RELATORIO DE SUSTENTABILIDADE 2020

GENTE E INOVAÇÃO
CONFIANÇA NO FUTURO E NO CRESCIMENTO SUSTENTÁVEL

Algar Telecom

Innovation

The theme of innovation has been part of ***Algar Telecom***'s DNA ever since it was founded. The company came into being because its founder wanted to connect his region to the main Brazilian hubs and pioneered the installation of telecommunications networks in Brazil's Midwest. This story contains several innovative milestones along the way, showing how innovation has been extremely important for the organization since its inception. Now there is a management department specifically dealing with this question.

Investing in innovation is essential to grow the company, which is now at full tilt nationwide. Our role is to articulate innovative initiatives with a dedicated budget allocation, in-house training and independent processes to heighten agility. We have three fundamental goals:

- Refining the innovation process (ideation, preparation, development and sales).
- Focusing on consolidating an agile culture and training for innovation.
- Launching new products and technologies, MVPs (intermediate deliverables from the development process that may now be marketed) and DPs (the development stage's final deliverables).

Algar Telecom's innovation strategy is documented in its Strategic Map, including metrics to assess its performance in terms of innovating efforts. Our goal is to foster technological development that will support the company's business and focus on customers.

By fostering innovation, we are sustainably generating results for our company, our partners and society. In addition to stimulating internal entrepreneurship and spreading a culture of innovation inside the company, we are sponsors of BRAIN, Private Science and Technology Institute, which is developing disruptive solutions to focus on new products, services and business models.

Our internal innovation initiatives include taking part in #Simplifica, organized by the holding, through which we encourage (people/companies) to register ideas covering various areas of the company in order to simplify processes and eliminate bureaucracy. In 2020, we registered 40 ideas, completed 12 structuring processes. We have how progressed half of the ideas to implementation stage. The best of them will be winning awards in 2021.

Employees are encouraged to submit their ideas for innovations through the Shark Tank program, a format inspired by a game show in which entrepreneurs pitch their business ideas to investors known as 'sharks'. ***Algar Telecom***'s Shark Tank team consists of professionals from different areas of the organization who have systemic vision and are involved with the company's strategy.

In this analytic process, ideas are steered along different tracks: Prototypes, Transformation (pilot

or Process Management Program), Human Talents (Organizational) and Estação. In 2020, 101 ideas came from this process. Once they have been approved, these investments will be monitored by senior management in several instances: approval of the annual budget planning by the board; subsequently through innovation projects submitted to the PMO (Project Management Office), Prototyping Program or BRAIN.

Internal innovation becomes patent

Proof that employees can also submit extremely innovative ideas is that the latest patent registered by **Algar Telecom** came from the Shark Tank program. Two employees devised a machine that enables optical cables to be reused, thus favoring sustainability and efficient use of resources while also optimizing the technicians' use of their time. The equipment they developed rewinds drops/optical fiber cables, so that leftover cables may be collected from other services/jobs in lengths do not match standard sizes found in the market. The means waste is avoided since leftover material may be rewound and reused on short wiring installation jobs.

Brain

Following the 2020-2022 Strategic Plan, Brain is operating on four technological avenues: Internet of Things (IoT), 5G, Cloud and Digital, with the objective of offering the best customer experience and expanding possibilities and usabilities that arise from these technologies.

In 2020, BRAIN's operations expanded to incorporate development of solutions for other companies in the ***Algar*** group, in addition to ***Algar Telecom*** *itself*. In this cycle too, ***Algar Telecom*** 's R&D projects began the process of entering BRAIN, since the institute is responsible for ***Algar Telecom***'s disruptive solutions. The new solutions developed by *BRAIN*, which numbered six in 2020, that reach the entire value chain and impact all of the company's areas.

Among the programs customized for the areas in the period – all in digital format due to the pandemic – the following stand out:

Innovation in the Field Program – second class

100% online	40 employees	1 chance	R$ 7 million
Beginning of classes	field, backoffice and COR	patent filing	12-month earning ambition

Innovation in the Field Program – Third class

21 employees	1 chance	R$ 6 million
Expansion	patent filing	12-month earning ambition

Innovation Franchises

24 participants	10 weeks	R$ 6.5 million
(franchisees + team)	mentoring and innovation training	12-month earning ambition after scaling

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Innovation in Relationship

30 Participants	10 weeks	6 iniciatives
Algar Telecom's Customer Service Journey	innovation training mentorships	approved for prototyping

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InovaTEN

6 teams	3 monthes	4 iniciatives
Algar Telecom's Deliveries Tribe team	Innovation mentorships and training	approved for prototyping

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Brain's project management is based on agile methodology, which requires multidisciplinary teams and provides faster and more assertive deliveries than the traditional waterfall model. Based in Uberlândia, Brain expanded operations to Recife and São Paulo two years ago. In 2020, it appreciated its mission of "resolving customer's pains by generating innovative business" by posing solutions in the context of Covid-19. Its team currently numbers about 100 people.

Due to the pandemic scenario, some projects were interrupted, especially those that involved contact with customers in their homes. On the other hand, we seized the opportunity to review our product portfolio and accelerate projects that could help clients become more digital while weathering the crisis. Products of this kind, such as *Web Protection* (digital security solution for SMEs), launched in 2020, have shown excellent results, with five thousand activations in the period.

In this cycle, we evolved the management of our own projects, in an agile *PMO* (Project Management Office) format, replacing our *VMO (Vendor Management Office),* from which we manage our goals and key results and performance indicators. We adopted tighter control over results during the scaling phase, when daily control of results was one of the improvements that led to higher productivity. This is a win that we intend to maintain in 2021, so that we can continue to pursue our vision of "being the market's benchmark platform for generating innovative business."

Partnerships

GRI 102-13

The solutions developed by Brain involve external partners to ensure agile creation of new products, services or business models. For example, it is associated with Associação Catarinense de Tecnologia (ACATE), the main representative of innovative entrepreneurship in Santa Catarina and whose network consists of over 1,200 members, to support, train and inspire technology sector entrepreneurs.

In 2020, we consolidated our partnerships with Portal Digital in Recife, and the innovation hub for Industry 4.0 in Uberlândia, to make a podcast on important issues and foster engagement.

In addition, Brain promotes some challenges for startups. In 2020, it made some Open Innovation programs:

- Brain OpBrain Open Recife (for more details see website)
- Brain Open IoT Challenge (for more details see website)
- Matchmaking Franchises
    - 8 companies worked on the Franchises challenge
    - 4 were selected for the bench

BRAIN'S ROLE AND PERFORMANCE

Growth has meant that each of the Innovation Center's branches (Uberlândia, Recife and São Paulo) has an executive managing *squads* and innovations in each city, while each of the tribes (Tribo Cerrado, Tribo Porto and Tribo Sampa) have their own focuses, objectives and performance

in specific business verticals. To ensure good governance of the new structure, a Scientific Technical Committee was organized consisting of one member of the Innovation Center, two PhDs from Federal University of Uberlândia and a member of INATEL (National Telecommunications Institute). This committee joined the previously existing boards and committees.

UBERLÂNDIA (AUG/2017)

Brain is located near ***Algar Telecom***'s headquarters, which facilitates the exchange of experiences and training employees in innovative processes and agile methodology, in addition to incorporating products and services to our portfolio. We have partnered with Federal University of Uberlândia, the Ministry of Science, Technology, Innovation, Communication and the Brazilian Reference Center in Technological Innovations for Paralympic Sports (Cintesp) in order to set up an Innovation Center for Assistive Technologies. We also have an innovation hub focused on developing solutions for industry 4.0 – which covers automation, information control and technology applied to manufacturing processes.

SÃO PAULO (AUG/2019)

The state of São Paulo was chosen because 43% of Brazil's technology is produced there (Brasscom data) and because it is Latin America's biggest city, thus helping Brain develop constant contact with companies and institutions to heighten the chances of establishing new business ventures.

RECIFE (OCT/2019)

Recife is a reference for innovation in the Northeast region, thus enhancing *Brain*'s opportunities to build relationships with companies, institutions and startups. *Brain* is located in Porto Digital, the city's technology park, which hosts 300 companies and institutions in the Information and Communication Technology (ICT), Creative Economy (EC) and Technologies for Cities sectors.

In addition to having Brain Open working in the ecosystem of the digital body in Recife, Florianópolis and São Paulo, we made a virtual tour in Portugal as part of our program of getting to know the key international ecosystems for the innovation question. On this virtual visit, we got a chance to meet 23 new innovative Portuguese companies located in the cities of Aveiro, Porto and Lisbon, with the conglomerate's executives, board members and shareholders in attendance. Visits to Israel and Stockholm were part of the plans but they had to be canceled due to the pandemic.

Because of *Brain*'s performance over the past three years, it has been recognized as a reference in innovation, which earned it seven awards, six for ***Algar Telecom*** and one directly for *Brain*, which was placed among the top three in the *StartUp Awards* – innovation's Oscars – in the *Corporate* category.

Brain Innovation Academy

In 2020, we launched our education arm to develop professionals prepared for the future on three training axes: methodology, technology and behavior. *Brain Academy* is open to internal and external agents in partnerships with companies that are innovators in their branches of business.

The project portfolio consists of the Brain Summer Job (vacation internship program), Agile in practice (Workshop for professionals wanting to learn Agile methods), Design Sprint (structured and collaborative agile methodology), Education for home-office (for companies wanting to implement this model), Timeout (immersion program for leader mindset change), Agile update (Advanced workshop on agile methodology), International Immersions (to power up business connection and generation between companies), Webinars, [Re]codesign, UX, CX, UI courses, business model and corporate finance, among other subjects.

The second *Brain* Summer Job internship program was held remotely during the July 2020 vacations; over 1,200 applications came in from 17 states in Brazil and there were 3 from other countries (Portugal and the United States).

Brain workflow involves three main stages: **ideation, preparation and development**. In the first phase, ideas for disruptive solutions and startups are analyzed to confirm key issues for innovations and potential projects to be developed.

For the next phase, the ideas are submitted to the Advisory Committee, which assesses opportunities. Finally, development is taken over by multidisciplinary squads, which ensures agile deliveries and gets the Minimum Viable Product (MPV) to market to be quickly and easily improved until we get the product right.

The process takes about six months. From MPV through to final product, a customer may send suggestions for improving the product to meet their needs. Products developed by Brain go to Estação and may be internalized to AT's portfolio in 15 to 30 days.

ESTAÇÃO

Set up in 2018, Estação is tasked with operationalizing and scaling new business originating from Brain, while contributing to the development of the Company's ICT service portfolio. Thanks to the Lean and Agile methodologies, Estação allows projects and disruptive solutions to be scaled up more rapidly.

Estação works with teams (tribes) and squads (multidisciplinary teams) focused on ICT, digital

experiences (with the best customer experience in mind) and technology structuring, which contributes to leveraging projects. Early on, it had only five tribes. In 2020, after various lessons learned and structuring actions, all Marketing and IT teams migrated to Estação's Agile model, with employees on the team adding up to more than 500.

At Estação, innovation is tracked in real time by the squads, which review it and make their decisions based on data that are daily monitored. For support, we created Management On Demand, an online dashboard accessible to everyone and containing financial and marketing information, customer data (satisfaction index, deliveries, returns), and a delivery backlog made available in a clear and objective manner. This network of results enables the squads to take corrective actions swiftly, identify incidents, create opportunities, and improve innovation in general.