach	59	PG 1, SDG 3, SDG 5	Yes	
Category: Social – Human Rights					
Forced or compulsory labor	G4-HR6 Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures taken	68	PG 1, PG 2, PG 3, PG 5, SDG3, SDG 4, SDG 5, SDG 10	Yes	
Human rights grievance mechanisms	G4-DMA Management approach	33	PG 1, PG 2, SDG 3, SDG 4, SDG 5, SDG 10	Yes	



Aspect	Description	Page/Response	UN initiatives	External verification	Omission
Anti-corruption	G4-DMA Management approach	33	PG 10, SDG 3	Yes	
	G4-SO5 Confirmed incidents of corruption and actions taken	33	PG 10, SDG 3	Yes	
Public policy	G4-DMA Management approach	33	PG 10, SDG 3, SDG 16	Yes	
	G4-SO6 Percentage of employees trained in anti-corruption policies and procedures	We do not make donations or contributions to political parties (Business Principles)	PG 10, SDG 3, SDG 16	Yes	
Supplier assessment for impacts on society	G4-DMA Management approach	67,68		Yes	
	G4-SO10 Significant actual and potential negative impacts on society in the supply chain and actions taken	68		Yes	
Consumer health and safety	G4-DMA Management approach	51, 52, 54, 76		Yes	
	G4-PR1 Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	51, 52, 54, 76		Yes	
Product and service labeling	G4-DMA Management approach	48		Yes	
	G4-PR5 Results of surveys measuring customer satisfaction	48		Yes	
Marketing communications	G4-DMA Management approach	48, 49, 50		Yes	
Customer privacy	G4-DMA Management approach	52		Yes	
	G4-PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	In 2015, there were no substantiated complaints regarding breaches of customer privacy or losses of customer data.		Yes	
Compliance	G4-DMA Management approach	33		Yes	
	G4-PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Telefônica Brasil received no fines or penalties for non-compliance regarding its products and services in 2015.		Yes	



assurance report



Independent Auditor's Limited Assurance Report for Annual Sustainability Report of **Telefônica Brasil S.A.** based on guidelines of reference guide G4 of GRI and Essential reporting option.

The Shareholders, Board of Directors and Officers of **Telefônica Brasil S.A.** — São Paulo – SP

INTRODUCTION

We have been engaged by the management of Telefonica Brazil S.A. to present our Independent Auditor's Limited Assurance Report for the 2015 Annual Sustainability Report of **Telefônica Brasil S.A.**, based on reference guide G4 of GRI for year ended December 31, 2015.

COMPANY MANAGEMENT'S RESPONSIBILITIES

The management of Telefonica Brazil S.A. is responsible for the preparation and fair presentation of information contained in the 2015 Annual Sustainability Report according to criteria, assumptions, principles and indicators set in the reference guide G4 of Global Reporting Initiative (GRI) and principles of rule AA1000 (Accountability Principles Standards 2008) issued by Accountability

(Institute of Social and Ethical Accountability) and internal control as management determines is necessary to enable the preparation of this information free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to check the information contained in the 2015 Annual Sustainability Report based on the limited assurance engagement conducted in accordance with the Technical Communication CTO 01/12, approved by the Federal Accounting Council (CFC) and prepared based on NBC TO 3000 - Assurance Engagement other than Audits and Reviews, issued CFC, which is equivalent to the international standard ISAE 3000, issued by the International Federation of Accountants, applicable to non-historical information. Those standards require that we comply with ethical requirements, including independence requirements, and that the engagement is performed in order to obtain limited assurance that the overall information contained in the 2015 Annual Sustainability Report is free of material misstatement.

A limited assurance engagement conducted in accordance with NBC TO

3000 (ISAE 3000) primarily consists of inquiries to Company management and other professionals thereof who are involved in the preparing the information contained in the 2015 Annual Sustainability Report as well as the application of analytical procedures to obtain evidence that leads us to conclude on the form of limited assurance on the overall information. A limited assurance engagement also requires the application of additional procedures, when the independent auditor becomes aware of matters that lead him/her to believe that the overall information contained in the 2015 Annual Sustainability Report may have misstatements.

The procedures selected were based on our understanding of aspects relating to compilation and presentation of information contained in the 2015 Annual Sustainability Report 2015 and other work circumstances and our consideration regarding areas with possible misstatements. The procedures comprised:

a) planning our procedures, considering the significance, volume of quantitative and qualitative information and

operating and internal controls systems, which served as a basis for the preparation of the information contained in the 2015 Annual Sustainability Report of Telefônica Brasil S.A.;

b) the understanding of the calculation methodology and compilation procedures of indicators through interviews with managers responsible for preparing the information;

c) application of analytical procedures on quantitative information and inquiries on qualitative information and its correlation with the indicators disclosed in the information contained in the 2015 Annual Sustainability Report;

d) crosschecking of financial indicators with the financial statements and/or accounting records and/or press release.

Limited assurance engagements also comprise the compliance with guidelines and criteria relating to AA1000 reporting framework issued by Accountability (Institute of Social and Ethical Accountability) applicable in the preparation of the information in the 2015 Annual Sustainability Report.



We believe that the evidence we have obtained from our procedures is sufficient and appropriate to provide a basis for our conclusion in a limited form.

SCOPE AND LIMITATIONS

The procedures adopted in a limited assurance engagement are substantially less extensive than those adopted in an assurance engagement intended to express an opinion on the information contained in the 2015 Annual Sustainability Report. Consequently, it was not possible for us to obtain assurance that we are aware of all matters that would be identified in the assurance engagement that is performed to express an opinion. Had we performed an engagement in order to issue an opinion, we might have identified other matters and possible misstatements that may exist in the information contained in the 2015 Annual Sustainability Report. Consequently, we do not express an opinion on this information.

Non-financial data are subject to more inherent limitations than financial data, given the nature and diversity of methods used to determine, calculate or estimate them. Qualitative interpretations of materiality, relevance and accuracy of data are subject to individual assumptions

and judgments. Furthermore, we did not perform any work related to future projections and goals.

CONCLUSION

Based on the procedures performed, as described in this report, nothing has come to our attention that causes us to believe that the information contained in the 2015 Annual Sustainability Report have not been compiled, in all material respects, in accordance with the guidelines, principles and indicators established the G4 reference guide ("Essential" reporting option) of the Global Reporting Initiative (GRI) and the principles by AA1000 Accountability Principles Standards 2008, issued by Accountability (Institute of Social and Ethical Accountability).

São Paulo, June 1, 2016.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/0-6

Luiz Carlos Passetti
Accountant CRC-1SP144343/0-3



Credits

GENERAL COORDINATION FOR THIS REPORT

Executive Board for Sustainability and Responsible Management

MATERIALITY

Gestão Origami

GRI CONSULTING, EDITORIAL & DESIGN COORDINATION

Report Sustentabilidade