



RELATORIO DE SUSTENTABILIDADE 2020

GENTE E INOVAÇÃO
CONFIANÇA NO FUTURO E NO
CRESCIMENTO SUSTENTÁVEL

Algar ▶
Telecom

Message from the Management

Although the year was marked by social distancing due to the Covid-19 pandemic, we were able to build even closer relations with our customers and employees. By tirelessly working to ensure their connectivity and security, we were able to report a robust performance, despite the period's great uncertainty.

Our R\$ 2.4 billion net revenue was up 10.5% and EBITDA was over R\$1 billion for the first time. These numbers reflect our consistent and intensive efforts and the investments we made to build quality networks with highly advanced onboard technology while also expanding our coverage area. We prepared the organization to meet demand from all customers, both corporate and individuals (B2B and B2C), who from one day to the next had to migrate to remote working and online entertainment. We met substantially higher demand for data traffic capacity and supported our customers' operations, thus getting positive impacts in terms of their levels of satisfaction.

Our connectivity involves operational and commercial services provided by employees or partners present in the regions where we operate, so we make sure that our customers have their needs promptly met, not only by offering high-speed connectivity solutions but also IT products and services ranging, from network security to cloud storage. In addition, we are continuing to pursue innovative solutions. In 2017, we decided to start development work for ICT (Information and Communication Technology) products to be offered together with connectivity. Now they account for 10% of net revenue from our B2B segment, thus sharpening our high-priority focus on this area of business. As part of this prioritizing approach, we decided to discontinue TV services throughout the year and started to offer them with a partner.

Other strategic decisions made in the period proved correct, such as our focus on active cash management while energetically and effectively managing customers whose revenues were most penalized during the pandemic. We rescheduled their debts and provided the support they needed to continue operating normally.

Our franchising program also remained active in 2020 by accelerating its offer of services over fiber in several localities. Deploying optical fiber in smaller towns is relevant for the social and economic development of these regions and we are aware of the important role that our products play for sustainable development. Therefore, we accelerated growth in these regions through franchisees and we now have 1,300 kilometers of optical fiber in smaller municipalities (the largest of them has 20,000 inhabitants) and another 300 kilometers underway, thus replacing legacy networks. Our program empowers, frees up and maximizes an advanced digital system's ability to grow, while fostering small and medium entrepreneurs.

We are currently providing services in 16 states, 367 cities and the Federal District, which shows our growth potential. In 2020, we invested about R\$460 million to install and activate customers in the newly built networks, at a time that digital connectivity was being quickly upscaled. In 2021, in addition to activating new customers, we will continue to extend networks to reach new locations.

Over the last six years, we have been progressing our strategic plan, doubling EBITDA, earnings

and operating cash flow. We may chalk up a large part of this result to the innovative environment that we encourage. Currently, this is done by accelerating agile methodologies, led by a space that we call Estação **Algar Telecom**, which is a community consisting of multidisciplinary teams developing ideas, products and services autonomously with a customer-focused approach. This community takes up innovations proposed by BRAIN, the science and technology institute of which we are founding members – that focuses on four main areas: Internet of Things (IoT), Cloud, Digital and 5G.

While investing in the growth of our business, we are constantly looking to our responsibility for sustainability. On the environmental side, we have sought to continuously reduce our CO₂ emissions through effective climate governance. In addition, we have made progress in the use of renewable energies, which now provide 66% of our current matrix. We have also ensured continuous management of our fleet of vehicles using fuel that is now 94% supplied from less polluting sources.

From a social point of view, 2020 turned out to be a year in which our occupational health and safety measures enabled us to keep our operation online and ensure the safety of our employees and customers. Our field technicians made every effort to guarantee availability for our services despite adverse situations. For our part, we ensure that all preventive measures, protocols, PPE, training and testing programs were offered at the highest possible levels of safety. Therefore, we continue to post higher customer satisfaction indicators, combining service, network quality, systems availability and data security.

We remain confident for the future of our business and we are well positioned to move forward when the economy picks up. We are using the lessons learned to materialize our plans for the future, supported by robust free cash flow for strategic opportunities and a solid team to continue expanding into new geographic regions and adjacent areas.



JEAN CARLOS BORGES

Chief Executive Officer, **Algar Telecom**



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Chairman of the Board of Directors, **Algar Telecom**