

STRATEGY FOR GROWTH AND EXPANSION

Attracting new investments

The corporate governance model we advocate was attractive to investors in 2017. At the start of the year, Algar Telecom **raised funds** from the sixth issuance of debentures of **R\$ 432 million**, to cover past and future investments. In addition, we attracted a **major investor** and announced the sale of approximately 25% of the common shares of Algar Telecom to the Archy Investment Fund, an affiliate of the Singapore sovereign fund (GIC Special Investments), for an amount of around R\$ 1 billion. As a result, we suspended the capital increase via a public offering of shares.

Strategic planning

One of the major challenges in setting an organization's strategic path is to transform elements of the defined strategy into projects that produce the results expected. We have, therefore, used methodologies to transform our decisions into consistent performances. After adopting VBM - Value-Based Management in 2016, in 2017 we continued with the cycle for prioritizing strategic projects under this methodology, taking into account among the criteria the greatest potential for expansion and development. To define the targets, we use the concept of return on invested capital, whether shareholder or third-party capital. In other words, to use the value generation metric, there are internal and external parameters to be analyzed, such as the Company's competencies in relation to other competitors, exposure to risks and industry indicators.

This first phase was applied to Algar Telecom and Algar Tech, for whom specific value generation targets were defined and implemented, reflecting the aspirations of the shareholders. Commencing in 2018, the Group will push ahead with the execution schedule of the VBM methodology for the other companies. The intention is to create a virtuous circle in which everyone stands to gain: associates, shareholders, clients and the Company.

Intangible assets

Brand

The Algar brand, coined from the initials of its founder – Commendador Alexandrino Garcia – underpins the trajectory of our group which, for 87 years, has worked to develop businesses that provide our clients with innovative solutions.

In 2017, we moved ahead with the strategy of strengthening the brand, especially the three attributes that reflect our approach to business: **commitment to serve, innovation** and **reliability**. This effort involved communication campaigns released on digital media, off-line media and sponsorships.

In 2017, we launched the “**Links Perdidos**” (Missing Links) project in partnership with the NGO, *Mães da Sé*, to help find missing people. This meant that Algar Telecom clients no longer received error messages when trying to access Internet pages that no longer exist or which have problems. Instead, they were redirected to a page with photos of missing people. To increase the chance of reconnecting them with their families, we launched a partnership with Santos Futebol Clube, advertising the name of the project instead of the Algar brand on the players’ shirts in games against Grêmio and Vasco.

Another important initiative for expanding brand awareness, both nationwide and focusing on the state of São Paulo, was the continuing **sponsorship of Santos Futebol Clube**, since it raises the visibility of the brand on the player’s kit, on merchandising material, social networks and electronic media, in the press room of the Vila Belmiro stadium (baptized as Algar), in addition to relationship actions with current and potential clients to watch the team play.

Campaign underlines Algar’s readiness to resolve its customers’ problems

Worthy of note is the campaign launched in 2017 with the slogan based on a popular saying: “*#EmaEmaEma cada um tem seu problema e a Algar tem soluções inovadoras para sua empresa*” (A play on words, stressing that Algar has an innovative solution for every problem). In simple and objective language, we make it clear that our companies are at the ready to resolve the business problems of both clients and prospects. [Click here](#) to see one of the three commercials produced for the campaign.

Dynamic portfolio management

We are experiencing the era of digital transformation in which technologies have transformed industry, labor, relations and people's way of life. Within this context, society's needs can change rapidly. That is why we are continuously incorporating new strategies and processes that address current and future demands in the markets where we operate, such as the need for greater **speed in obtaining results, at lower costs**. More than just offering solutions and innovative technologies, contributing to ensure we remain attractive and competitive, we are selective when it comes to our business portfolio, and we are focusing only on sectors in which we have identified further opportunities to **add additional value for clients**.

Innovation

For us, innovation dictates new investments. Through Algar Ventures, created in 2016, we are fostering innovation along three operating fronts: acceleration and incubation of companies and an investment fund. **Five per cent** of our annual net income is allocated to ground-breaking businesses in the early stage, with huge potential for **scalability**, which may be related to the Algar

group's activities or those of other segments, such as finance, education and healthcare. More than **R\$ 100 million** has already been invested in around **one thousand projects**, with real returns exceeding **R\$ 460 million**. The highlighted accelerated companies include Alsol Energias Renováveis, NetSupport and Sensix. Find out more in "Our business".

In support of the innovation ecosystem, we closed a partnership with Uniube (University of Uberaba), where we organize gatherings and mentoring sessions for students with proposals for innovative projects. We were joint organizers of **Cities** (the International Congress on Technology, Innovation, Entrepreneurship and Sustainability) with Fiemg, Sebrae, the municipal administration of Uberlândia and the government of the state of Minas Gerais, which promoted the theme of "intelligent cities" and brought together businessmen, entrepreneurs, academics and in the city of Uberlândia.

Pari passu with the investments, each group company has a commitment to look for trends and new technologies; create opportunities for collaboration with other companies partners and clients, institutions and communities; engage in

experiments with a fast response time, including consistent analyses; and presenting results, incorporating innovations into internal processes and solutions for clients and their value chains. One of the ways forward for fostering these transformations is the Algar Innovation Exhibition, an annual opportunity for associate of all group companies to showcase designs for new products and processes that promote savings of resources and new revenue streams. In 2017, the **Algar Innovation Exhibition** was part of the Cities project, exhibiting projects by domestic partners and universities engaged in innovation and entrepreneurship. Furthermore, in 2017 the Algar group launched **Brain**, a **Center for Innovation in Digital Business**, to foster cooperation and open innovation. We ended 2017 with the innovation ecosystem reinforced.

Sustainability

Our view of sustainability is related to how our business can contribute to solving society's current and future challenges, and how we relate to our stakeholders. Abiding by strict ethics of behavior; offering the market high value-added solutions; working in a way that is more **connected, simple, nimble and intelligent**; taking responsibility for the impacts of our activities on the environment and on people's lives. For us, sustainability is all about this.

As the bearings of our sustainable management we use international benchmarks and we publicly assume commitments with global development agendas. Algar Telecom is a signatory to the United Nations **Global Compact** and **Sustainable Development Goals** (SDGs). We currently contribute directly or indirectly to 27 SDGs, which are now monitored in a more structured manner.

We also have The **Algar Institute**, a non-profit organization that coordinates the Group's social investment (such as volunteer work, own resources and through fiscal incentives) for rolling out socioenvironmental projects, especially those with an educational profile (find out more in "[Social and environmental](#)

[management](#)"). In order to mobilize to address the commitments we have taken on, with the support of The Algar Institute we have the **Sustainability Committee** representing the different regions where we operate, and with annual awards for the regional offices that stand out most.

The maturity of our sustainability-oriented management has been recognized in recent years in the awards received by group companies, such as "the most sustainable" in different business sectors, according to the *Exame* magazine Sustainability Guide. Find out more in "[Awards and Acknowledgements](#)".

People serving People

The Algar brand slogan, "People serving People", was inspired in the lessons left by the Group's founder, Comendador Alexandrino Garcia. For him, working to benefit others and meeting people's needs were what mattered most for him. And, to this day, this is what underpins the attitudes and behavior of our employees towards our clients.

In practice, we value human relations in everything we do, and we have built relationships with our employees based on ethics, respect and transparency. Naturally, this attitude is replicated with all other stakeholders. For having adopted a coherent approach to our internal and external stakeholders, we are recognized as one of the best companies to work for in various sectors and regions– "check out "[Awards and Acknowledgements](#)" – and, at the same time, we have achieved high rates of satisfaction with our services and solutions.

One of the reasons for this acknowledgement is the fact that we afford an environment for human and intellectual development that has value for our employees and, consequently, reinforces the solutions we present to the market. One strategy in this direction is **UniAlgar**, a national benchmark in corporate universities and distance learning, founded in 1998 to develop and enhance the competitiveness of the business. Initiatives such as this, combined with attractive human talent management policies are reflected in the work environment. Proof of this is the **Organizational Climate Survey** whose satisfaction index jumped from 71%, in 2016, to 77%, in 2017.

AWARDS AND ACKNOWLEDGEMENTS

Throughout our history, we have achieved important acknowledgements that demonstrate our outstanding performance in corporate governance, people management, sustainability, innovation and customer service. Here are the main awards in 2017.

INNOVATION

- ◉ **ALGAR AGRO** – Valor newspaper Innovation Ranking – 1st place in the agribusiness sector
- ◉ **ALGAR TELECOM** – Valor newspaper Innovation Ranking – 2nd place in the telecommunications industry
- ◉ **ALGAR TELECOM** – AT Kearney Best Innovator – most innovative company in the telecommunications industry in Brazil
- ◉ **ALGAR TELECOM** – *Amanhã* Magazine Champions of Innovation Ranking – most innovative company in the telecommunications industry in the south of Brazil
- ◉ **ALGAR TECH** – Valor newspaper Innovation Ranking – 4th place in the Technology sector
- ◉ **ALGAR TECH** – *Exame* Magazine Best & Biggest– 46th place in the Digital World category

CORPORATE GOVERNANCE

- ◉ **ALGAR TELECOM** – *Época Negócios 360º* Magazine – best-managed company in the telecommunications industry for the fifth consecutive year
- ◉ **ALGAR TELECOM** – 21st Anefac/Fipecafi/Serasa Experian Awards – Transparency Trophy
- ◉ **ALGAR TECH** – The Best of *Dinheiro* Magazine – Technology Category – 5th place in Innovation and Corporate Governance
- ◉ **ALGAR TECH** – Frost & Sullivan – Best Practices Award – leading and most innovative company in competitive strategy in Contact Centers
- ◉ **ALGAR TECH** – FDC Ranking – Ranking of Brazilian Multinationals – the 54 companies with most growth

PEOPLE MANAGEMENT

- ◉ **ALGAR S/A** – *Você S/A Magazine* – 150 Best Companies to Work For in 2016
- ◉ **ALGAR AGRO** – *Época Magazine* – Great Places To Work (GPTW)
 - among the best in Minas Gerais and Maranhão (with up to 1,000 employees)
- ◉ **ALGAR TELECOM** – *Época Magazine* – Great Places To Work (GPTW)
 - among the best in Brazil (for the fifth consecutive year) as well as in Minas Gerais (with more than 1,000 employees)
- ◉ **ALGAR TECH** – Best To Work For – 8th place in the ranking in Minas Gerais (with more than 1,000 employees)
- ◉ **ALGAR TECH** – Nice Customer Excellence Awards
 - Excellence in Employee Engagement
- ◉ **ALGAR SEGURANÇA** – *Época Magazine* – Great Places to Work (GPTW)
 - 5th place in the ranking in Minas Gerais and 72nd nationwide (with more than 1,000 employees)

CLIENT SERVICE/CASES

- ◉ **ALGAR TELECOM** - *Época - Reclame Aqui Prize* – Winner of the best companies for the consumer in the telecommunication services category
- ◉ **ALGAR TECH** – Best Performance Award – Excellence in Risk Analysis and Antifraud Practices Category – Fraud Automation Case – Bidirectional SMS
- ◉ **ALGAR TECH** – Best Companies in Customer Satisfaction – 1st place in the Business Process/Call Center Outsourcing Services segment
- ◉ **ALGAR TECH** – 5th Golden Customer Service Award
- ◉ **ALGAR TECH** – 23rd Abemd Awards – Gold in CRM; Gold in Call Centers/Contact Centers; Best of the Best in Call Centers/Contact Centers
- ◉ **ALGAR TECH** – CIC Brazil Award – Best Integration Project – Bronze
 - SAC and Telesales Integration
- ◉ **ALGAR TECH** – CIC Brazil Award – Best Strategic Project – IVR Earnings Statement
- ◉ **ALGAR TECH** – CIC Brazil Award – Best Back Office Operation - Gold
 - Automation of Expenses – Bidirectional SMS

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

- ◉ **ALGAR S/A** – *Esporte Mineiro Award* – companies that most supported sporting projects in Minas Gerais
- ◉ **GRUPO RIO QUENTE** – *Exame Magazine Sustainability Guide*
 - highlight in the preservation of the natural riches of the *Cerrado* (Brazil's dry upland/chaparral) region.
- ◉ **GRUPO RIO QUENTE** – ISO 14001 international certification for environmental responsibility
- ◉ **ALGAR TELECOM** – *Exame Magazine Sustainability Guide*
 - Brazil's most sustainable telecommunications company
- ◉ **ALGAR TECH** – The Best of *Dinheiro Magazine's*– Technology Category
 - 1st place in Social Responsibility
- ◉ **INSTITUTO ALGAR** – the Quianzala (Quianzala Business group) Award
 - Outstanding People – the 25 celebrities that make a difference in their social milieu

SECTOR YEARBOOKS/MISCELLANEOUS HIGHLIGHTS

- ◉ **GRUPO RIO QUENTE** – *Viagem e Turismo Magazine* – the best resort in Brazil
 - ten consecutive times
- ◉ **GRUPO RIO QUENTE** – TripAdvisor – Hot Park elected one of the world's best aquatic parks
- ◉ **ALGAR TELECOM** – Telecom Yearbook – telecommunications company of the year
- ◉ **ALGAR TELECOM** – Telecom Yearbook – highlight of the year
- ◉ **ALGAR TECH** – Telecom Yearbook – Editorial Forum – 36th place in the overall ranking
- ◉ **ALGAR TECH** – *Informática Hoje Yearbook* – 82nd place in the overall ranking of service providers; 6th place among the champions of growth; 19th place in the ranking of integrators
- ◉ **ALGAR TECH** – *Comunicação Magazine* – Information Technology Category
 - Companies that best Communicate with Journalists