ANNUAL SUSTAINABILITY REPORT OI

2014



menu

OI IN NUMBERS G4-9

INCOME STATEMENT (R$ THOUSANDS)	2012	2013	2014
REVENUES FROM SALES AND/OR SERVICES	**25,161,031**	**28,442,147**	**28,247,099**
Costs of assets and/or services sold	(12,670,413)	(15,259,215)	(15,229,602)
GROSS INCOME	**12,490,618**	**13,162,932**	**13,017,497**
OPERATING (EXPENSES) INCOME	**(7,730,969)**	**(7,876,315)**	**(7,342,859)**
Equity in earnings from subsidiaries	(12,880)	(17,750)	(5,881)
Selling expenses	(4,840,707)	(5,571,891)	(5,611,772)
General and administrative expenses	(2,993,131)	(3,581,544)	(3,751,410)
Other operating income	1,996,101	3,193,024	4,466,914
Other operating expenses	(1,880,352)	(1,898,154)	(2,440,710)
INCOME BEFORE FINANCIAL INCOME AND TAXES	**4,759,649**	**5,286,617**	**5,674,638**
Financial revenue	2,275,106	1,375,217	1,344,767
Financial expenses	(4,490,889)	(4,649,665)	(5,891,332)
FINANCIAL INCOME	**(2,275,106)**	**(3,274,448)**	**(4,546,565)**
INCOME BEFORE TAXES	**2,543,866**	**2,012,169**	**1,128,073**
Income Tax and social Contribution			
Current	(932,871)	(418,498)	(622,001)
Deferred	173,932	(100,656)	(497,954)
NET INCOME FROM CONTINUED OPERATIONS	**1,784,927**	**1,493,015**	**8,118**
Net income from discontinued operations (net of tax)		-	(4,414,539)
NET INCOME (LOSS) FOR THE YEAR	**1,784,927**	**1,493,015**	**(4,406,421)**
Net profit (loss) attributable to controlling shareholders	1,784,890	1,493,015	(4,407,711)
Net profit attributable to non-controlling shareholders	37	-	1,290
Primary and diluted earnings (loss) per share			
Common shares - primary and diluted (R$)	1.09	9.10	(7.15)
Preferred shares - primary and diluted (R$)	1.09	9.10	(7.15)
Primary and diluted earnings per share - continued operations			
Common shares - primary and diluted (R$)	1.09	9.10	0.01
Preferred shares - primary and diluted (R$)	1.09	9.10	0.01

1. Adjustments were made in the presentation of the comparative Financial Statements of December 31, 2012 with the purpose of presenting retrospectively the effects of adopting CPC 33 (R1) and CPC 19 (R2) effective as of January 1, 2013. Net income for 2012 refers to 10 months of results of Oi S.A. and two months of results of former BrT.

74.5 MILLION

REVENUE GENERATING UNITS (RGUS)

347,000 KM

OF FIBER-OPTIC NETWORK IN ALL THE STATES

OVER 1 MILLION

WI-FI HOTSPOTS

RESIDENTIAL

17,463 thousand RGUs (fixed line, fixed broadband, and pay TV)
Market Share of 36.5% in wireline

PERSONAL MOBILITY

48,462 thousand RGUs
Mobile coverage for 88.5% of the Brazilian population with a market share of 18.1%

CORPORATE/SME (SMALL AND MEDIUM ENTERPRISES)

7,917 thousand RGUs (fixed and mobile telephony and fixed broadband)

653 THOUSAND PUBLIC TELEPHONES

MESSAGE FROM THE BOARD G4-1



The 2014 scenario came as a challenging one for Oi due to the macroeconomic variables, industry trends, and the Company's corporate matters. The condition increasingly more essential of the telecommunications services has contributed to a highly competitive market for a more intensely regulated sector. Within this context, it was fundamental for Oi to adopt a transparent and proactive approach to be able to build lasting relationships with its stakeholders and ensure sustainable results in its business throughout the year.

During the year the Company continued its intensive operational turnaround process joined with a focus on cash generation. We undertook infrastructure projects that will ensure service delivery improvement and the competitiveness of operations and, in parallel, we have reassessed our investments, taking on a more selective Capex and we are directing our activities toward capturing opportunities in the Brazilian market. To ensure financial flexibility to the Company, we entered into an agreement to sell PT Portugal to Altice, whose completion is pending only on the usual regulatory approvals for this type of transaction. Closing this transaction significantly increases Oi's liquidity, strengthening its strategic position in the Brazilian market.

During 2014 we continued the process of setting up CorpCo for it to become a part of the Novo Mercado of BM&FBovespa. Due to regulatory disputes, we were not able to move forward with the process of creating CorpCo as expected. In this regard, the Company's Board of Directors approved in March 2015 an alternative structure in order to anticipate the Novo Mercado objectives as much as possible. This structure consists of a voluntary conversion proposal of Oi's preferred shares into common shares following the same exchange ratio as the original CorpCo transaction, along with a change in Oi's by-laws to include the main requirements of the Novo Mercado. This alternative structure is in the process of regulatory and corporate approvals and, when completed, will allow Oi to begin to adopt the highest standards of corporate governance, as well as the dispersion of voting rights. These changes are detailed in the Corporate Governance section of this Report.

We closed 2014 with 74.5 million RGUs (Revenue Generating Units), net revenue of R$ 28.2 billion, and EBITDA of R$ 10.2 billion. The third quarter was a period of inflection with the fourth quarter showing improvements in the economic and financial indicators. By focusing on efficiency and productivity in 2014 we reduced our routine operating costs by 1.2% year on year despite the increase in inflation in

G4-1

the period. Oi's net debt closed the year at R$ 30.5 billion with an average maturity of four years and with a comfortable liquidity to handle the financing needs for at least the next two years.

A highlight in 2014 was Oi's participation in the FIFA World Cup. With the involvement of the entire Company, years of preparation and investment, and a lot of discipline and technology in the operation, we promote the most connected Cup in history with traffic of 74 terabytes of data on the media and IT networks provided to FIFA. The volume of information was equivalent to 80 million photos. We are very proud of this achievement, which was recognized by FIFA itself and by other organization's participating in the event.

The publication of our Sustainability Report is further evidence of our commitment to transparency and good management practices. We have published our economic, social, and environmental performance report every year since 2010 in line with the GRI (Global Reporting Initiative) guidelines, an international reference on this theme. We have also promoted since 2009 a set of actions in line with the Global Compact, whose accountability is also the subject of this publication. We were pioneers in our industry when becoming a part of BM&FBovespa's ISE (Corporate Sustainability Index), and considering our departure at the end of 2014 we developed an internal action plan to ensure our return to the portfolio, which includes strengthening the role of the Executive Group on Sustainability that is responsible for bringing issues of this scope to be discussed by the senior management and to monitor the initiatives developed.

We have, indeed, been through a period of intense change, which in itself is an enormous opportunity. We are reinventing our Company, reviewing our processes, and optimizing our activities in order to allow a new leap in quality and performance. Always faithful to our DNA and seeking to create value for our shareholders and other stakeholders, we have before us a unique moment to do more and better by using our financial, intellectual, and natural resources on behalf of our Vision. In this new phase for Oi, we have been able to count on the support of our employees, partners, and customers who believed that the Company is committed to obtain more quality in our services, better management of our operating and financial structures, to reaching the best practices in corporate governance and, above all, sustainable results and relationships.

José Mauro Mettrau Carneiro da Cunha
Chairman of the Board of Directors

Bayard Gontijo
CEO

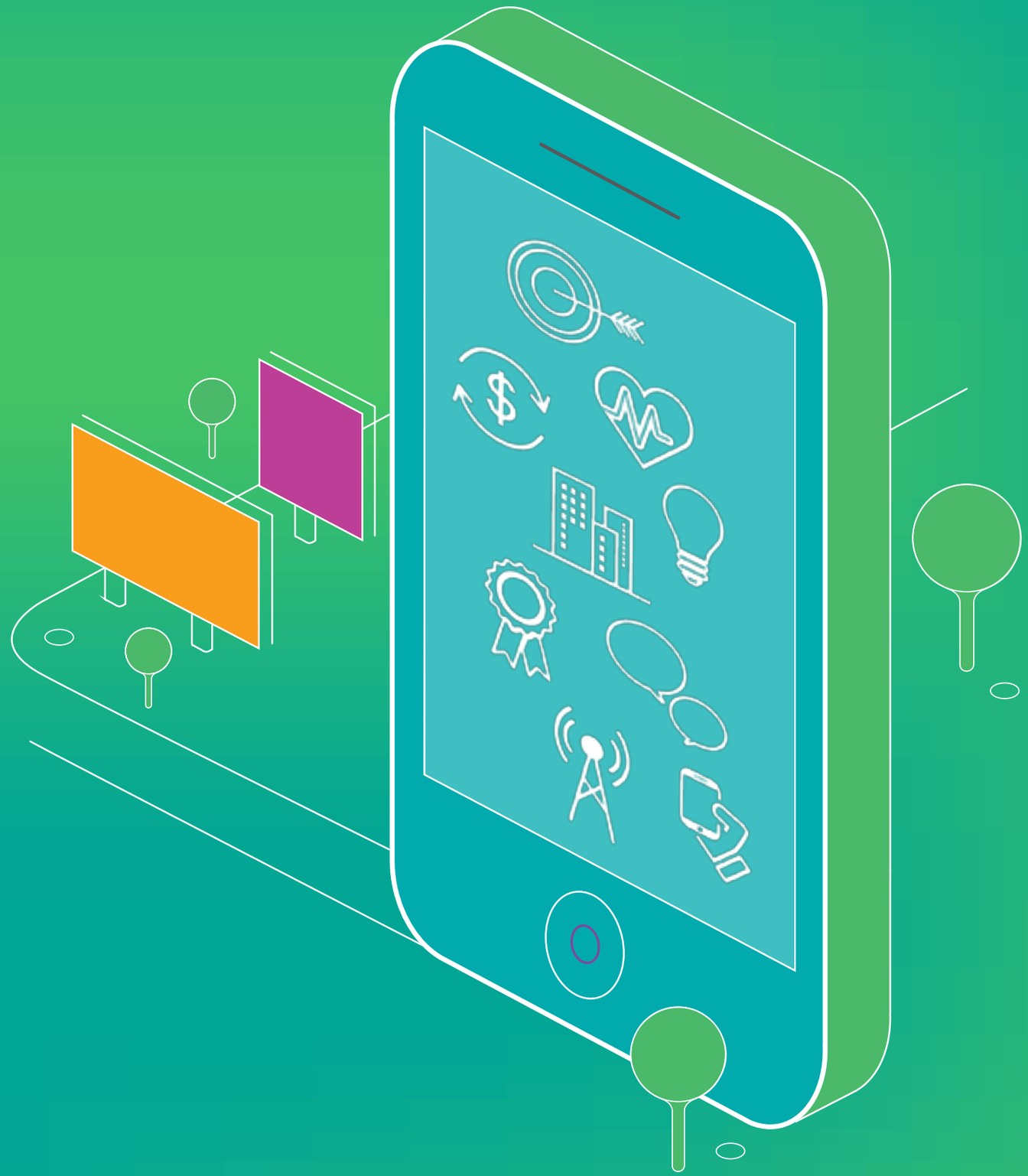
SUSTAINABILITY REPORT 2014

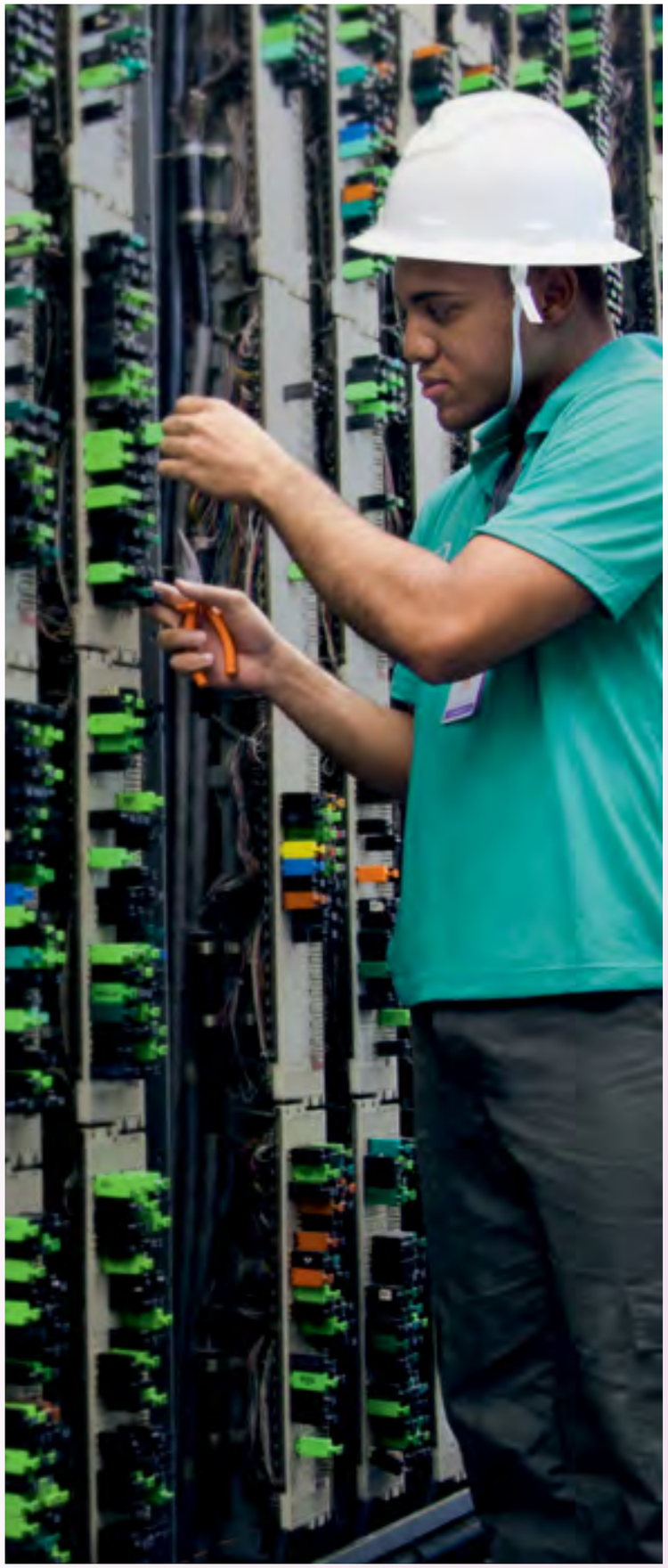
1 MATERIALITY AND REPORT PARAMETERS 6
2 ACTIONS AND STRATEGY 12
2.1 PROFILE 13
2.2 STAKEHOLDERS 14
2.3 MOVEMENTS AND PERSPECTIVES 19
3 CORPORATE GOVERNANCE 23
3.1 CAPITAL MARKET 24
3.2 GUIDELINES AND STRUCTURE 27
3.3 RISK MANAGEMENT 35
3.4 INTANGIBLE ASSETS 36
4 OPERATING AND FINANCIAL PERFORMANCES 38
4.1 CONSOLIDATED RESULTS 39
4.2 RESIDENTIAL 44
4.3 PERSONAL MOBILITY 46
4.4 CORPORATE/SMES 47
5 SOCIAL AND ENVIRONMENTAL PERFORMANCE 48
5.1 EMPLOYEES 49
5.2 SUPPLIERS 54
5.3 CUSTOMERS 55
5.4 ENVIRONMENTAL ASPECTS 57
6 PROMOTION OF DEVELOPMENT 63
6.1 DIALOG AND INVESTMENTS 64
6.2 THE MOST CONNECTED WORLD CUP IN HISTORY 66
6.3 OI FUTURO 67
7 SOCIAL BALANCE SHEET 73
8 FINANCIAL STATEMENTS
9 GRI G4 CONTENT INDEX 78
10 CORPORATE INFORMATION AND CREDITS 86
ANNEX I MONITORED INDICATORS (NON-MATERIAL) 87

MATERIALITY AND REPORT PARAMETERS

G4-18 | G4-22 | G4-23

OI UPDATED ITS MATERIALITY PROCESS IN 2014 IN ORDER TO SET PRIORITY THEMES FOR MANAGEMENT AND ACCOUNTABILITY IN SUSTAINABILITY. THIS ACTIVITY WAS LED BY THE COMPANY'S TECHNICAL TEAM OF GOVERNANCE AND SUSTAINABILITY, WITH THE SUPPORT OF A SPECIALIZED CONSULTING FIRM, AND INVOLVED MORE THAN 15 AREAS IN THE COMPANY THROUGH INTERVIEWS WITH ITS KEY EXECUTIVES, AS WELL AS THE ANALYSIS OF CORPORATE AND INDUSTRY DOCUMENTS.





G4-18 | G4-22 | G4-23 | G4-27

Initially, the previous materiality held in 2012 (for more, see Oi's Sustainability Report 2012) was reviewed in the light of the Global Reporting Initiative (GRI) version G4 guidelines. The next step considered the materiality matrixes of other companies in the Brazilian telecommunications industry, sustainability studies (such as the GRI Sustainability Topics), the materiality of Portugal Telecom (PT), due to its representativeness for the operations of Oi in 2014, and internal information. As a result of this, 16 subjects were proposed for the materiality analysis.

Leaders from all of Oi's areas, including the CEO, were consulted directly to decide on the priority of the 16 themes. It was decided to capture the perception of the stakeholders by analyzing these executives and the materials collected previously. This assessment, therefore, included the indication of the themes that are demanded by the stakeholders with which the area has an interface.

A large media survey was carried out on the telecommunications industry and the Company, and based on these sources each theme was scored on a scale of 1 to 4 for each axis, of influence and impact (see table). The resulting matrix, validated by the Governance and Sustainability area and by Oi's Board, grouped the themes into priority, very important, and important, and the first two groups became objects of this report. Besides these, the theme Company's Strategy was proposed as the central theme for the report since the period 2014 was marked by highly significant movements in this context (see more in the chapter Corporate Governance). In the sphere of sustainability management, Oi kept monitoring the GRI aspects and indicators related to its business, regardless of its priority to accountability in the sustainability report.

G4-18 | G4-27

BREAKDOWN OF THE MATERIALITY MATRIX AXES

AXIS IMPACT: INTERVIEWS WITH EXECUTIVES, OI'S PREVIOUS MATERIALITY, SUSTAINABILITY REPORTS OF ITS MAIN COMPETITORS IN BRAZIL, AND PT'S MATERIALITY

AXIS INFLUENCE: INTERVIEWS WITH EXECUTIVES (DEMANDS FROM STAKEHOLDERS), SUSTAINABILITY STUDIES, MEDIA SURVEYS, AND PT'S MATERIALITY

PRIORITY THEMES

1 - Company´s Strategy

2 - Market prospects, investments, modernization, and new business

3 - Corporate Governance - Advances, transparency & accountability, and minority rights

4 - Quality of customer service and clear business communication on the contractual aspects of products and services

5 - Investments in local and regional infrastructure, which are essential for the development of the country and communities far from urban centers

VERY IMPORTANT THEMES

6 - Health and safety of the workforce, including field activities

7 - Technological Innovation - Benefits for society and for the environment

8 - Dialog and communication between teams and representatives of th value chain

9 - Social-digital inclusion provided by the services sold and its impacts on society

IMPORTANT THEMES

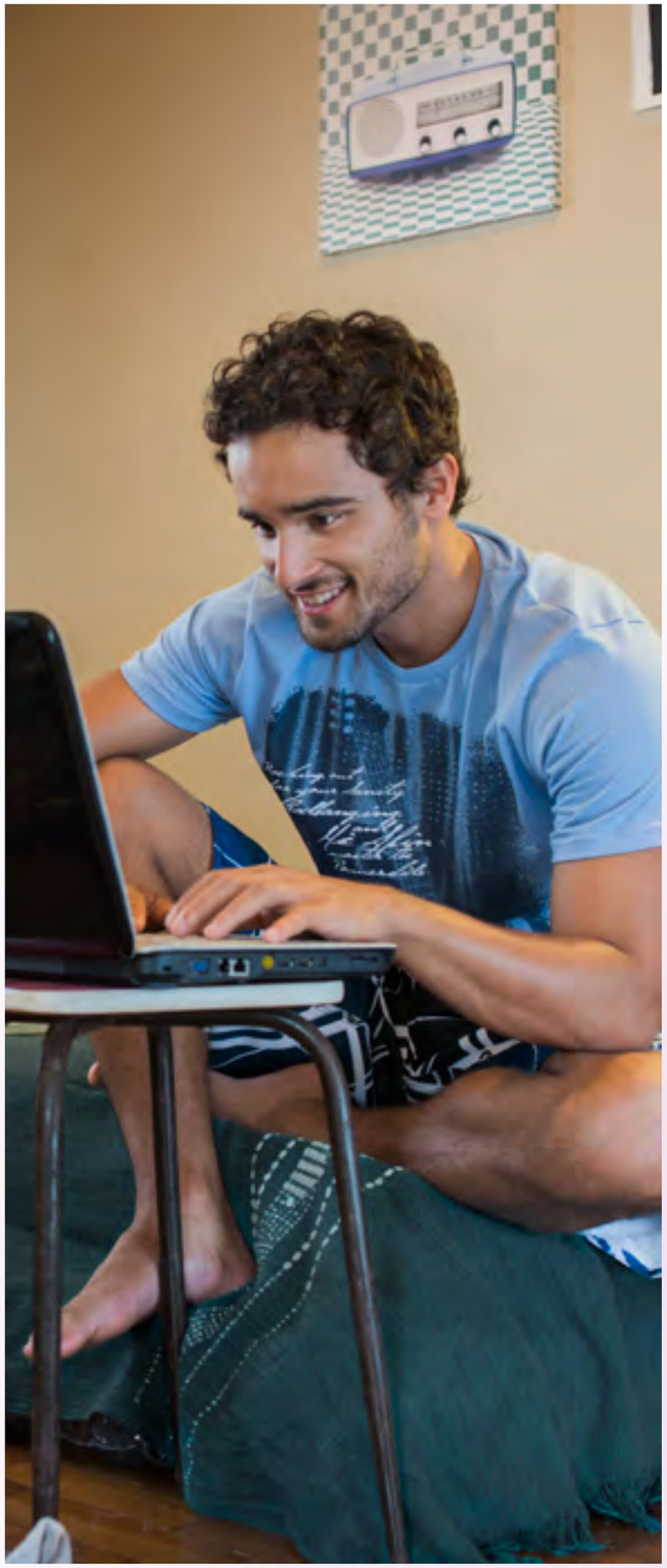
- Fair competition and antitrust practices
- Conditions of the workforce and turnover
- Customer's health and safety management for the use of its services
- Customer's privacy and management of personal information
- Risks and opportunities of climate changes
- Waste management (in particular those associated with communication technology)
- Energy efficiency of products and services
- Supply chain

G4-19 | G4-20 | G4-21 | G4-22 | G4-23 | G4-27 OI'S 2014 MATERIALITY RESULT

THEME	CLASSIFICATION	GRI G4 ASPECTS	ASPECT'S LIMIT	LEARN MORE AT
Company's Stratety	Priority	▪ Economic Performance	Internal / External	Actions and Strategy
Corporate governance - advances, transparency and accountability, minority rights	Priority	▪ Compliance (EN and SO) ▪ Diversity and equal opportunities ▪ Combating corruption ▪ Public policies	Internal	Corporate Governance
Investments in local and regional infrastructure, which are essential for the development of the country and communities far from urban centers	Priority	▪ Indirect economic impacts ▪ Rights of indigenous and traditional peoples	Internal	Promotion of Development
Market prospects, investments, modernization, and new business	Priority	▪ Market presence ▪ Purchasing practices ▪ Investments	Internal	Actions and Strategy | Operational and Financial Performance
Quality of customer service and clear business communication on the contractual aspects of products and services	Priority	▪ Training & education ▪ Product and service labeling ▪ Communications & marketing	Internal and External	Actions and Strategy | Social & Environmental Performance
Dialog and communication between teams and representatives of the value chain	Very important	▪ Mechanisms for complaints related to environmental impacts, labor practices, and human rights ▪ Local communities	Internal and External	Social and Environmental Performance
Social-digital inclusion provided by the services sold and its impacts on society	Very important	There is none	Internal and External	Promotion of Development
Technological innovation - benefits for society and for the environment	Very important	▪ Biodiversity ▪ Products and Services	Internal	Social-Environmental Performance | Promotion of Development
Health and safety of the workforce, including field activities	Very important	Occupational health and safety	Internal and External	Social and Environmental Performance

G4-19 | G4-20 | G4-21 | G4-22 | G4-23 | G4-27

THEME	CLASSIFICATION	GRI G4 ASPECTS	ASPECT'S LIMIT	LEARN MORE AT
Supply chain	Important	▪ Environmental assessment of suppliers ▪ Evaluation of suppliers on labor rights practices and their impacts on society ▪ Freedom of association and collective bargaining ▪ Child labor ▪ Forced and compulsory labor	Internal and External	[Theme not reported]
Fair competition and antitrust practices	Important	Anti-competitive behavior	Internal	[Theme not reported]
Conditions of the workforce and turnover	Important	▪ Economic performance ▪ Employment ▪ Training & education ▪ Non-discrimination	Internal and External	[Theme not reported]
Energy efficiency of products and services	Important	Energy	Internal	[Theme not reported]
Waste management (in particular those associated with communication technology)	Important	▪ Materials ▪ Waste treatment ▪ General	Internal	[Theme not reported]
Customer's privacy and management of personal information	Important	▪ Customer’s privacy ▪ Compliance	Internal	[Theme not reported]
Risks and opportunities of climate changes	Important	▪ Economic performance ▪ Emissions	Internal	[Theme not reported]
Customer's health and safety management for the use of its services	Important	▪ Customer’s health and safety ▪ Product and service labeling ▪ Communications & marketing	External	[Theme not reported]



G4-18 | G4-22 | G4-23 | G4-27

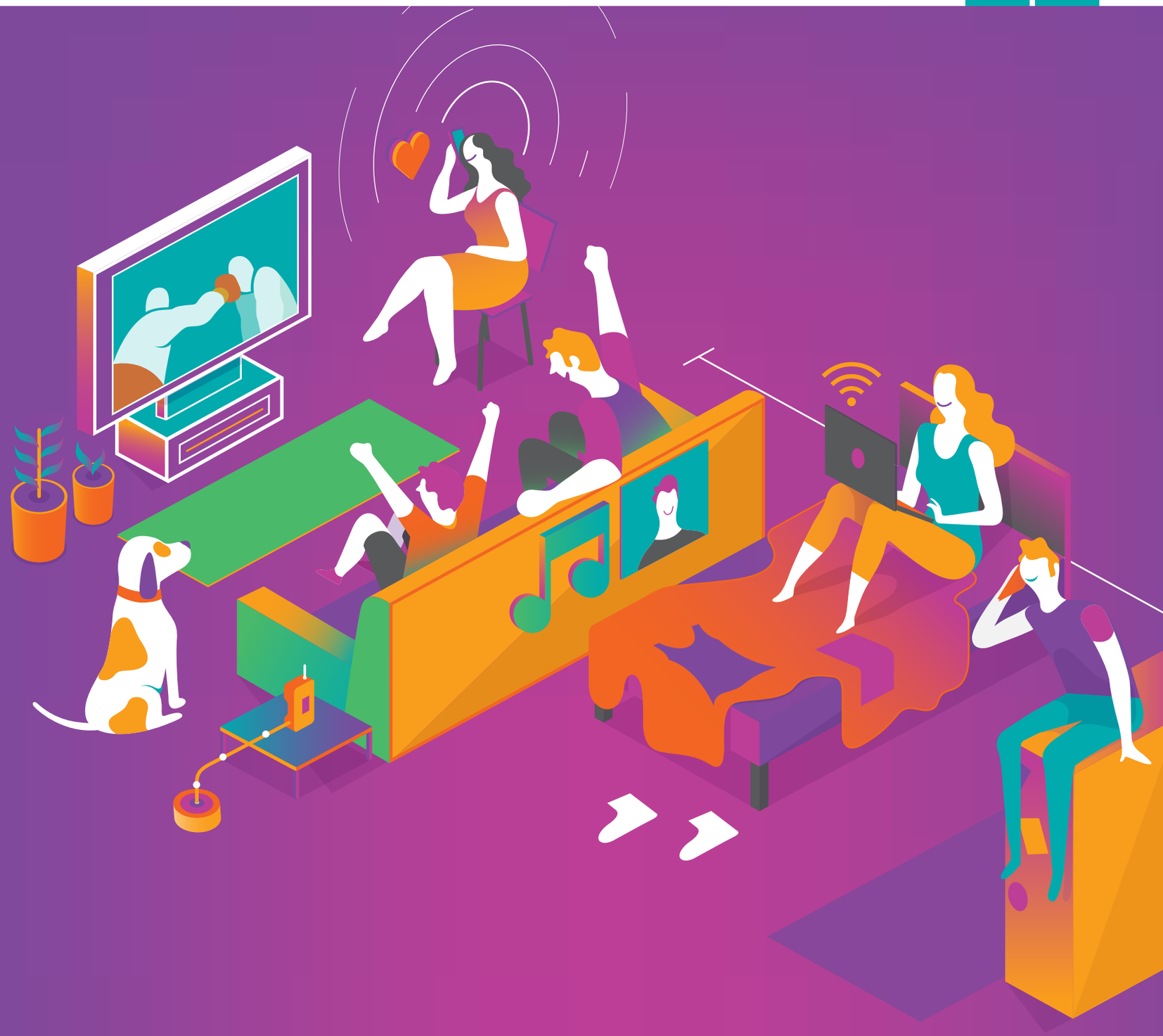
With this perspective of content, the Company presents its Sustainability Report 2014 relating to initiatives and results of Oi S.A. throughout this year from January 1 to December 31. The text also includes historical information for comparison and, where possible, the Company's outlook for the issues reported. In some points of the report, subsequent events are presented since the beginning of 2015, which have a significant impact on the business transactions reported. To facilitate identifying the key themes by the readers of this publication, prominent visual cues are in chapters and pages that address priority and very important topics. G4-28

The Company has published annual sustainability report in line with GRI's guidelines since 2010. Also considered as a reference are the Abrasca Criteria for Annual Reporting, the IBASE Social Report, the Brazilian Technical Accounting Standard Number 15 (NBCT 15), the Accounting Pronouncements Committee (CPC), and the Steering Committee for Information Disclosure to the Market (CODIM). The accounting data follows the International Financial Reporting Standards (IFRS) as recommended by the Brazilian Securities and Exchange Commission (CVM). G4-29 | G4-30

This edition is suitable for the option Essential of GRI's G4 version and the indicators listed throughout the text can be more easily identified by the remissive index. The information presented here was collected in a multidisciplinary way by the company's employees and validated by the Board. The economic and financial data were subjected to external audit as stated in the opinion of KPMG on the Financial Statements accompanying this publication and the data on the Greenhouse Gas (GHG) Inventory as stated in the opinion of Green Domus, which is accredited by INMETRO. Oi's Governance and Sustainability Management (Administrative and Financial Directors) can be reached by e-mail at pp-sustentabilidade@oi.net.br or invest@oi.net.br if you have questions or suggestions.

G4-17 | G4-31 | G4-32 | G4-33

ACTIONS AND STRATEGY



2.1 PROFILE 13

2.2 STAKEHOLDERS 14

2.3 MOVEMENTS AND PERSPECTIVES 19

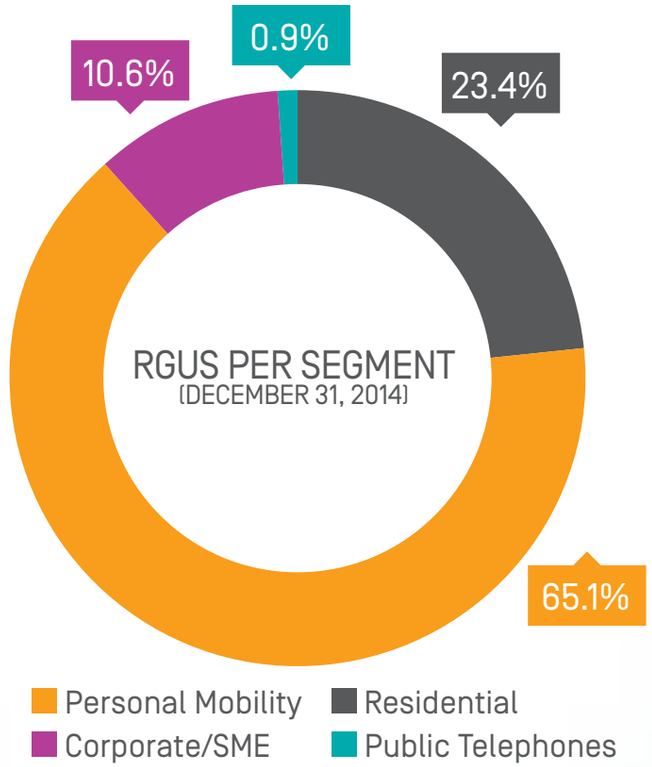


2.1 PROFILE G4-4 | G4-8

18.3
THOUSAND
CONTRIBUTORS

A pioneer in providing convergent services in Brazil, Oi offers landline and mobile telephony, broadband, pay TV, and a set of solutions in Information and Communication Technologies (ICT). With the largest network coverage in the country, the Company is present throughout the entire country, even reaching remote areas and promoting digital inclusion for the population. G4-6

Oi also stands out for having the largest Wi-Fi network of the Americas with over 1 million hotspots. At the end of 2014, the Company had 74.5 million Revenue Generating Units (RGUs) distributed according to the chart. Headquartered in Rio de Janeiro, the Company employs approximately 18,300 employees, is one of the largest sponsors of culture in the Country, and supports projects to democratize access to knowledge through Oi Futuro. G4-5



CORPORATE ESSENCE G4-56

MISSION TO SURPRISE OUR CUSTOMERS EVERY DAY WITH SIMPLE SOLUTIONS FOR COMMUNICATING AND CONNECTING.

VISION TO BE THE CUSTOMERS' PREFERRED TELECOM, OFFERING COMPLETE SERVICES WITH EXCELLENCE.

PRACTICES CUSTOMER AT THE CENTER OF EVERYTHING | SURPRISING PEOPLE | MAKING THINGS HAPPEN WITH EXCELLENCE | SUSTAINABLE RESULTS.

2.2 STAKEHOLDERS

G4-24 | G4-25 | G4-DMA: Indirect economic impacts | G4-DMA: Purchasing practices | G4-DMA: Indigenous rights | G4-DMA: Local communities | G4-DMA: Public policies | G4-DMA: Grievance mechanisms for impacts on society

Transparency and constant dialog are essential in Oi's relationship with its stakeholders. The Company seeks to always be close to society, either directly with its own employees or through representative organizations, suppliers, customers, and investors, to be able to anticipate their needs, participate in the discussion of public policies, and provide any clarifications that may be required. Some of these efforts are described in the chapters Social-Environmental Performance and Promotion of Development. Oi also values collaboration within the industry environment such as sharing infrastructure, and it participates actively in the discussions of key issues for telecommunications in Brazil to become more mature.

The Institutional Relations and Regulatory Affairs area represents the Company before Executive and Legislative government bodies at the federal, state, and municipal levels, and in its relationship with regulatory bodies. The main ones are the National Telecommunications Agency (Anatel), and the National Motion Pictures Agency (ANCINE). This action is guided by the Institutional Relationship Guide, the Code of Ethics, and by the Oi Policy of Institutional Relations (launched in 2012). In accordance with Law no. 9504/1997, Oi does not make contributions to political parties, politicians, and related institutions since it is a public utility company. G4-SO6

Oi has a Committee for Monitoring Legislative Proposals (CAPLE) to follow and assess bills pending in Congress, the Legislative Chamber of the Federal District, and in the Legislative Assemblies of the States and Municipalities that address issues related to the telecommunications sector. In 2014, 10 meetings were held and 116 legislative proposals were selected for analysis and monitoring. Since its inception in 2006, CAPLE has already analyzed 1,162 legislative proposals with a direct impact on the telecommunications business or of general interest of private initiative in Brazil.

G4-24 | G4-25 | G4-DMA: Purchasing practices

2.2.1 STATE AND LOCAL LAWS IN THE TELECOMMUNICATIONS SECTOR

The most important topics discussed with the state and municipal political leaders were:

- Laws related to installing and expanding mobile telephony
- Environmental licensing process for telecommunications infrastructure
- Land Use Act
- Basic subscription
- Laying of cables along state highways
- Reduction of the theft of cables and batteries
- Switch aerial cables installed in municipalities to underground
- Regulation of CONFAZ agreements 56/12
- Approval of a law to use the ICMS tax to pay costs with telecommunications service
- Disclosing information about the coverage area
- Establishment of rules for terminating services due to nonpayment
- Creation of laws to foster the investment in culture and sports

2.2.2 FEDERAL LEGISLATION IN THE TELECOMMUNICATIONS SECTOR

Important discussions about the federal legislation for the telecommunications industry took place in 2014. 0i, in partnership with the National Union of Telephone Companies and of Mobile and Personal Service (Sinditelebrasil), participated in the discussion of the federal Bill - PLS 293/12 - already approved in the Federal Senate and pending before the House of Representatives under No. 5013/2013, was adopted with major changes to the telecommunications business in Brazil. The PLS, which has become known as the Law of Antennas, intends to establish general criteria, especially urban ones, that are applicable to all Brazilian states and municipalities with regard to the installation of antennas. Once the new law is enacted, 0i will assess its impact on the lawsuits in progress in order to try to minimize the impact through agreements or compliance of possible obligations. G4-14

Some other projects are listed below.

- PL 2126/2011, approved and enacted in April 2014, which deals with the Civil Rights Framework for Internet
- PL 5476/2001 about the end of the Basic Subscription



G4-24 | G4-25 | G4-DMA: Purchasing practices

- PL 6025/2010, amending the Code of Civil Procedure
- PL 4330/2004 establishing standards for outsourcing services
- Several Provisional Measures, especially MP 651 that, among other things, dealt with using tax losses to be discounted from refinancing of tax debts.

2.2.3 ENGAGEMENT FOR SUSTAINABILITY

G4-DMA: Materials | G4-DMA: Energy | G4-DMA: Emissions | G4-DMA: Waste treatment | G4-DMA: Products and services | G4-DMA: Compliance | G4-DMA: Environmental grievance mechanisms | G4-DMA: Investments

Oi is aware of the importance of promoting sustainability and because of this integrates various national and international initiatives in this area. The Company voluntarily provides information to the Carbon Disclosure Project (CDP) and annually publishes its greenhouse gases (GHGs) inventory on the online platform of the Brazil GHG Protocol Program. It is also a member of the Companies for Climate (EPC), which seeks a low carbon economy to help company strategies in GHG management and propose public policies for the Country.

In addition, Oi participates in activities with small and medium entrepreneurs in their chain in the Innovation and Sustainability in the Value Chain (ISCV) project, which was created in 2011 by the Center for Sustainability Studies (GVces) of the Getúlio Vargas Foundation. The Company also implements actions within the scope of the Joint Cooperation Agreement against Pedophilia, which brings together telecommunications companies, the Federal Prosecutor's Office, Federal Police, and the Safernet Brasil organization to prevent and combat crimes committed via Internet against children and adolescents.

As a signatory of the Global Compact since 2009, Oi promotes a series of initiatives related to these principles and to the Millennium Development Goals (get to know them on the next pages). G4-15

COMMUNICATION ON PROGRESS

GLOBAL COMPACT PRINCIPLES

1. Respect and protect human rights
2. Prevent violations of human rights
3. Support freedom of association in the workplace.
4. Abolish forced labor
5. Abolish child labor
6. Eliminate discrimination in the workplace
7. Support a preventive approach to environmental challenges
8. Promote environmental responsibility
9. Encourage environmentally-friendly technologies.
10. Work against corruption in all its forms, including extortion and bribery

MILLENNIUM GOALS

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria, and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

G4-24 | G4-25 | G4-DMA: Energy | G4-DMA: Compliance | G4-DMA: Environmental grievance mechanisms

PROGRESS RELEASE

ACTIONS/INITIATIVES	CORRELATION WITH THE GLOBAL COMPACT PRINCIPLES										CORRELATION WITH THE MILLENNIUM DEVELOPMENT GOALS								PAGE
	HUMAN RIGHTS			LABOR RIGHTS			ENVIRONMENT			CORRUPTION									
	1	2	3	4	5	6	7	8	9	10	1	2	3	4	5	6	7	8	
Sustainability Policy	x	x	x	x	x	x	x	x	x	x	x	x	x				x	x	28
Code of Ethics	x	x		x	x	x	x	x		x		x	x				x	x	27
Actions of Ethics Committee	x	x		x	x	x	x	x		x			x				x	x	28 ;95
Online Training (e-learning) on Ethics	x	x		x	x	x	x	x		x			x				x	x	27
Sustainability in the Supply Chain	x	x		x	x		x	x		x			x				x	x	55
Oi Novos Brasis	x	x			x		x	x	x		x	x	x				x	x	70; 71
Actions of Internal Auditing		x	x	x	x	x				x									32; 33; 35
Inventory of greenhouse gas (GHG) emissions	x	x					x	x	x								x		16; 61; 62; 90
Annual information for the Carbon Disclosure Project (CDP)								x	x								x		16
NAVE - Advanced Center in Education	x	x			x				x		x	x						x	68; 69
Sports Incentive Sponsorship	x	x			x				x									x	67;68; 70; 72
Freedom of association to unions, collective bargaining, collective working agreements, and workday agreements	x	x	x	x														x	52; 93; 95
Oi Kabum! Schools of Art and Technology	x	x			x						x	x						x	69;
Compliance to the corporate platform of Companies for the Climate (EPC).							x	x	x								x	x	16; 61
Waste Management							x	x	x								x	x	59; 60; 75; 98;
Ecompensa Program						x	x	x									x		60
Doing More with Less Program								x	x								x		62
Citizen Soldier Program									x										97
Selective collection in the main administrative buildings							x	x	x								x	x	59; 60
Channel on website for complaints	x	x	x															x	28; 30;
Minha Oi							x	x	x								x		99;

G4-24 | G4-25 | G4-DMA: Energy | G4-DMA: Compliance | G4-DMA: Environmental grievance mechanisms

ACTIONS/INITIATIVES	CORRELATION WITH THE GLOBAL COMPACT PRINCIPLES										CORRELATION WITH THE MILLENNIUM DEVELOPMENT GOALS								PAGE
	HUMAN RIGHTS			LABOR RIGHTS			ENVIRONMENT			CORRUPTION									
	1	2	3	4	5	6	7	8	9	10	1	2	3	4	5	6	7	8	
Actions to reduce greenhouse gas (GHG) emissions							x	x	x								x		61
Actions to use less electric energy							x	x	x								x		89; 91; 98
Collection and special disposal of batteries and handsets							x	x	x								x		61
Own fleet management							x	x	x								x		58
Using returnable envelopes							x	x	x								x		64
Broadband in Schools Program	x				x						x	x						x	16
Statement of Mutual Cooperation Against Pedophilia	x	x											x	x			x		66; 43; 65;
Sponsorship, supply, and actions at events of the Confederations Cup and FIFA World Cup 2014							x	x									x	x	35; 87
Mapping of corporate risks							x			x									34
Executive Group on Sustainability										x							x	x	50
Medications of Continuous Use Program	x					x													53
Healthy Living Program	x														x	x	x		53
Occupational Health Control Program																			53, 54
Preventive activities (regular exams, health education, Health in Action, vaccination)	x															x	x		21
Agreement with the Brazilian Navy - Antarctic Base							x	x											65
Public disclosure of reports, results, minutes, acts, material facts, announcements, and filings								x				x						x	25
Channel for complaints of the Fiscal Council										x								x	30
Environment of internal controls in conformity with Sarbanes-Oxley Certification										x								x	35
Environment of internal controls in conformity with Sarbanes-Oxley Certification										x									16
Compliance to the corporate platform of innovation and sustainability in the value chain	x	x		x	x		x	x	x								x	x	16

COMPANY'S STRATEGY | MARKET OUTLOOK | QUALITY AND COMMERCIAL COMMUNICATION



2.3 MOVEMENTS AND PERSPECTIVES

The global market of telecommunications has been showing an annual growth of 4.8% in recent years, mainly due to internet connection on mobile devices. The forecast is that by 2017 there should be more than twice the data traffic and the mark of 2.8 billion devices worldwide should be reached. This is the result of an increasingly connected society: currently, an individual spends on average 73% of his or her active time connected to some kind of a device.

This scenario brings three major challenges to the global players. The first involves the accelerated investment cycle to ensure storage, processing, and bandwidth capacity for all this data traffic. The second is related to the consolidation of the sector to ensure sustainable results. This is one of the main alternatives for improving the return on invested capital, which internationally is under pressure and fell by 2.7 percentage points between 2009 and 2013. And thirdly, digitalization can and should have a facilitating role to improve customer experience.

There are many examples of this consolidation in recent years, which is a reality that the market has considered as necessary and that most often occurs in local markets where you can capture synergies more easily. In Brazil, Oi has had a leading role in these movements since its creation when there was the privatization of 16 concessions into a single company, all the way up its more recent events such as the acquisition of BrT in 2009 and the beginning of the industrial alliance with Portugal Telecom (PT) in 2012.

Despite the global conditions of the telecommunications industry, the Brazilian market presents unique opportunities for developed countries and even for other emerging nations. The enrichment of the population and the growth of class C, for example, have contributed to the population's higher purchasing power, which translates into an estimated 59 million new consumers for the sector between 2001 and 2015. Still, however, the penetration rates in services such as pay TV, broadband, mobile voice and data are below international benchmarks, indicating potential for further growth. Another trend is increasingly active users, as evidenced by growth in consumption per capita in time connected and

byte traffic, which grew by more than 20% last year.

Among the main challenges to take advantage of the gains of this market with great potential are those that hinder investments. The geographic dispersion and poor infrastructure conditions in the Country contribute to this cost, which is estimated at around US$ 78 per inhabitant versus an average in developing countries of US$ 46 per capita. The margins of phone companies are suppressed by the high tax burden, which reaches 45% in mobile telephony, and by the fierce competition in the Brazilian market that keeps prices well below those charged in the United States, Europe, and the rest of Latin America. The diversity of the spheres of government involved in deciding on the laws and approving investments (such as installing antennas) can also raise investment costs and time.

The initiatives of Oi and of its subsidiaries aim to achieve and maintain market leadership and generate value for its shareholders. All these initiatives reflect the position of its administration, guided by agility, simplicity, and objectivity. In 2014, Oi's strategy was based on four main pillars (see table).

OI'S TRANSFORMATION PLAN COMMITMENTS

CONTINUE THE TURNAROUND BY IMPROVING THE CONTROL OF COPEX (OPEX+CAPEX) AND COMMITMENT TO REDUCE CASH CONSUMPTION	IMPROVE THE PROFILE OF THE BALANCE SHEET	INCREASE CORPORATE GOVERNANCE TO THE HIGHEST LEVEL OF BRAZIL	PARTICIPATE IN THE CONSOLIDATION PROCESS OF THE TELECOMMUNICATIONS MARKET IN ORDER TO MAXIMIZE THE GENERATION OF SHAREHOLDER VALUE

The combination of the structural projects with the convergent offers will serve as leverage for Oi's organic growth. Efforts next year will be concentrated on preparing the network and improving the quality of service in order to offer the best possible experience to customers. Another driver for this expansion is to strengthen the Company in the regions where Oi is already well positioned, making it difficult for competitors to enter. States such as Pernambuco, Piaui, Alagoas, Paraíba, Maranhão, and Ceará are examples of this demographic strategy. The Company is a market leader in these regions and they have a consumption growth potential of over 10% by 2020.

With the challenge of creating and strengthening a unique culture, Oi is promoting the alignment of the entire Company in pursuit of the business objectives. Based on this strategy, the Management Model gives clear objectives and responsibilities, as well as discipline and cadence to the execution with encouragement to teamwork and cooperation among the areas. Oi improved its management model early in 2015, strengthening its control over the critical indicators and projects and aligned the targets across the Company.

Performance targets were set for all executives based on the strategic objectives, which included sustainability targets. The proposal is based on the PDCA methodology and includes monthly results meeting for all of Oi's managers for monitoring the management.

One of the pillars in the strategy of Oi's excellence is its investment in the Six Sigma Program, which aims to reduce inefficiencies in the processes and increase productivity, customer-perceived quality, and revenue while still reducing costs. Through the Six Sigma Program, employees carry out projects focused on revenue gains, cost reduction, quality improvement, or risk mitigation.

The program grew from 24 projects in 2011 to an average of 137 per year between 2012 and 2014. In addition to the certification program open to employees, in 2014 the Masters Black Belt employees in the Management area led six transversal improvement initiatives, resulting in significant cost savings, increased controls, and improvements in the customer-perceived quality. Additionally, Oi developed a strong training of its employees in the methodology at the primary and intermediate levels in order to prepare them to develop structured diagnostics. At the end of 2014, 3,047 employees were trained with 2,096 of them being White Belt (basic level) through the e-Learning process, and 951 as Yellow Belt (intermediate level) through classroom training throughout Brazil.

2.3.1 CONTINUE THE TURNAROUND BY IMPROVING THE CONTROL OF COPEX (OPEX+CAPEX) AND COMMITMENT TO REDUCE CASH CONSUMPTION

In one of his first acts as Oi's CEO, Bayard reduced the Company's executive headcount in order to make the structure more efficient and decision-making more agile. Other changes were the unification of the commercial and market areas under a single director, as well as the directors of the Corporate and Business segments were also integrated.

As consumption, Oi also set a target for improving its operating cash flow (Routine EBITDA - CAPEX) between R$ 1.2 billion and 1.8 billion for its operations in Brazil for 2015, and is already implementing initiatives towards guiding the profitability and productivity of its business, reducing operating costs, and optimizing the allocation of capital.

In this sense, in order to make sure that the gains defined will be captured throughout the year, the

Company has defined in its budget for 2015 a plan whose main leverage is to reduce costs. In this context, a board was created that is responsible for following, monitoring, and giving support for the execution of the Plan 2015 (Transformation Board). At this moment there are more than two hundred fifty initiatives already mapped with a focus on increasing productivity and operational efficiency. This process is supported by external consultants specialized in this type of project with tools and methodologies focused on implementing initiatives and cash generation.

2.3.2 IMPROVE THE PROFILE OF ITS BALANCE SHEET

The Company continues to execute its correction strategy of the balance sheet by selling assets. In 2014, Oi completed the sale of two batches of mobile towers, one in March and another in December, totaling 3,648 towers worth a total of R$ 2.7 billion.

The conclusion of the Company's contract of selling PT Portugal was an important step towards significantly reducing its leverage, strengthening its financial flexibility and allowing Oi's participation in a potential industry consolidation movement in Brazil. The use of these resources will be used exclusively for paying the Company's debts and to participate in a possible consolidation process in Brazil. In both cases, Oi will be able to significantly reduce its leverage and improve the profile of its balance sheet.

Additionally, the Company continues to seek negotiation and monetization opportunities of non-strategic assets in order to strengthen its balance sheet and maximize the value for its stakeholders.

2.3.3 INCREASE CORPORATE GOVERNANCE TO THE HIGHEST LEVEL OF BRAZIL

Due to the events already mentioned above and because of the pending approval of Form 20-F 2013 of PT SGPS by the Securities and Exchange Commission (SEC), migration to Novo Mercado probably will not take place in the short term. However, the Company's management is working with its Board of Directors on alternative structures that produce as much as possible the same effects as the Novo Mercado for its shareholders and, in parallel, it will continue working hard to make the migration to Novo Mercado as soon as possible.

2.3.4 PARTICIPATE IN THE CONSOLIDATION PROCESS IN ORDER TO MAXIMIZE THE GENERATION OF SHAREHOLDER VALUE

The Company believes that a consolidation move is positive for the telecommunications industry in Brazil in that it would provide important synergies and economies of scale, allowing the remaining operators to increase their investments and thus accelerate the digital agenda in the Country, increasing the penetration and the quality of services and bringing clear benefits for the economy, consumers, and society in general.

Because of this, in 2014, Oi hired Banco BTG Pactual S.A. to act as market commissioner in accordance with article 693 of the Civil Code, and this way act on its own behalf and on behalf of the Company to develop alternatives to allow the consolidation of the telecom market in Brazil. It should be noted, however, that as of yet there is no decision in relation to a formal proposal for consolidation.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE



3.1 CAPITAL MARKET 24

3.2 GUIDELINES AND STRUCTURE 27

3.3 RISK MANAGEMENT 35

3.4 INTANGIBLE ASSETS 36



3.1 CAPITAL MARKET

Oi S.A. is a publicly-held company listed on Level 1 of Corporate Governance of BM&FBOVESPA and the New York Stock Exchange (NYSE). The relationship with the capital markets at these levels is governed by the principles of transparency, fairness, accountability, and corporate responsibility, defended by the Brazilian Institute of Corporate Governance (IBGC), to which the Company has been associated with since 2005 .
The Company has also participated in the Carbon Efficient Index (ICO2) in Brazil since 2010 and in the Dow Jones Sustainability Index (DJSI) in the United States since 2013. G4-3 | G4-7 | G4-16

A corporate Investor Relations team promotes events, meetings, and calls with capital market representatives in order to ensure the provision of quick and assertive accountability. Announcements and information about the Company are also readily released by the area through the IR website, which has a mobile version, by Twitter (@oi_investors), and by the application for tablets Oi RI.

BEST PRACTICES IN OI'S GOVERNANCE

- SIMULTANEOUS, IMMEDIATE, AND EQUAL DISCLOSURE OF RELEVANT INFORMATION
- PUBLIC DISCLOSURE OF THE ANNUAL BOARD OF DIRECTOR'S REPORT
- ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
- APPLICATION OF THE INFORMATION DISCLOSURE AND SECURITIES TRADING POLICY
- SEGREGATION OF DUTIES OF THE CHAIRMAN OF THE BOARD AND THE CEO
- MAINTAIN AN OMBUDSMAN AND COMPLAINT CHANNEL
- UNRESTRICTED ADOPTION OF PRINCIPLES OF CONDUCT
- PROMOTION OF SUSTAINABILITY PRACTICES, SUCH AS THE PUBLIC DISCLOSURE OF THE SUSTAINABILITY POLICY AND OF THE ANNUAL SUSTAINABILITY REPORT
- COMPROMISSO COM A RESPONSABILIDADE CORPORATIVA POR MEIO DE INVESTIMENTOS DO OI FUTURO

Throughout 2014, Oi carried out a series of movements in the capital market in order to consolidate its launch in Novo Mercado through CorpCo. The operation initially included the integration with Portugal Telecom (PT), but this was revised in July due to the Rio Forte event, as explained in the infographic below. Regardless of this, the Company remains committed to migrating to the BM&FBOVESPA segment with the highest level of governance, which should occur in 2015 (get to know this operation step by step in the infographic). G4-13

At BM&FBOVESPA, Oi's shares closed the year 2014 listed at R$ 9.15 for OiBR3 (common) and at R$ 8.61 for OiBR4 (preferred), showing a negative performance in 2014 of 74.7% and 76.0%, respectively. Ibovespa closed the same period with a drop of 2.9%. On the New York Stock Exchange (NYSE), the Company's ADRs had a depreciation of 79.6% for OIBR.C (common) and 79.9% for OIBR (preferred) in 2014.

Beginning December 22, 2014, Oi's common and preferred shares began trading on an exclusively grouped stock at a ratio of 10 to 1, so that each batch of ten shares of each type was grouped into a single share of the same type. The reverse stock split was approved at the Extraordinary General Meeting held on November 18, 2014. The Company's shares traded on the NYSE in the form of ADRs were also object of the reverse stock split following the same proportion stipulated for the reverse stock split in Brazil so that the ADRs continue to be traded at the ratio of one ADR for each share.

G4-13

OCTOBER 2013

Oi and PT sign a memorandum of understanding to form a company (CorpCo) in order to consolidate the industrial alliance between the companies started in 2010.

FEBRUARY 2014

Definitive contractual agreements are concluded between the companies determining the stages of the operation to consolidate the shareholder bases of Oi and PT in CorpCo.

MAY 2014

Oi concludes its capital increase, which is one of the three largest in Brazil's history. With a total of R$ 14 billion, this stage for the formation of CorpCo is completed successfully.

JULY 2014

PT's debt securities in the amount of € 847 million are not honored by Rio Forte. In the same month, Oi enters into a swap agreement with PT where these debt securities would be returned to the Portuguese holding in exchange for shares in the Brazilian operator.

2015

PT's General Shareholders' Meeting held on January 22, 2015 approved the sale of the PT shares to Altice. Additionally, the company proposed to its shareholders transitional structures to be adopted prior to migration to the Novo Mercado in order to anticipate the main objectives of the operation while a series of documentation is under review for the registration of CorpCo with the Securities and Exchange Commission (SEC). In February, under the general meeting of debenture holders, specific rules were established for the use of amounts received on account of the sale of PT, including offering more favorable conditions to the debenture holders of the 9th Issue than those granted to other financial debts (e.g. offering repurchases, rates of renegotiation, payment of waiver fee, and selling of assets as guarantee to other creditors). The swapping of assets related to Rio Forte proposed in July 2014 was completed in late March after CVM authorization and approval at the extraordinary general meetings of PT and Oi.

DECEMBER 2014

Oi closes agreement with Altice for the sale of PT shares, substantially from the operations in Portugal and Hungary. The sale of assets abroad integrates the Company's strategy to reduce its leverage (learn more in the Chapter Actions and Strategy).

SEPTEMBER 2014

In PT's General Assembly, the swap contract of assets is approved, leaving only the authorization of the Brazilian Securities and Exchange Commission (CVM) to make the swap. At the same time, the contracts of the operation are adjusted, excluding the incorporation of PT's shares in the formation of CorpCo. With this solution, Oi sought to preserve its shareholders and ensure continued migration to Novo Mercado.



3.2 GUIDELINES AND STRUCTURE

G4-56 | G4-DMA: Investiments | G4-DMA: Anti-corruption

All Oi's executives and employees operate under the principles of ethics and in compliance with the legal and regulatory requirements. The Company promotes their alignment to all the premises and management practices through its corporate policies (see table). Part of the guidelines for conduct includes the Code of Ethics, which was established in 2007 and revised in 2012 to include comprehensively current issues, and in 2013 to include Law No. 12,846 (Anti-Corruption Act).

The Code brings together the principles and values that guide the conduct of its employees with colleagues, partners, customers, and suppliers. It includes recommendations about respect for diversity, proper use of assets and resources, treatment of confidential information, relationships with public agencies, media, investors, customers, suppliers, assumptions for environmental responsibility, among others. The document is posted on the intranet and through specific training. In 2014, 95% of the employees read and formally accepted the terms of the Code of Ethics. The training on this issue covered 43% of the workforce and totaled 11,856 training hours. The new e-learning of Ethics and Anti-Corruption was done by 7,543 professionals and 131 employees participated in person of the workshop on the subject. Also in 2014, 7,657 employees and 300 managers completed the online training on procedures related to aspects of human rights relevant to the Company's operations.

G4-HR2 | G4-S04

G4-DMA: Environmental grievance mechanisms | G4-DMA: Labor practices grievance mechanisms | G4-DMA: Investiments | G4-DMA: Human rights grievance mechanisms | G4-DMA: Anti-corruption | G4-DMA: Compliance | G4-DMA: Grievance mechanisms for impacts on society

OI'S CORPORATE POLICIES G4-56

Policy on the Disclosure of Information | Promotes transparency in the fair disclosure to the market of material acts and facts, curbing privileged access to this information.

Securities Trading Policy | Aims to curb the use of inside information in the trading of securities issued by the Company.

Transactions with Related Parties and Situations Involving Conflict of Interests | Determines rules and procedures to be followed to ensure transparency in this type of relationship, preserving the Company's interests, as well as its stakeholders.

Bylaws | Establishes Oi's business purpose and the powers of the General Assembly, the Board of Directors, Executive Officers, and the Fiscal Council.

Internal Regulations of the Board of Directors | Addresses the operation and composition of the Board of Directors and the conduct, duties, obligations, and responsibilities of its members.

Transparency policy (fair disclosure) | Aims to prohibit the selective disclosure of nonpublic material information to individuals or groups.

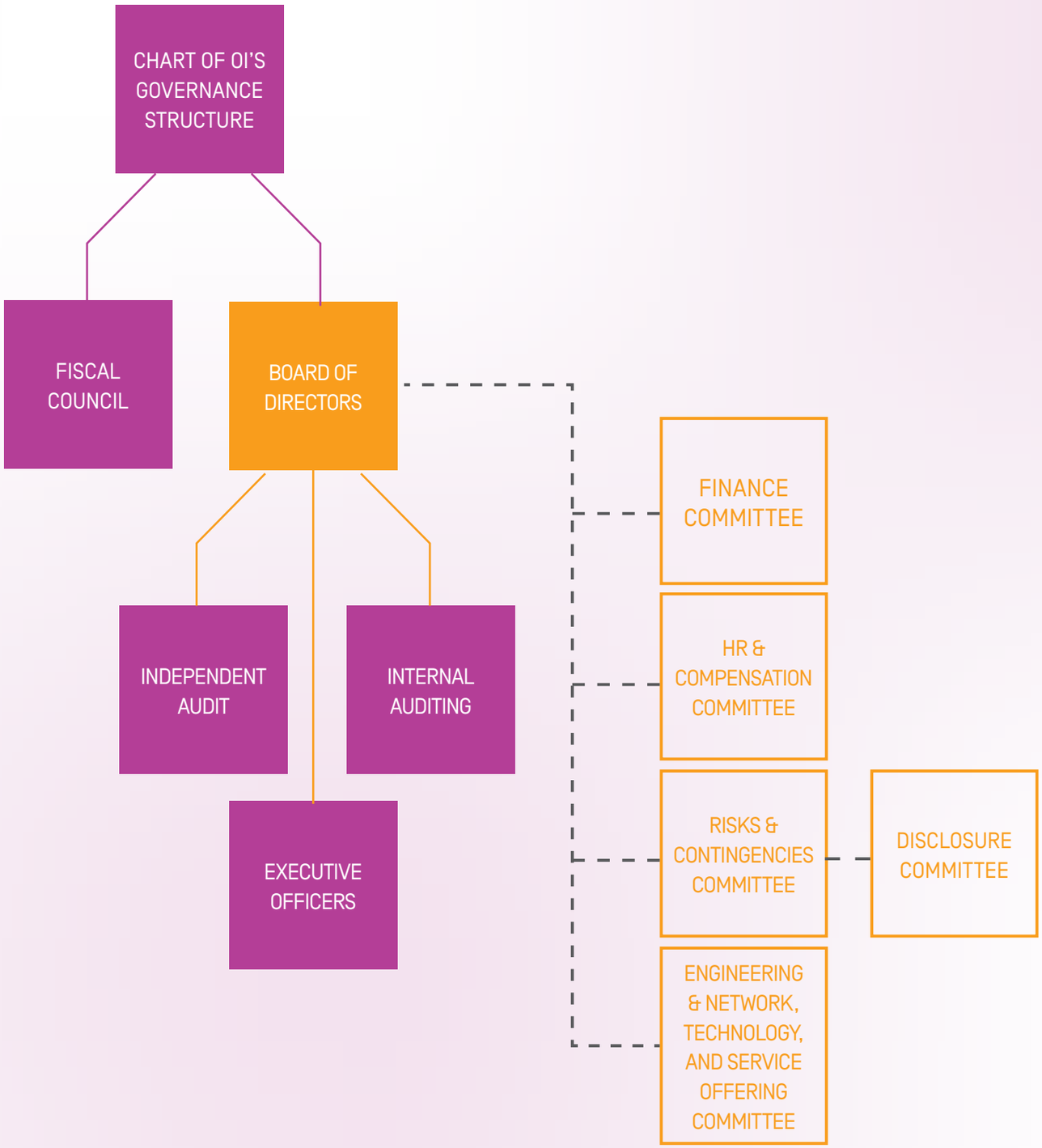
Sustainability Policy | Brings together 25 principles that guide business practices in the pursuit of economic and financial profitability with social responsibility and commitment to the environment.

Environment, Health, and Safety Policy | Aims to promote the highest level of physical, mental, and social well-being of employees through maintaining a healthy and safe working environment by controlling risks related to health, safety, and the environment.

Allegations of these guidelines being breached are reviewed by the Oi's Ethics Committee, which consists of five directors. They can be submitted by the Channel for Complaints that is available on the Company's website and by intranet with a guarantee of confidentiality and possibility of anonymity. The punishments recommended range from being given a warning all the way to even the employee being fired in addition to reporting to the police when necessary. The decisions of the Committee are published so that the company's employees can follow them. In 2014, two complaints related to corruption, both involving private contracts, were treated as well founded, and appropriate measures were taken and all involved penalized. G4-S05

G4-DMA: Investiments | G4-DMA: Anti-corruption

CHART OF OI'S GOVERNANCE STRUCTURE G4-34



3.2.1 GENERAL MEETINGS G4-34

The purposes of Oi's General Shareholders' Meeting comply with Law 6,404 (Joint Stock Company Law), including the appointment of board members, the approval of the financial statements, strategic issues involving changes in the company's share capital, among other issues. These meetings are held regularly in the first four months of the year and extraordinarily when needed.

In 2014, Oi held its Annual General Meeting (AGM) on April 30 and two Extraordinary General Meetings (EGMs) on March 27 and November 18. The agenda for the first one included issues relating to capital increase done in May. In November's meeting, the shareholders decided on the reverse stock split process held in December, the change in the Bylaws to reflect the changes in Oi's capital approved by the Board of Directors from April to October, and the appointment of members to the board to complete the term until August 2016.

3.2.2 FISCAL COUNCIL G4-34

The Fiscal Council operates on a permanent basis as an inspection agency of the board. Its members are elected at the General Meeting and remunerated by fixed fees in line with best market

practices. Each year, the Fiscal Council promotes a self-assessment of its members in compliance with Sarbanes-Oxley Act. At the close of 2014, 100% of the Fiscal Council members were male while 20% of them were between the age of 30 to 50 and 80% older than 50. G4-LA12

The formation and activities of this body are in accordance with the provisions of the Joint Stock Company Law. Moreover, it takes on the function of the Audit Committee so as to meet the requirements of SEC, being responsible to evaluate complaints related to accounting, auditing, and controls received by the Channel for Complaints.

COMPOSITION OF THE FISCAL COUNCIL ON DECEMBER 31, 2014

MEMBERS	ALTERNATES
Allan Kardek de Melo Ferreira	Newton Brandão Ferraz Ramos
Aparecido Carlos Correia Galdino	Sidnei Nunes
Umberto Conti	Carmela Carloni Gaspar
Manuel Jeremias Leite Caldas	Vanessa Montes de Moraes

3.2.3 BOARD OF DIRECTORS G4-34

Oi's Board of Directors (BoD) can consist of up to 17 members and an equal number of alternates, elected at the Shareholders' Meeting. The remuneration of the members is also defined in the Meeting and includes a single fixed amount paid as a fee. Each year, its performance self-assessment includes the body's actions and each one of its members. At the end of 2014, 100% of the BoD members were male while 46.7% of them were between the age of 30 to 50 and 53.3% of them older than 50. G4-LA12

In addition to the duties prescribed by law, it is the responsibility of this body to decide on capital increase operations and issuance of shares within the capital limit authorized, approve transactions on the capital market by treasury, approve investments in an amount exceeding the scope of the Board, monitor the actions of the managers, among others.

Six non-statutory committees assist the body in evaluating specific issues: Management of financial, human resources, and remuneration risks; Finance, monitoring, and budget; Disclosure; Risks and contingency; and Engineering & networks, technology & innovation. New counselors undergo a specific process of orientation and continuing education for them to get to know in-depth Oi's business, strategy, risks, and guidelines of conduct and governance so as to continually improve the Council's deliberations.



G4-34

COMPOSITION OF THE BOARD OF DIRECTORS ON DECEMBER 31, 2014

MEMBERS	ALTERNATES
José Mauro Mettrau Carneiro da Cunha (Chairman)	José Augusto da Gama Figueira
Alexandre Jereissati Legey	Carlos Francisco Ribeiro Jereissati
Armando Galhardo Nunes Guerra Junior	Paulo Márcio de Oliveira Monteiro
Carlos Augusto Borges	Marcos Rocha de Araújo
Carlos Jereissati	Cristina Anne Betts
Cristiano Yazbek Pereira	Erika Jereissati Zullo
Fernando Magalhaes Portella	Sérgio Bernstein
Fernando Marques dos Santos	Laura Bedeschi Rego de Mattos
José Valdir Ribeiro dos Reis	Luciana Freiras Rodrigues
Marcelo Almeida de Souza	Ricardo Berreta Pavie
Rafael Cardoso Cordeiro	André Sant'anna Valladares de Andrade
Rafael Luis Mora Funes	João Manuel de Mello Franco
Renato Torres de Faria	Carlos Fernando Horta Bretas
Sérgio Franklin Quintella	Bruno Gonçalves Siqueira
Shakhaf Wine	Pedro Guimarães e Melo de Oliveira Guterres

INDEPENDENT ADVISER ON CORPCO'S BOD

In November 2014, Oi announced through a Notice to the Market the appointment of Robin Bienenstock as an independent advisor for the future Board of Directors of CorpCo. A telecommunications sector specialist, Bienenstock has dual nationality (British and Canadian), holds a Bachelor's Degree in Politics, Philosophy, and Economics from Oxford University, a master's degree in Economics from Bocconi University in Milan, and a master's in International Relations from the University of Toronto. Robin, who has led the rankings of Extel and Institutional Investor as best European Telecommunications Analyst, was also one of the main associates of McKinsey & Co. in the telecommunications, retail, and financial clients sectors.

3.2.4 EXECUTIVE OFFICERS G4-34

Oi's Statutory Board can consist of up to ten members appointed by the Board of Directors, which are the CEO (who also holds the function of statutory director of IR), the CFO, and the other officers without a specific designation. Among its functions are to determine policies, strategic plans, annual budgets and rendering of accounts, as well as the execution of the activities required to meet the general business guidelines established by the Council.

The executive officers are evaluated annually by the Company's performance review process that includes assessing peers, superiors, subordinates, internal and external customers, and self-assessment. The result of this process gives support to the Individual Development Plan (IDP) for each executive and contributes to defining the variable remuneration portion together with the scope of the annual targets established.

3.2.5 INTERNAL AUDITING G4-34

Subordinate to the Board of Directors and functionally to Oi's CEO, Internal Auditing works in line with an annual work plan approved by the Board through the Risk and Contingencies Committee and the Fiscal Council. The practices adopted by this team are recognized by the Institute of Internal Auditors and are divided into four areas—IT & Operations; Continuous Auditing; Business Processes; Fraud Verification—covering all the Company's business.

3.2.6 ADVISORY COMMITTEES G4-34

FINANCIAL MANAGEMENT RISK COMMITTEE

RESPONSIBILITIES	MEMBERS
Created in 2009, it meets monthly to oversee the framework of the Hedge and Investments Policy, approves new forms of derivative transactions, and appoints or removes investment fund directors or managers.	Abel Amaral Camargo Junior Antonio Reinaldo Rabelo Bayard De Paoli Gontijo Carlos Ademar de Aragão Flávio Nicolay Guimarães (leader) Nuno Filipe Carnaz Cadima

HUMAN RESOURCES & COMPENSATION MANAGEMENT COMMITTEE

RESPONSIBILITIES	MEMBERS
Since 2007, it decides on the training, talent retention, compensation, and performance evaluation strategies, as well as provides support in the evaluation process of executives and supports the adoption of organizational changes and special programs. Its meetings occur monthly.	Armando Galhardo Nunes Guerra Jr. Carlos Jereissati Daniel Gonçalves Pereira José Mauro Mettrau Carneiro da Cunha Laura Bedeschi Rego de Mattos Mauro Rocha de Araújo Shakhaf Wine Virginia Cavalcante de Melo

G4-34

FINANCE, MONITORING, AND BUDGET COMMITTEE

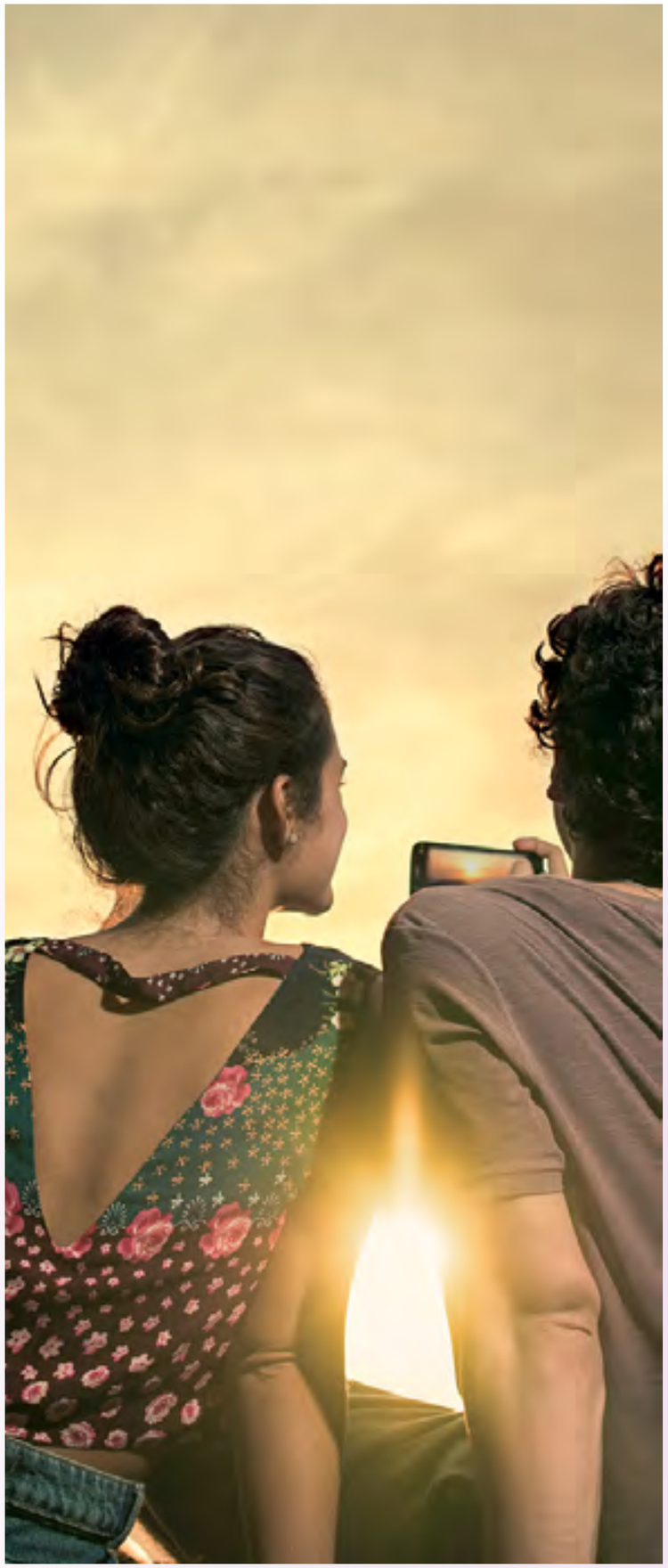
RESPONSIBILITIES	MEMBERS
Through monthly meetings, this group has overseen financial aspects related to the Company's strategy, the annual budget, and tax planning since 2007.	Alexandre Jereissati Legey Daniel Gonçalves Pereira Fernando Magalhães Portella José Mauro Mettrau Carneiro da Cunha Marcos Rocha de Araújo Rafael Cardoso Cordeiro Renata Eichler Ribeiro Renato Torres de Faria

DISCLOSURE COMMITTEE

RESPONSIBILITIES	MEMBERS
With meetings in February, April, July, and October, this committee approves Oi's main information disclosure instruments, evaluates the procedures for providing information in a way that meets legal and regulatory requirements and good market practices, as well as oversees the evaluation of risks and internal controls. This forum was established in 2007.	Bayard De Paoli Gontijo Flávio Nicolay Guimarães Maria Gabriela Menezes Cortês Nuno Filipe Carnaz Cadima Suzana Santos

RISK AND CONTINGENCIES COMMITTEE

RESPONSIBILITIES	MEMBERS
Since 2007, it oversees aspects related to internal audit, compliance, identifying and managing risks, and to the control contingencies.	Daniel Gonçalves Pereira João Manuel de Melo Franco José Mauro Mettrau Carneiro da Cunha Marcos Rocha de Araújo Rafael Cardoso Cordeiro Sidnei Nunes Vanessa Gomes Ferreira Virginia Cavalcante de Melo



ENGINEERING & NETWORKS, TECHNOLOGY & INNOVATION, AND SERVICE OFFERING COMMITTEE

RESPONSIBILITIES	MEMBERS
Established in 2011, it meets monthly to oversee operational aspects of strategic planning, the commercial positioning in each business, innovation cycle, and new opportunities with partners, strategies of networks and platforms, IT architecture, and the opportunities for synergy.	Alexandre Jereissati Legey Armando Galhardo Nunes Guerra Cristiano Yazbek Pereira Daniel Gonçalves Pereira Fernando Magalhães Portella José Mauro Mettrau Carneiro da Cunha Marcos Rocha de Araújo Rafael Cardoso Cordeiro Rafael Luís Mora Funes Renata Eichler Ribeiro Renato Torres de Faria Shakhaf Wine Virginia Cavalcante de Melo

3.2.7 EXECUTIVE GROUP ON SUSTAINABILITY

Sustainability management and its integration into the strategic direction of the business are coordinated by the Executive Group on Sustainability. In early 2015, its membership was expanded to include the Legal, Client Relations, Retail & Strategy, and New Business departments in addition to already existing representatives from teams of Investor Relations, Property, Logistics, Human Resources, Network Operations, Network Development & Engineering, Corporate Communication, Procurement, and Oi Futuro. The Group can also count on the possible involvement of directors from Internal Audit, Controllership, B2B, IT, Institutional Relations, and Regulatory Affairs.

In the first half of 2015, meetings of this forum will take place monthly in order to intensify the debate of relevant issues and the implementation of action plans. Starting in July, these meetings should occur every two months. This group, which has among its missions Oi's return to ISE, also evaluates the management of social and environmental risks, the permanence and adherence to public commitments, as well as the relationship strategy with stakeholders while also monitoring the actions in the context of sustainability

through indicators and keeping Oi's Sustainability Policy up-to-date.

3.3 RISK MANAGEMENT

G4-2 | G4-DMA: Anti-corruption

The Company's risk management system and internal control is based on internationally recognized models: Committee of Sponsorship Organizations of the Treadway Commission (COSO) and Control Objectives for Information and Related Technology (COBIT). Additionally, and considering the Security and Exchange Commission's requirements, the objectives were identified that are needed to make sure that the processes, systems, and business units with an impact on the amount of financial reporting have adequate and operational controls. The mapping of risks is based on the ISO 31000 methodology, and the actions to mitigate them are implemented through appropriate controls and constant monitoring of the internal environment.

The main risks to which the Company is exposed are related to law suits, to the reliability of the internal systems, network security, to the level of dependence on strategic suppliers, to customer default, among others.

Market risks are managed in accordance with the Financial Risks Management Policy. The exposure to exchange rates, the interest rate, credit, and liquidity is mitigated by the intense discipline in financial management, by adopting hedging instruments and investments, and by the constant search to reduce the level of debt.

In compliance with the Sarbanes-Oxley Act, Oi's most relevant companies, which corresponds to 83% of consolidated assets, have their processes assessed annually by the risk area, the Company's internal controls, and by an external audit. At the same time, the Company's area of risks, internal controls, and Internal Audit work with all the processes regardless of their accounting representation.

The main risks related to corruption identified in these reviews are omitting or camouflaging interests or of fraudulent actions; negative intervention in investigations or audits of bodies, organizations, and public agents; funding to commit unlawful acts; frauds in tenders and contracts; promise or offer of undue advantage to a government official; lack of reliability and consistency of IT services or information; impairment of technological infrastructure; incorrect accounting of financial activities; operational failures; data modification (intentional or not); and incorrect investments or that are not in line with the Company's priorities. G4-S03

For more information about Oi's risk management, go to sections 4 and 5 of the Reference Form available at www.oi.com.br/ri.

3.3.1 ESTAÇÕES RÁDIO BASE G4-2 | G4-14

Oi's Sustainability Policy directs the continuous process of improvements and preventive measures in relation to the Radio Base Stations (RBSs), which make the connection between mobile phones and the operator), ensuring alignment with the federal legislation and compliance to the criteria adopted worldwide, and the National Policy on the Environment. Law no. 11,934/2009 sets the limits of human exposure to electrical, magnetic, and electromagnetic fields based on the criteria of the International Commission of Protection Against Non Ionizing Radiation (ICNIRP) recommended by the World Health Organization (WHO) and by Anatel. This body has already made itself clear through technical notes as to the non-harmfulness of the RBSs and that the company is not required to get an environmental permit for their installation.

The activity developed by the Company is not considered even potentially polluting. All of Oi's RBSs are in compliance with the law and in comparison with radio and TV stations, emit significantly lower levels

of radiation considered safe. In accordance with federal law, the electromagnetic emissions and noise levels of the stations are measured continuously to ensure compliance with legal limits. The Company provides periodic reports to ANATEL on the intensity of the non-ionizing radiation fields of the RBSs and it adopts measures to reduce noise levels. G4-2 | G4-14

3.4 INTANGIBLE ASSETS

Oi's intangible assets are managed by numerous initiatives that strengthen its market operations and improve internal processes. This way the Company maximizes its competitive advantages and adds value to its business, customers, and the generation of technologies.

3.4.1 BRAND

Oi is always gaining new customers through its brand attitude, the consistency of its portfolio, through the partnerships it has built, and thorough the actions in which its values of boldness, freedom, creativity, and innovation have visibility both for those who are already a customer and for potential customers. In order to strengthen the relationship of identification between the consumer and the company, Oi renewed in the last year the main elements of expressing the brand, making it more alive and dynamic, and using a language closer to our customer, showing an Oi that is more friendly, happy, and that brings people's lives reflected in its material.

3.4.2 COVERAGE

Present throughout the entire country, Oi has the largest Wi-Fi network of the Americas with over 1 million hotspots. The Company also operates the largest network of broadband access in Brazil and more than 347,000 kilometers of fiber optics. The availability of sales and distribution channels also contributes to the growth of the business (see the main numbers in the table). This level of coverage also contributes to Oi's role in developing the Country through corporate responsibility actions and the government's connection with society in thousands of municipalities (learn more in the chapter on Promotion of Development).

OI NEAR YOU

9,100 RETAIL STORES

1,000 SALES REPS IN A TELEMARKETING SALES CHANNEL THAT ANSWER MORE THAN ONE MILLION CALLS PER MONTH

3,100 DOOR-TO-DOOR SALESPEOPLE

3.4.3 PEOPLE G4-DMA: Economic performance | G4-DMA: Occupational health and safety | G4-DMA: Training & education | G4-DMA: Diversity and equal opportunities

Promote a safe work environment, offer development opportunities, and ensure alignment of the teams with a focus on the Company's strategic objectives—these are key ingredients for Oi to manage its employees, a valuable asset to surprise customers with innovative products and quality services. Best practices for managing people are adopted in order to build sustainable results and generate value for the business and its shareholders (see more in the chapter on Social-Environmental Performance).

3.4.4 INFORMATION TECHNOLOGY

Information Technology (IT) raised its level of importance for the Company in 2014 with a significant growth in the corporate segment and with the development of Information and Communication Technologies (ICT) solutions. The highlights for the year are the corporate showroom in São Paulo and Lisbon and the Smart Office that offers all the functionalities needed for telework (learn more in the Chapter Operating Performance).

3.4.5 RESEARCH AND DEVELOPMENT

The Development (R&D) focuses on projects that are closely linked to its strategy. The resources for these activities come from regulatory requirements, facilitating the maintenance of the initiatives even under adverse macroeconomic conditions. Last year, R$ 19 million was invested and the estimate of investments for 2015 is of around R$ 28 million. In 2014, the innovation projects completed were focused on optimizing the Company's management and allowed additional environmental gains such as Fleet Management and Interactive Collection Containers (learn more in the chapter on Social-Environmental Performance).



OPERATING AND FINANCIAL PERFORMANCES

MARKET OUTLOOK



4.1 CONSOLIDATED RESULTS 39

4.2 RESIDENTIAL 44

4.3 PERSONAL MOBILITY 46

4.4 CORPORATE/SMES 47

4.1 CONSOLIDATED RESULTS

4.1.1 ECONOMIC AND SECTOR CONTEXT

The Brazilian economy experienced a low growth in 2014 with a growth of Gross Domestic Product (GDP) of 0.1% due to the combination of several factors. The political uncertainty with the presidential elections and the World Cup affected business confidence, investment rates fell, the external accounts and public accounts recorded a deficit, inflation remained high throughout the period, and the price of commodities was reduced.

In the international market, the US economy surpassed market expectations, causing the devaluation of the real against the dollar higher than expected. The United States kept inflation under control, which helps the Federal Reserve to maintain a lower interest. In Europe, the year was marked by economic stagnation with unemployment still high and inflation below the official target, indicating an increasing risk of deflation. The Chinese economy reduced its growth rate and increased the interest rate given the threats of global recession and the domestic inflationary pressures.

According to the National Telecommunications Agency (Anatel), at the end of December 2014 the total access of telecommunications services in Brazil came to approximately 369.2 million, broken down as follows: 45 million fixed lines in operation, 280.7 million mobile users, 24.0 million broadband internet accesses, and 19.5 million pay TV users. This amount represents an increase of 3.7% over the 2013 closing data, mainly resulting from significant net additions in the segments of broadband and pay TV.

Fixed telephony | This market grew 0.3% in the year since it is already mature and therefore has only a marginal growth before the global trend of traffic migration to mobile telephony.

Mobile telephony | With a growth of 3.6% compared to 2013, this segment had at the end of 2014 a teledensity of 138.0%. About 75.8% of the users opted for the pre-paid terms.

Fixed broadband (MCS) | The 2.4 million new users represented a growth of 8.0% in accesses year on year, keeping this market as one of the industry's growth levers.



Pay-TV | The offering of packages targeted to lower purchasing-power levels brought an increase of 8.4% in the number of accesses in 2014, resulting in a 29.8% penetration rate.

HIGHLIGHTS (R$ MILLION, UNLESS STATED OTHERWISE)[1]

	2013	2014	VARIATION (%)
REVENUE GENERATING UNITS IN BRAZIL ('000)	**74,466**	**74,495**	**0.0**
Residential	17,837	17,463	(2.1)
Personal Mobility	47,727	48,462	1.5
Corporate/SME	8,246	7,917	(4.0)
Public phones	655	653	(0.4)
NET INCOME	**29,325**	**28,546**	**(2.7)**
Brazil	28,422	27,613	(2.8)
Residential	10,303	9,995	(3.0)
Mobility	9,290	9,011	(3.0)
Corporate/SME	8,456	8,311	(1.7)
Other services	374	295	(21.0)
Others[2]	902	933	3.4
EBITDA	**10,882**	**10,361**	**(4.8)**
EBITDA MARGIN	**37.1%**	**36.3%**	**(0.8) PP**
ROUTINE EBITDA	**7,694**	**7,116**	**(7.5)**
Brazil	7,213	6,612	(8.3)
Others[2]	481	504	4.8
EBITDA MARGIN OF ROUTINE	**26.2%**	**24.9%**	**(1.3) PP**
Net profit (loss) from continued operations	1,493	8	-
Consolidated net income (loss)[3]	1,493	(4,406)	-
Net debt	31,331	30,563	(2.5)
Available cash	3,016	2,732	(9.4)
CAPEX	6,446	5,278	(18.1)

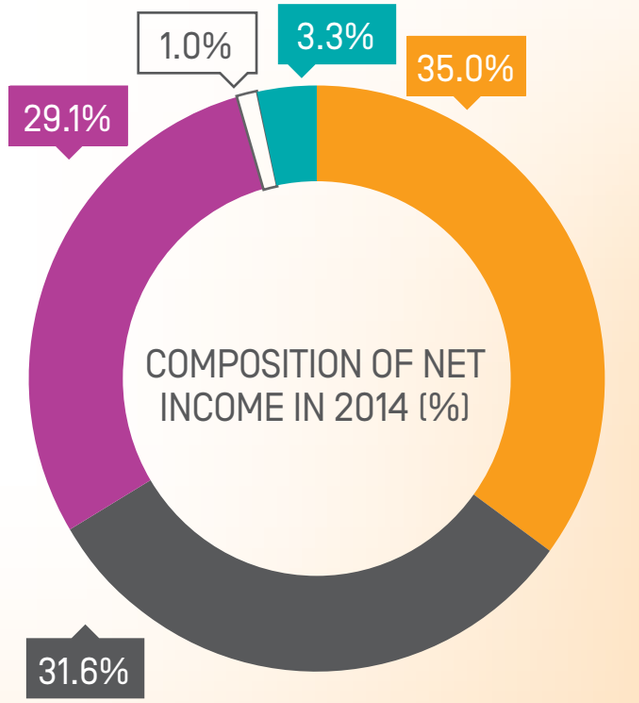
1. Pro-forma data.

2. Other international assets, most of which were classified as assets held for sale on December 31, 2014 and presented in the balance sheet separately.

3. The consolidated net income includes the discontinuation of the operations of PT Portugal since the asset was put up for sale. Net income from discontinued operations includes the results of PT Portugal since May 5 and a loss of R$ 4,164 million related to the recognition of these assets at their selling price.

4.1.2 NET REVENUE

Pro-forma consolidated net revenues totaled R$ 28,546 million for the year compared to R$ 29,325 million in 2013. Despite this fall, there are highlights in the broadband and Oi TV products that mitigated the decline in fixed income and contributed to the increase of households with bundled offerings and the loyalty of the base, as well as the growth of personal mobility revenue driven by data services and higher recharging volume.



1. Other international assets, most classified as assets held for sale on December 31, 2014 and presented in the balance sheet separately.

4.1.3 COSTS AND EXPENSES

In 2014, pro-forma routine operating expenses totaled R$ 21,430 million, which is a slight decrease of 0.9% compared to 2013. Excluding the impact from reducing the Mobile Termination Rate (MTR) in the interconnection costs, the costs of the handsets (with no impact on Ebitda), and the incremental costs related to the sale of assets, the consolidated routine operating expenses decreased 1.1% from 2013 to 2014, despite considering an inflation of 6.4% in the period. This performance reflects the commitment to the Company's operational turnaround, which established in its budget for 2015 a plan whose main leverage was to reduce costs. The Transformation Board was created in this context and is responsible for following, monitoring, and giving support for implementing the plan, which already has over 250 mapped initiatives. This process is supported by specialized external consultants with tools and methodologies focused on implementing initiatives and cash generation.

BREAKDOWN OF OPERATING COSTS AND EXPENSES (R$ MILLION)	2013	2014	VARIATION (%)
OPERATING COSTS AND EXPENSES (PRO-FORMA)			
Brazil	21,209	21,001	(1.0)
Personnel	2,534	2,749	8.5
Interconnection	3,966	2,675	(32.5)
Outsourced services	6,120	6,202	1.3
Network maintenance service	2,328	1,907	(18.1)
Costs with handsets and others	515	702	36.3
Publicity & advertising	539	651	20.9
Rent and Insurance	2,120	3,096	46.0
Provisions for contingencies	657	779	18.6
Allowance for doubtful accounts	923	629	(31.9)
Taxes and other expenses (revenues)	1,508	1,611	6.8
Others	421	429	1.7
ROUTINE OPEX	**21,630**	**21,430**	**(0.9)**

Personnel | The growth of 8.5% in the year was due to the collective bargaining agreement adjusted for inflation in December 2013, the internalization of part of Oi's internal network maintenance operations in the second quarter of 2013, and the increase of provision for profit sharing at the end of 2014.

Interconnection | The total cost of R$ 2,675 million in the year, 32.5% lower than in 2013, is explained by the reduction in the MTR and the lower off-net traffic of mobile voice.

Outsourced services | The increase in expenses from acquiring TV content and with IT projects for the World Cup resulted in a slight increase of 1.3% over the previous year.

Network maintenance services | The decrease of 18.1% in these costs is due to the insourcing of the maintenance operations at the internal plant and to the discipline in cost reduction.

Costs with handsets and others | Partnerships with major retailers to boost handset sales leveraged the activation of pre-paid chips and increased the penetration smartphones in Oi's customer base, leading to an increase of 36.3% in 2014 in these costs. It is important to point out that Oi sells handsets with a positive margin and does not adopt subsidizing strategies.

Publicity & advertising | These expenses registered an increase of 20.9% in the year, mainly due to the World Cup and the relaunching of Oi TV.

Rent and insurance | The increase of 46.0% compared to 2013 is a result of the increase in the operating leasing of the network infrastructure related to Brazilian assets sold since 2013, including GlobeNet and fixed and mobile towers, and the growth of expenses on satellite capacity rentals.

Provisions for contingencies | The growth of 18.6% in 2014 was basically due to the increase in labor provisions and the larger number of lawsuits filed with the Small Claims Court in the fourth quarter of the year.

Allowance for doubtful accounts | The reduction by 31.9% of these provisions reflects the improved credit policy along with the continued actions to improve churn and the quality of sales.

4.1.4 EBITDA

In 2014, the pro-forma Ebitda was R$ 10,361 million, a decrease of 4.8% over the previous year due to the drop in revenue and despite a slight decline in costs and expenses. Regarding the Brazilian operations, routine Ebitda was R$ 6,612 million, a decrease of 8.3% compared to 2013 due to increased rental expenses associated with the sale of Brazilian assets in the amount of R$ 615 million. Excluding this impact, the routine Ebitda would have remained practically stable compared to 2013.

4.1.5 DEBT

The Company's consolidated gross debt ended the year 2014 at R$ 33.295 billion, a reduction of 3.1% compared to the year 2013. It should be noted that the shareholders of Oi S.A. and Portugal Telecom SGPS approved the sale of Portugal Telecom to the French company Altice. Due to this fact, therefore, until the sale is complete, the assets and liabilities of PT Portugal are classified as Assets Held for Sale and Liabilities Associated with Assets Held for Sale, respectively, and were not part of Oi's consolidated debt on December 31, 2014.

The debts held in a foreign currency represented 44.4% of the total debt at the end of 2014 with virtually no exposure to currency fluctuations (below 0.1%). The average debt maturity remained stable at 4.0 years at the end of December 2014. Oi S.A. ended the year with a cash balance of R$ 2,732 million resulting in a net debt of R$ 30,563 million, a decrease of 2.5% compared to the year 2013.

DEBT (R$ MILLION)	2012	2013	2014	VARIATION (%)
Short-term	2,783	4,116	4,647	12.9
Long-term	30,088	30,231	28,648	(5.2)
TOTAL DEBT	**32,871**	**34,347**	**33,295**	**(3.1)**
In local currency	20,497	21,287	21,068	(1.0)
In foreign currency	12,849	14,566	14,781	1.5
Swaps	(475)	(1,507)	(2,555)	69.5
(-) CASH	**(7,804)**	**(3,016)**	**(2,732)**	**(30.5)**
NET DEBT	**25,068**	**31,331**	**30,563**	**(0.5)**



4.1.6 INVESTMENTS

The investments made during 2014 totaled R$ 5,278 million, a decrease of 18.1% over the previous year, demonstrating the financial discipline that Oi has been pursuing to focus the use of its resources, being more selective in its analysis while prioritizing investments and new supplier contracting models. About 79.4% of the amount was distributed for improving the quality of the 3G mobile network and fixed network for the broadband service in order to optimize the platform of the Oi TV product for deploying and expanding the 4G network and for the infrastructure necessary for covering the World Cup.

INVESTMENTS IN BRAZIL (R$ MILLION)	2012	2013	2014	VARIATION (%)
Network	4,772	4,678	4,029	(13.9)
IT Services	336	348	354	1.7
Others	1,456	1,224	691	(43.5)
TOTAL	**6,564**	**6,250**	**5,074**	**(18.1)**

4.1.7 DISTRIBUTION OF ADDED VALUE G4-EC1

In 2014, Oi distributed an added value of R$ 16,885 million, a sum 17.7% lower than in 2013. The line of Personnel totaled R$ 2,540 million, a 14.3% increase year on year due mainly to the costs with direct remuneration, benefits, and others. The net loss recorded for the period affected the own capital remuneration, which was negative by R$ 4,406 million. The lines with the largest representation were taxes and fees with 58.7% of the total distributed, and third party capital remuneration with 52.3%.

DISTRIBUTION OF ADDED VALUE (%)	2012	2013	2014
Government	49.6	50.1	59
Employees	10.4	10.8	15
Shareholders	2.3	-	-
Retained	7.0	7.3	-26
Third Parties	30.7	31.8	52

G4-EC1 STATEMENT OF ADDED VALUE (R$ MILLION)	2013	2014	VARIATION (%)
REVENUE	**40,603**	**40,854**	**0.6**
Sales of services and goods	45,253	45,357	0.2
Unconditional discounts and returns	(7,292)	(8,203)	12.5
Provision for doubtful accounts	(923)	(649)	(29.7)
Other revenues	3,565	4,350	22.0
INPUTS PURCHASED FROM THIRD PARTIES	**(15,891)**	**(14,859)**	**(6.5)**
Interconnection costs	(3,966)	(2,690)	(32.2)
Materials and energy	(893)	(1,033)	15.7
Cost of goods sold	(586)	(835)	42.5
Outsourced services	(9,540)	(9,368)	(1.8)
Others	(907)	(933)	2.9
GROSS VALUE ADDED	**24,712**	**25,995**	**5.2**
RETENTIONS	**(5,560)**	**(10,449)**	**87.9**
Depreciation and amortization	(4,278)	(4,535)	6.0
Provisions (including restatement)	(903)	(1,013)	12.2
Earnings from discontinued operations	-	(4,415)	-
Other expenses	(379)	(487)	28.5
NET VALUE ADDED PRODUCED BY THE COMPANY	**19,152**	**15,546**	**(18.8)**
VALUE ADDED RECEIVED THROUGH TRANSFER	**1,357**	**1,339**	**(1.3)**
Equity in earnings	(18)	(6)	(66.7)
Financial revenue	1,375	1,345	(2.2)
VALUE ADDED - TOTAL TO DISTRIBUTE	**20,509**	**16,885**	**(17.7)**
Personnel	2,222	2,540	14.3
Direct salary	1,607	1891	17.7
Benefits	405	436	7.7
FGTS tax	142	136	(4.2)
Others	69	77	11.6
Taxes and fees	10,277	9,914	(3.5)
Federal	2,236	2,678	19.8
State	7,952	7,083	(10.9)
Municipal	89	153	71.9
Third-party capital remuneration	6,517	8,837	35.6
Interest and other financial charges	4,397	5,717	30.0
Rents, leases, and insurance	2,120	3,120	47.2
Own capital remuneration	1,493	(4,406)	(395.1)
Minority interest	-	1	-
Gains (losses) retained	1,493	(4,408)	(395.2)

4.2 RESIDENTIAL

0i ended the year with 17,463 thousand Revenue Generating Units (RGUs) in the residential segment as follows: 10,957 thousand fixed lines, 5,259 thousand fixed broadband, and 1,247 thousand paid TV. The total number of RGUs in this segment was 2.1% lower than the 2013 closure due to a reduction of 6.8% in fixed telephony RGUs, which was partially offset by an increase of 50.5% in pay TV customers.

As the residential segment is based on a multi-product approach, the Company focuses on integrated homes in order to increase its share in the household budget. In the fixed-line product, the cross-selling and retention initiatives were responsible for keeping churn levels under control. The package deals 0i Conta Total and 0i Voz Total were two examples of convergent packages to retain these customers, increase ARPU, and reduce the churn rate. 0i Conta Total, also known as OCT, is a triple-play offer combining fixed telephony, broadband, and postpaid mobile, and can be combined with pay TV (quadruple-play) and mobile data packages, while 0i Voz Total is an offer that combines fixed line and pre-paid mobile in order to improve the fixed-mobile convergence.

The Company increased the penetration of the convergent offers at the customer base, reducing churn rates as more products are added to the household. Customers with three or more Oi services accounted for almost 24% of the total residences at the end of 2014, which is an increase of about 3 percentage points from the 2013 closure. The penetration of fixed broadband and Oi TV reached 48.0% and 11.4% of households with Oi services, respectively, which is 3.2 percentage points and 4.3 percentage points higher than the ratios recorded in the previous year.

The strong performance of Oi TV is based on a differentiated value proposition with regional content in high definition and superior packages at competitive prices coupled with the improvement of the sales mix at the customer base. Oi TV offers more channels, including open channels in high definition on all offers, a wide variety of regional channels, new pay-per-view services, and Digital Video Recording (DVR). All these advantages are supported by a solid satellite capacity that will provide continuous improvements to Oi's Pay TV product in the long run. Similar to Pay TV, broadband also plays an essential role in increasing the profitability and participation in the budget of households. Consequently, the churn of broadband continued strictly under control, reflecting the Company's strategy to focus on improving the quality of its customer base.

In 2014, net sales from this segment was R$ 9,995 million, a 3.0% reduction in comparison to last year, which is primarily due to the decline in fixed-line customer base and to the regulatory reduction in fixed-mobile rates (VC), partially offset by the increase in broadband and pay TV revenues. The residential ARPU reached R$ 74.0 at the end of the year, an improvement of 4.5% compared to 2013, benefited from the substantial increase in gross additions in pay TV with a best mix of acquisition and from selling higher speeds to new fixed broadband customers coupled with upselling broadband to existing customers.



MAIN RESULTS IN THE RESIDENTIAL SEGMENT	2012	2013	2014	VARIATION (%)
Net revenue (R$ million)	9,974	10,303	9,995	(3.0)
RGUs (thousands)	18,337	17,837	17,463	(2.1)
Fixed Line in Service	12,478	11,750	10,957	(6.8)
Fixed Broadband	5,102	5,258	5,259	0.0
Pay TV	757	829	1,247	50.5

4.3PERSONAL MOBILITY

Oi closed 2014 with 48,462 thousand RGUs in the Personal Mobility segment, an annual growth of 1.5% equivalent to 735 thousand net additions with 303 thousand in the pre-paid segment and 432,000 in the postpaid segment.

The pre-paid customer base closed the period with 41.3 million RGUs, an increase of 0.7% compared to 2013. The total volume of recharges rose 6.0% year on year in line with Oi's strategy of focusing on improving profitability and productivity. The actions in this market focused on recharges and data consumption supported by offering the SMS + Internet bundle and also through the use of active marketing tools. Between November and December, a series of measures contributed to increase the ARPU from pre-paid, to control the use, and stimulate consumption and recharges, as follows: (i) repositioning of daily package deals; (ii) simplification of the recharge portfolio available in the points of sales, increasing the average value of recharges; (iii) launching of new monthly and weekly packages of voice + data + SMS; and (iv) end of unlimited data on weekly and monthly offers.

In the post-paid, the Company closed the year with 7.14 million RGUs, an increase of 6.4% compared to the result of the end of 2013. The postpaid churn rate has improved continuously mainly due to better quality of sales, which also explains the growth of the post-paid base. Throughout the year, Oi launched the Connected plans with voice, data, and SMS bundling, ensuring an offer with a more complete experience for its customers, as well as to improve other quality indicators and churn. The Oi Controle plan, with the charge being by credit card, was also a strategic focus for Oi because it is a pre and post hybrid plan that has no default, but its customers have a consumption and ARPU profile closer to that of postpaid.

Oi's 2G coverage reached a total of 3,386 municipalities, which is equivalent to 93% of the country's urban population, an annual increase of 44 municipalities. Regarding its 3G coverage, the Company expanded its coverage to 120 new municipalities (13.5% compared to 4Q13), totaling 1,011 municipalities or 77% of the Brazilian urban population. The Company has improved its 3G network coverage and capacity to meet growing data usage demands and opportunities in the mobile data segment. Oi also offers data packages using 4G LTE technology in 45 cities, representing 36% of the Brazilian urban population.

Net revenues in the Personal Mobility segment was R$ 9,011 million last year, a 3.0% decrease year on year impacted by the increase in customer revenues, partially offset by the decline from network usage and long distance revenue related the cut in the Mobile Termination Rates.

Mobile ARPU was R$ 18.70 at the end of 2014, 5.9% lower than last year. This decrease is explained by the 25% reduction in MTR, but partially offset by the increase in revenues from data and from the volume of recharges in the pre-paid segment. Excluding the interconnection revenue, mobile ARPU grew 6.1% compared to the closing of 2013. Mobile APRU considers total revenues from mobile (Personal Mobility + Corporate/SME) from the perspective of a separate mobile company, which means that it considers revenues from the traffic between the mobile and fixed divisions (intercompany) but excludes revenues from long-distance, mobile-originated calls belonging to the STFC license (fixed voice concession). This value is then divided by the average customer base to reach the mobile ARPU.

MAIN RESULTS IN THE PERSONAL MOBILITY SEGMENT	2012	2013	2014	VARIATION (%)
NET REVENUE (R$ MILLION)	**9,102**	**9,290**	**9,011**	**(3.0)**
Services	8,613	8,755	8,205	(6.3)
Customers[1]	6,276	6,609	6,806	3.0
Network usage	2,337	2,147	1,399	(34.8)
Sales of handsets, sim cards and others	489	535	806	50.7
RGUS (THOUSANDS)	**46,305**	**47,727**	**48,462**	**1.5**
Pre-paid plans	39,832	41,019	41,322	0.7
Post-paid plans[2]	6,472	6,708	7,140	6.4

1. Includes: subscriptions, calls originated, mobile long-distance, roaming, and value added services.

2. Includes high value post-paid plans; Oi Controle; convergent mobile terminals (Oi Conta Total and Oi Internet Total), and 3G

As a means of reinforcing its strategy to focus on IT solutions and improving the customer experience, the Company launched in the third quarter of 2014 the first integrated showroom focused on the sector of large corporations. The purpose of this space is to present innovative Information and Communication Technology (ICT) solutions so that customers can experience using these solutions in their day to day depending on their overall business needs and places.

In 2014, net revenue was R$ 8,311 million, a 1.7% decline from the previous year, mainly due to the cut in the Mobile Termination Rates, partially offset by the continuous improvement of IT/data services, following Oi's strategy of increasing non-traditional service revenues in this segment.

4.4 CORPORATE/SMES

Oi closed 2014 with 7.917 million RGUs in the Corporate/SME segment, an annual decrease of 4.0% as a result of the focus on the quality of sales and ongoing cleaning of the customer. Oi adjusted its B2B strategy in 2014 with the integration of the Corporate, Business, and Wholesale segments, working on simplifying the product portfolio, restructuring its sales channels to focus on growth in IT and data services, along with reinforcing its strategy to help customers increase their revenues and reduce costs by using innovative technology.

It is worth remembering that in the fourth quarter of 2014, Oi presented to the corporate market and SMEs the Oi Smart Office that offers a control of the employee's daily work schedule and productivity in a remote work environment, including the use of biometrics in compliance with labor laws. The solution includes Internet connectivity and also offers a secure connection between the home environment and the corporate network, unified communications (chat, voice, video conferencing, and document sharing), corporate applications in the cloud, along with email and sharepoint.

MAIN RESULTS IN THE CORPORATE/SME SEGMENT	2012	2013	2014	VARIATION (%)
NET REVENUE (R$ MILLION)	**8,510**	**8,456**	**8,311**	**(1.7)**
RGUS (THOUSANDS)	**8,971**	**8,246**	**7,917**	**(4.0)**
Fixed	5,422	5,105	4,822	(5.5)
Fixed Broadband	594	630	617	(2.0)
Mobile	2,955	2,511	2,478	(1.3)

SOCIAL AND ENVIRONMENTAL PERFORMANCE



5.1 EMPLOYEES 49

5.2 SUPPLIERS 54

5.3 CUSTOMERS 55

5.4 ENVIRONMENTAL ASPECTS 57

5.1 EMPLOYEES

HEALTH AND SAFETY

G4-DMA: Training & education | G4-DMA: Diversity and equal opportunities | G4-DMA: Labor practices grievance mechanisms

Oi promotes diversity in the workplace, providing equal opportunities and rejecting any form of discrimination. Most employees are male, however, there has been an increase of 1.2 percentage points in the participation of women on its staff as well as at a supervision/coordination level in 2014, as shown in the table. In the distribution by age group, professionals between the age of 30 and 50 make up the largest group, and the percentage of directors and managers above 50 years old is growing, contributing with their experience to the decision-making process.

G4-10 NUMBER OF EMPLOYEES BY FUNCTIONAL LEVEL

	2014			2013			2012		
	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN
Top Management	113	100	13	118	107	11	126	114	12
Management	924	679	245	960	713	247	904	660	244
Supervision/Coordination	996	633	363	907	620	287	596	349	247
Functional Staff	16,262	10,460	5,802	16,962	11,090	5,872	13,520	7,694	5,826
TOTAL EMPLOYEES1	**18,295**	**11,872**	**6,423**	**18,947**	**12,530**	**6,417**	**15,146**	**8,817**	**6,329**
Outsourced2	159,277	-	-	148,298	-	-	166,253	-	-
Technical Apprentices3	150	78	72	116	51	65	104	51	53
Interns4	670	414	256	419	243	176	721	419	302
TOTAL	**178,392**	**12,364**	**6,751**	**167,780**	**12,824**	**6,658**	**182,224**	**9,287**	**6,684**

1. All employees are hired for an indefinite period according to the Consolidation of Labor Laws (CLT) and full-time.

2. Outsourced staff are contracted according to CLT and the period of the contract and the work schedule is set by the contracting party. Oi does not manage the data from the outsourced staff and therefore does not have their separation by gender.

3. Apprentices are hired for a fixed period according to the CLT and for a workday of four hours.

4. Interns are hired for a fixed period as stipulated by the Intern Law and their work schedule can be four or six hours a day.

G4-DMA: Training & education | G4-DMA: Diversity and equal opportunities | G4-DMA: Labor practices grievance mechanisms

G4-10 NUMBER OF EMPLOYEES BY REGION

	2014*			2013			2012		
	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN
South	2,159	1,596	563	2,398	1,777	621	1,576	979	597
Southeast	10,676	6,615	4,061	10,807	6,836	3,971	9,436	5,457	3,979
Midwest	1,563	1,118	445	1,666	1,183	483	1,332	814	518
Northeast	2,962	1,929	1,033	2,970	2,012	958	2,015	1,131	884
North	935	614	321	1,029	671	358	713	386	327
United States	0	0	0	62	39	23	60	39	21
Colombia	0	0	0	6	5	1	5	4	1
Bermuda Islands	0	0	0	2	1	1	2	1	1
Venezuela	0	0	0	7	6	1	7	6	1
TOTAL	**18,295**	**11,872**	**6,423**	**18,947**	**12,530**	**6,417**	**15,146**	**8,817**	**6,329**

* There is no data from 2014 on foreign operations since they have been discontinued by Oi.

The *Oi Para Todos* program, which aims to include disabled people in the workforce, has already trained seven groups since its inception in 2012. The 71 professionals qualified by the initiative were hired by the Company. Selection processes for this audience are developed in partnership with Centro de Vida Independente in Rio de Janeiro and through the Special Opportunities Stands from the Ideas Warehouse consulting company. In 2014, 344 people with disabilities were working at Oi, which represented 1.9% of its total employees, an increase of 19% compared to the end of the prior year.

G4-LA12 EMPLOYEES BY GENDER AND FUNCTIONAL LEVEL (%)

	2012		2013		2014	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Top Management	0.8	0.1	0.6	0.1	0.5	0.1
Management	4.4	1.6	3.8	1.3	3.7	1.3
Supervision/Coordination	2.3	1.6	3.3	1.5	3.5	2.0
Functional Staff	50.8	38.5	58.5	31.0	57.2	31.7
TOTAL	**58.2**	**41.8**	**66.1**	**33.9**	**64.9**	**35.1**

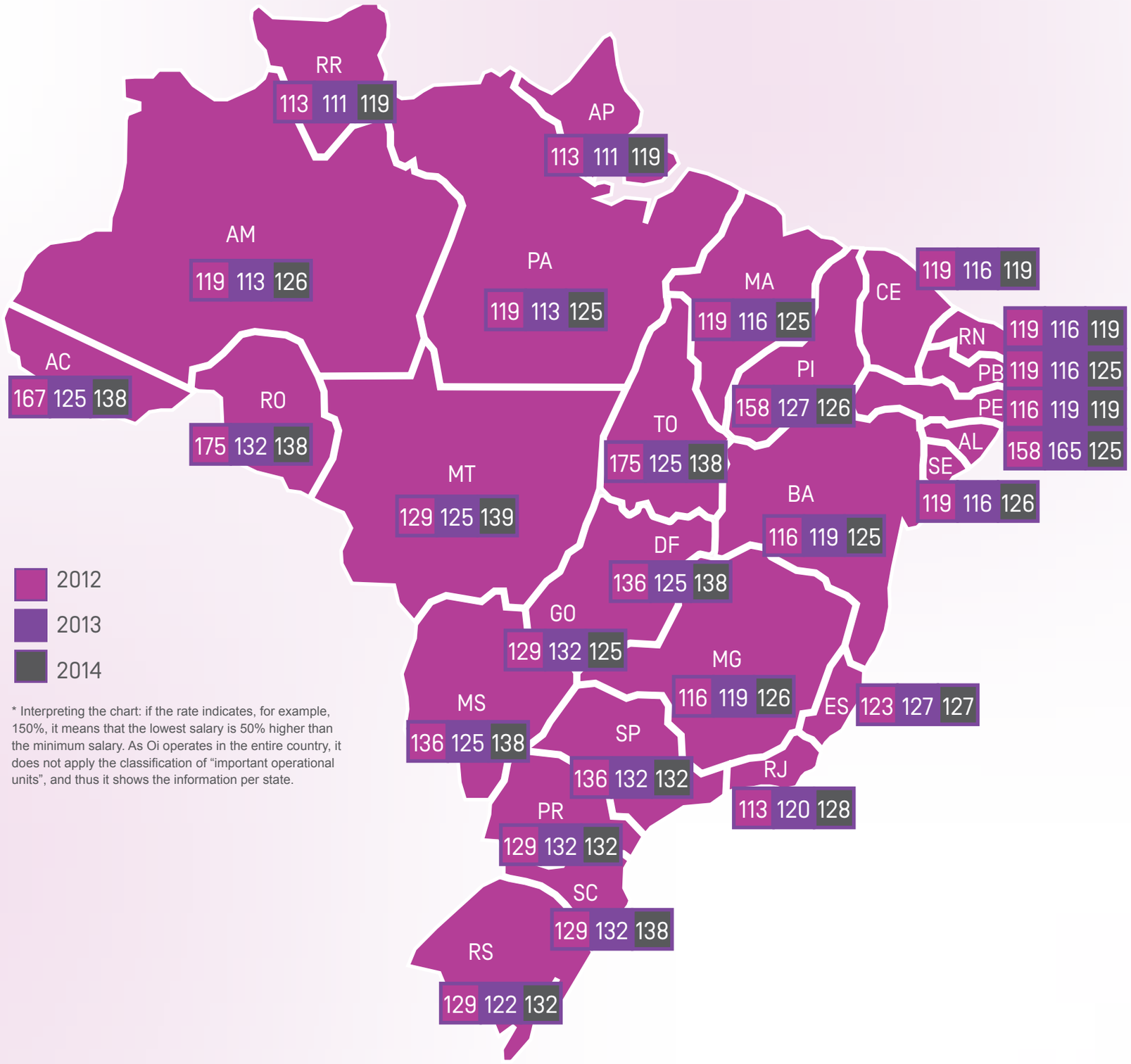
G4-LA12 EMPLOYEES BY AGE GROUP AND FUNCTIONAL LEVEL (%)

	2012			2013			2014		
	UNDER 30 YEARS	BETWEEN 30 AND 50 YEARS	OVER 50 YEARS	UNDER 30 YEARS	BETWEEN 30 AND 50 YEARS	OVER 50 YEARS	UNDER 30 YEARS	BETWEEN 30 AND 50 YEARS	OVER 50 YEARS
Top Management	0.0	69.1	31.0	0.0	75.0	25.0	0.0	71.7	28.3
Management	1.7	87.7	10.6	2.0	88.0	10.0	1.5	86.6	11.9
Supervision/Coordination	6.2	77.5	16.3	19.0	72.0	9.0	24.8	66.0	9.2
Functional Staff	30.5	58.5	11.0	26.0	60.0	14.0	24.1	61.3	14.6
TOTAL	**28.2**	**60.6**	**11.2**	**25.0**	**62.0**	**13.0**	**22.8**	**62.9**	**14.2**

G4-LA7

At Oi, position and salary policy is not associated with gender discrimination. The differences in average salaries by job category are justified by the level of development and career time of the professionals. The lowest salary paid by the Company in 2014 was 19% higher than the minimum wage. G4-EC5 | G4-DMA: Market Presence | G4-DMA: Diversity and equal opportunities

PROPORTION OF THE LOWEST SALARY PAID ON THE MINIMUM WAGE BY GENDER AND STATE* G4-EC5



* Interpreting the chart: if the rate indicates, for example, 150%, it means that the lowest salary is 50% higher than the minimum salary. As Oi operates in the entire country, it does not apply the classification of “important operational units”, and thus it shows the information per state.

G4-DMA: Diversity and equal opportunities

During 2014, 270,345 hours of training were given as shown in the table. Initiatives in Change Management totaled approximately 700 hours of work, directly impacting 2,821 employees. G4-LA9

G4-LA9 TRAINING HOURS IN 2014 BY GENDER	TOTAL	*PER CAPITA*
Men	223,205	19
Women	47,140	7
TOTAL	**270,345**	**15**

5.1.1 SAFETY AND WELL-BEING

G4-LA7 | G4-DMA: Occupational health and safety

Oi's health and safety management has been intensified since the internalization in mid-2013 of about 5,000 people into its workforce and the expansion especially of field activities in the maintenance of the network. The guidelines on the subject are decided on corporately and deployed through initiatives in all the Company's regional offices. Thus, the actions add up to generate significant results for the Company.

Aspects related to this theme are also covered by the collective bargaining agreements. These commitments are entered into with the unions twice a year and include provisions about medical, hospital, dental, and medication insurance, participation of workers in inspections, audits and investigations of accidents, and the creation of Internal Commissions for Accident Prevention (CIPA). Oi is fully compliant with the legislation. It has 43 CIPAs set up in units with more than 50 employees and Volunteer Brigade for Preventing and Fighting Fires in the buildings in which more than 500 people wor.

G4-LA5 | G4-LA8

G4-LA5 PERCENTAGE OF EMPLOYEES REPRESENTED IN HEALTH AND SAFETY COMMITTEES	2012	2013	2014
Percentage of employees represented in health and safety committees	82,0	66,0	65,9
Brigada	34,8	28,1	22,0

Among the most representative efforts in the year is the launch of the National Accident Reduction and Safe Work Plan held in April for employees and in August for the outsourced staff. The main objective of the plan is to make workers more aware of a safety culture. In this context, the Work Accident Prevention Week (SIPAT) involved 100% of the internal plant employees in the nine regions and included recreational activities for reinforcing the importance of prevention. It was the first year in which SIPAT was carried out in an integrated way, meaning everyone at the same time in Brazil. For 2015, one of the plan's priorities is to develop a "preventive thinking" for "preventive doing," thus guiding the safe behavior of employees.

Among the main health and safety indicators presented in the tables, the injury rate is due, above all, to accidents involving ladders or vehicles. In general the accidents in 2014 had a lower severity level, significantly reducing the number of days lost, except in the Midwest region. The rate of occupational diseases among employees in 2014 was 0.00, in line with the result of the previous year. Regarding the number of deaths, Oi achieved a reduction with its outsourced staff from ten occurrences in 2013 to six in the last year, while maintaining the performance of zeros death among its own employees. G4-LA6

[2] Data from page 104 of the previous report

G4-LA7 | G4-DMA: Occupational health and safety

G4-LA6 INJURY RATE BY GENDER AND REGION*	NORTH	MIDWEST	NORTHEAST	SOUTH	SOUTHEAST	GENERAL 2014	GENERAL 2013	GENERAL 2012
Men	0.19	0.49	0.15	0.43	0.09	0.08	nd	nd
Women	0.00	0.42	0.09	0.17	0.15	0.35	nd	nd
TOTAL	**0.12**	**0.47**	**0.13**	**0.36**	**0.11**	**0.18**	**0.14**	**0.14**
Outsourced[2]	1.76	0.79	1.59	1.63	1.75	1.59	1.08	nd

* Does not include minor injuries (first aid).

G4-LA6 TOTAL DAYS LOST*	NORTH	MIDWEST	NORTHEAST	SOUTH	SOUTHEAST	GENERAL 2014	GENERAL 2013	GENERAL 2012
Men	2.78	17.18	1.02	3.39	1.35	3.24	nd	nd
Women	0.00	25.16	1.40	0.00	1.55	3.02	nd	nd
TOTAL	**1.73**	**19.42**	**1.15**	**2.49**	**1.42**	**3.16**	**34.25**	**88.77**
Third Parties	370.88	125.55	14.03	83.32	52.11	75.63	80.52	nd

* Considers 250 workdays in 2014.

G4-LA6 TOTAL ABSENTEEISM OF EMPLOYEES BY REGION*	NORTH	MIDWEST	NORTHEAST	SOUTH	SOUTHEAST	GENERAL 2014	GENERAL 2013	GENERAL 2012
	362.21	373.04	314.41	278.58	381.83	356.90	278.57	nd

* Oi does not monitor outsourced staff absenteeism.

Among other initiatives planned for this year is the development of the Emergency Action Plan in 17 units in its Regional Offices of Rio de Janeiro, São Paulo, Minas Gerais, Bahia, and South, which should be completed in the first half of the year. This process includes the List of Environmental Aspects and Impacts (LAIA) in each of the units, also analyzing the possible occupational injuries and risks to the business.

Regarding quality of life, 2014 was also a year of consolidation and integration. The Oi Vida em Dia program launched in October covers eight benefits that provide prevention and treatment of diseases and stimulates healthy habits, contributing to the quality of life of employees. The proposal is to manage in a systematic way the projects that Oi already had, but that it managed separately. As a result, the Company seeks to expand the knowledge and use of these services by professionals, maximizing the investment in this area. Among the benefits that are part of Oi Vida em Dia are the Occupational Health Medical Control Program (PCMSO), quality of life rooms (in some buildings), multidisciplinary group for monitoring the chronically ill or with risk factors, orientations during pregnancy, annual vaccination campaign against the flu, executive check-up, and discounts on medications. G4-LA7

G4-DMA: Occupational health and safety

For 2015, one of Oi's main challenges is to develop within the framework of its social services a support for its employees in critical situations affecting their physical and psychological well-being. The proposal is to identify professionals who are having trouble in order to offer them medical and specialized psychological support, reinforcing the Company's concern and facilitating solving situations that impact their quality of life and well-being. G4-LA7

5.2 SUPPLIERS

G4-12 | G4-DMA: Purchasing practices

DIALOGUE AND COMMUNICATION

In 2014, 1,920 suppliers were contracted, mostly national ones, with a volume of payments of R$ 12 billion. The main elements of the supply chain are the Network Service Provider companies (NSP) and Technology and Equipment suppliers, which divide among themselves a representativeness estimated of 40% of all payments made to suppliers.

The NSPs have the main purpose of implementing and maintaining the external plant, the fiber optics infrastructure, as well as providing specialized services in the areas of licensing and site acquisition. The Technology companies on the other hand were responsible for supplying equipment for the mobile network equipment for customers (data, satellite, and voice), switching, transmission (radio and backbones), technical support, platforms, and specific equipment for the digital TV segment.

Hiring 5,000 outsourced professionals from Oi's internal plant, which was completed in 2013, brought to last year a new reality for the Company's Procurement area. This happened because the traditional model of purchasing with nationwide providers was complemented with the need to hire local internal plant services. This change caused two significant effects because the regional units have begun to have greater agility in their supply, and corporately the Company was able to reduce costs.

The development of local suppliers, however, involves a number of challenges for Oi. In some places, there is difficulty in finding qualified companies to meet the Company's demand at the quality level required. Because of this, a lot of work has been done to identify and qualify suppliers. In fact, in some regions it has been necessary to start a service provider company from scratch. As in the previous year, 99.8% of the purchases in the year were made with suppliers in Brazil. G4-EC9

Another group on which the Company devotes intensive efforts are those critical to its business continuity, which are followed by a specific committee. These include, for example, Call Centers and Network Service Providers (NSP). In recent years, Oi has revamped its model of telephone customer service suppliers, increasing the competition between the companies providing this service. This change, coupled with the partnership in the training of attendants and exchange of practices has contributed to the improvement of the satisfaction levels and quality of care.

Even for managing the NSPs, the national context itself makes it difficult to select suppliers with the scope and the level of quality required without financial dependence from Oi. In such cases, the Company makes individual analyses, case by case, to find sustainable and constructive relations with suppliers. Last year the Company signed an agreement with one of its suppliers, approved by the Board of Directors, for it to monitor more closely the operational and financial indicators of the NSPs. G4-12

The selection process of suppliers includes requirements relating to governance, ethics, and sustainability such as commitment to respect human rights, labor rights, and environmental protection. In addition, the National Register of Inapt

G4-DMA: Purchasing practices | G4-DMA: Occupational health and safety

and Suspended Companies (CEIS) is used together with the database of information maintained by the Controller-General's Office in order to identify companies that are under legal actions that create restrictions to the right to participate in bidding or contracting with the Government. All contracts are closed using standard clauses on the preservation of human rights and reinforcing its concern with preventing the exploitation of slave labor. Oi promotes an annual workshop with its network companies to reinforce the issues related to health and safety that are stated in the contracts. G4-12

5.3 CUSTOMERS

QUALITY AND COMMERCIAL COMMUNICATION

G4-DMA: Purchasing practices | G4-DMA: Occupational health and safety

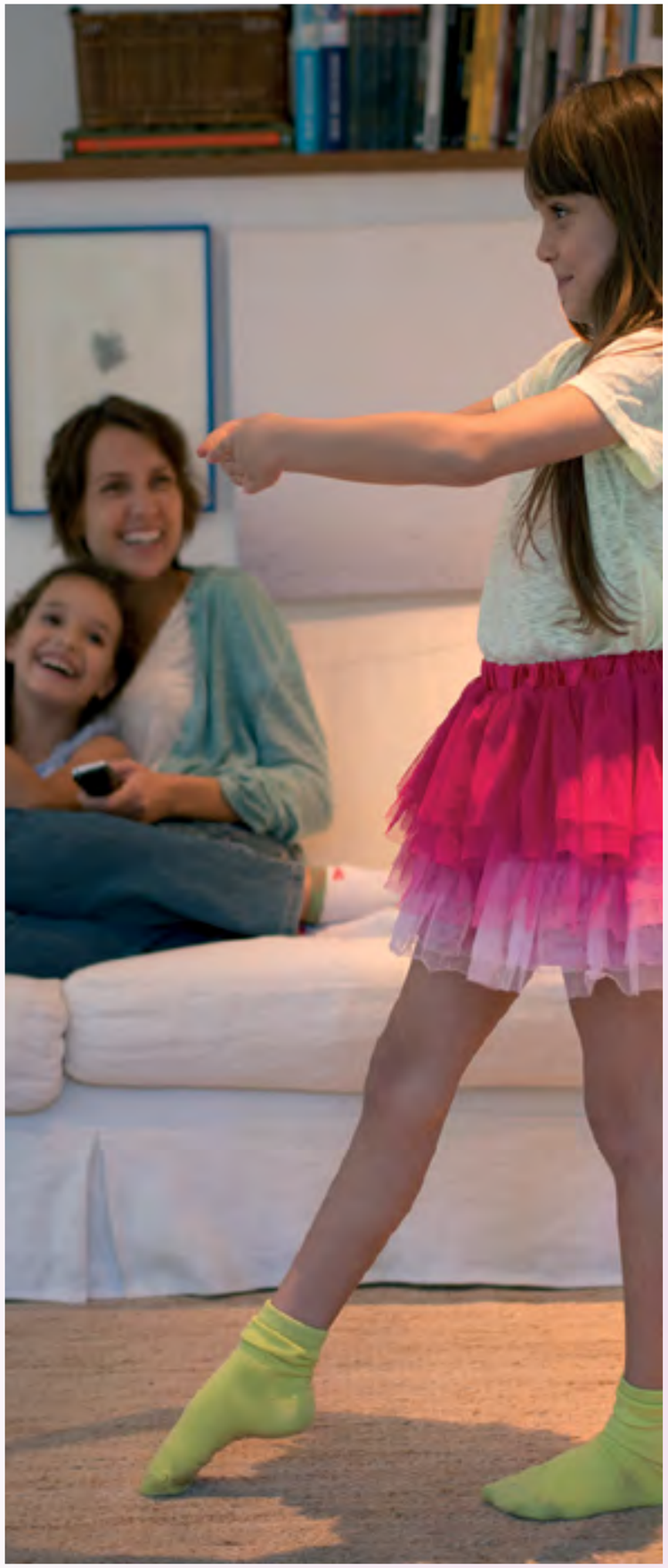
The publication of the General Regulations of the Consumer by the National Telecommunications Agency (Anatel) in March 2014 consolidated consumer rights of all types of telecommunication services including landlines, mobile telephony, and broadband. This normative instruction contributes to enhance the relationship of companies with their customers to bring in an integrated way regulatory aspects that already existed, others that have changed, and new rules for the sector. The obligations vary depending on the size of the operators, and the deadline to meet the new requirements are also proportional to their complexity.

In Oi's Retail segment, one of the priorities is to ensure customers the best possible experience in using the Company's services. Extensive efforts have been made on the network, for example, in order to improve the separation of the 2G, 3G, and 4G mobile telephony bands, in particular prepaid. This project should be completed in the first half of 2015. Another evolution of the Company in the fixed telephony and broadband was to allow scheduling the date of installation or technical visit, giving greater convenience to customers.

As for communicating with consumers, Oi has also made efforts to facilitate the understanding of the dynamics of the plans and promotions. The option for a simple and direct language in advertising campaigns is added to the discourse of convergence to bring on board more results for the Company by impacting a greater number of people. In this context, Oi launched a campaign in 2014 (see table) that meant an important milestone in the Company's communication with its customers.

During the year 2014, the Company complied with the Code of Ethics of the Self-Regulation Advertising Council (Conar) by disclosing its promotional campaigns and ads, as well as kept to the principles of honesty and transparency with consumers. Only three complaints were filed against the Company, two of which resulted in an alteration and one in an agreement between the parties to remove the campaign. G4-PR7

As a result of these efforts, the Company reported a drop in the amount of fines related to problems with billing and incorrect collection, and violation of user rights from R$ 133 million in 2013 to R$ 3 million in the last year. G4-PR4



G4-DMA: Product and service labeling | G4-DMA: Marketing communications

OI TV: FROM THE STARS TO YOUR HOME

With good humor and creativity, Oi launched in 2014 a communication platform for its pay TV service. The campaign featured animated characters representing the team that takes Oi TV from the satellite to homes across Brazil. The concept was carried out through actions such as hotsites and specific campaigns for the Internet, and an actress also participated in the commercials for advertising the Company's other products and services, always with a focus on convergence. The highlights in the movies shown were offers such as Voz Total (fixed and mobile together) and the advantages of Oi TV HD, along with the quantity and quality of the HD channels and the Oi Filmes (pay-per-view) and DVR (digital recorder) services.

In customer service, the convergent view of the services is also being facilitated through integrated systems. Beginning in December 2014, Oi's new customers are registered on a single platform regardless of the services they consume. This streamlines the service and contributes to offering solutions for each customer profile. For 2015, we intend to revisit the database of the current customers in order to migrate them to the new system.

In recent years, Oi's customer service recorded a significant jump in quality, achieving international recognition. In 2014 alone, the Company received three medals in the Top Ranking Performers 2014 of Global Contact Center World Awards, an international award that evaluates the best cases in the area of customer relationship throughout the world. Oi ranked among the top three participants and was the only Brazilian company in the global ranking.

In this last period, the Customer Relations Department expanded its challenges by implementing practices that contribute to increasing the Company's sales, especially through Service Sales. The call center attendants were trained to, at the end of the call, offer customers one of Oi's solutions that was not related to the reason for their call. For example, talk about Oi TV to the customer who contacted the center to solve an issue with their mobile phone. Another important move was to strengthen the online store, which recorded a sales growth of around 7%.

Oi performs active electronic survey to

G4-DMA: Product and service labeling | G4-DMA: Marketing communications

measure the level of satisfaction of the customer receiving support from the Customer Service Center. The survey takes place at the most one business day after the call by means of a voice message where the customer is invited to evaluate the last customer service experience by assigning a score from 0 to 10. The survey makes it possible to monitor the evolution of satisfaction on a daily basis and use the results for defining products or partners, as well as to take appropriate actions whenever any significant change is identified. In 2014, the electronic surveys from the Call Center recorded an increase in the overall satisfaction score of 0.1 percentage point in relation to the previous year, reaching 6.5. The Company works with the target of reaching a satisfaction rate of 7 in 2015. G4-PR5

G4-PR5 CUSTOMER SATISFACTION RESULTS BY REGION	MOBILE	RESIDENTIAL
AM, PA, RR, and AP	5.93	5.95
BA and SE	5.71	6.19
CE, MA, and PI	5.94	6.23
DF, GO, MT, MS, RO, AC, and TO	6.02	7.18
MG and ES	5.78	6.34
PE, RN, PB, and AL	6.06	6.61
RJ	6.17	6.35
RS, SC, and PR	6.01	6.77

In 2014 Oi worked hard to deal with the complaints received from its customers through various quality improvement actions and agility in resolving issues brought to the call center.

CALL CENTER PERFORMANCE INDICATORS (%)	2012	2013	2014
Complaints received/ customer base	0,76	0,90	0,58
Complaints solved within 5 business days	87,59	85,44	91,06

5.4 ENVIRONMENTAL ASPECTS

TECHNOLOGICAL INNOVATION

G4-DMA: Materials | G4-DMA: Energy | G4-DMA: Emissions| G4-DMA: Waste treatment | G4-DMA: Products and services | G4-DMA: Compliance

Oi's environmental management was consolidated in 2014 with the definition of the area of Health, Safety, and Environment (HSE) in order to centralize its initiatives in this context. The theme also became part of the Health, Safety, and Environment Policy revised in the last period. This development facilitates the integration and systemic analysis of the initiatives in order to reduce the consumption of resources and the Company's environmental footprint, which is promoted in all its areas.

A number of initiatives promotes the rational use of natural resources, improving the Company's environmental performance. Whenever possible, natural lighting and ventilation is used and light fixtures and air conditioners are turned off when the administrative environments are unoccupied. The office air-conditioning equipment, in fact, is set at comfortable temperatures between 23 °C and 24 °C, the doors and windows are closed, and the passages of air through the fan coils and capacitors are kept free to maximize the air-conditioning performance. The elevators have a system so that only one is sent to a floor at a time and even to turn off in situations of little use. In addition to this, employees are encouraged to use the stairs to go up one floor or down two floors. G4-EN7

5.4.1 ENERGY EFFICIENCY

The Company's energy consumption represents a critical aspect for the operation, whether in the context of ensuring its continuity, or with respect to costs. The Company seeks to constantly rationalize its consumption and even studies alternatives to reduce its dependence on the Brazilian energy system. A special Oi work group has been specifically studying an alternative for the use of low voltage energy, which

represents approximately 40% of the Company's total energy use.

Throughout 2014, the continuity of the energy rationing plan and setting up an Internal Commission for Energy Conservation (CICE) with the regional offices will make it possible to reduce the rate of growth of the energy consumed. In the annual comparison, consumption was 1.35% higher compared to the evolution of 6.38% that took place between 2012 and 2013. For 2015, the Company's goal is to reduce the energy budget by R$ 77.8 million, which is equivalent to a reduction of about 13% in total consumption, considering an average increase of prices of 25% in the captive market.

G4-EN6 | G4-DMA: Energy

5.4.2 MATERIALS G4-EN1

Among the main materials consumed by Oi are paper for packaging and administrative activities, and the cables, wires, and fiber optics for field operations. The Company adopts reusable envelopes with room for many senders, allowing it to be used 12 times before disposal. Regarding the materials for operations, the reduction in use of metal cables in 2014 was due to putting operations on hold while waiting for the approval of Anatel since the month of March.

CONSUMPTION OF MATERIALS BY TYPE	2012	2013	2014
Packaging materials			
Bags purchased for use in sales at stores (in units)	106,840	308,940	467,500
Flyers - postal envelopes used in sending some products such as chips, devices, modems, and small equipment (in units)	842,456	776,984	1,058,614
Paper envelopes used when contracts are sent to customers (in units)	400,586	394,791	60,000
Cardboard boxes used to ship products when it is necessary to put the item in a mother box such as handsets, minimodem, chips, merchandising material, engineering material, among others (in units)	412,825	417,659	480,400
MATERIALS USED IN OPERATIONS			
Metal cables (in meters)	14,565,687	9,342,892	583,953
Optical cables (in meters)	20,942,268	10,347,696	12,065,311
Seam set (in units)	229,820	219,787	218,051
Wire (in meters)	242,453,229	221,023,489	186,834,000
Terminals (in units)	154,402	170,321	2,024,819

G4-EN2 PERCENTAGE OF MATERIALS USED FROM RECYCLING (IN METERS UNLESS OTHERWISE INDICATED)	2012	2013	2014
Metal cables	2,685,175	286,825	3,051,336
Optical cables	826,439	1,075,766	1,383,682
Seam set (in units)	146,727	232,415	181,133
Wires	163,186,444	158,776,000	147,014,815
Terminals (in units)	73,843	141,550	109,841

In 2014 Oi was the first operator in Brazil to launch the Triple Cut Chip in order to reduce the Stocking Keeping Units (SKUs) and consequently the amount of different plastics produced. It is a chip having the sizes standard, micro, and nano, which was launched at the one-year anniversary of the Oi Galera offer. This product is still under development for mass production in other of the Company's offers. The recovery of decoders after the closing of contracts with customers also minimizes the use of materials by their reuse by a specialized supplier. In 2014 a volume of 136,548 units was recovered leading to a savings of R$ 21 million. G4-EN28 | G4-EN1

5.4.3 WASTES

G4-DMA: Materials | G4-DMA: Waste treatment | G4-DMA: Products and Services

Throughout 2014, Oi structured its Solid Waste Management Program in accordance with the National Solid Waste Policy. The implementation of this initiative, which ensures legal compliance on the subject, is built on three pillars: training of key suppliers, waste storage suitability, and the implementation of a procedure for managing waste documents. For next year, the program should be deployed with managing administrative wastes, improving the selective collection, and giving environmental education to employees.

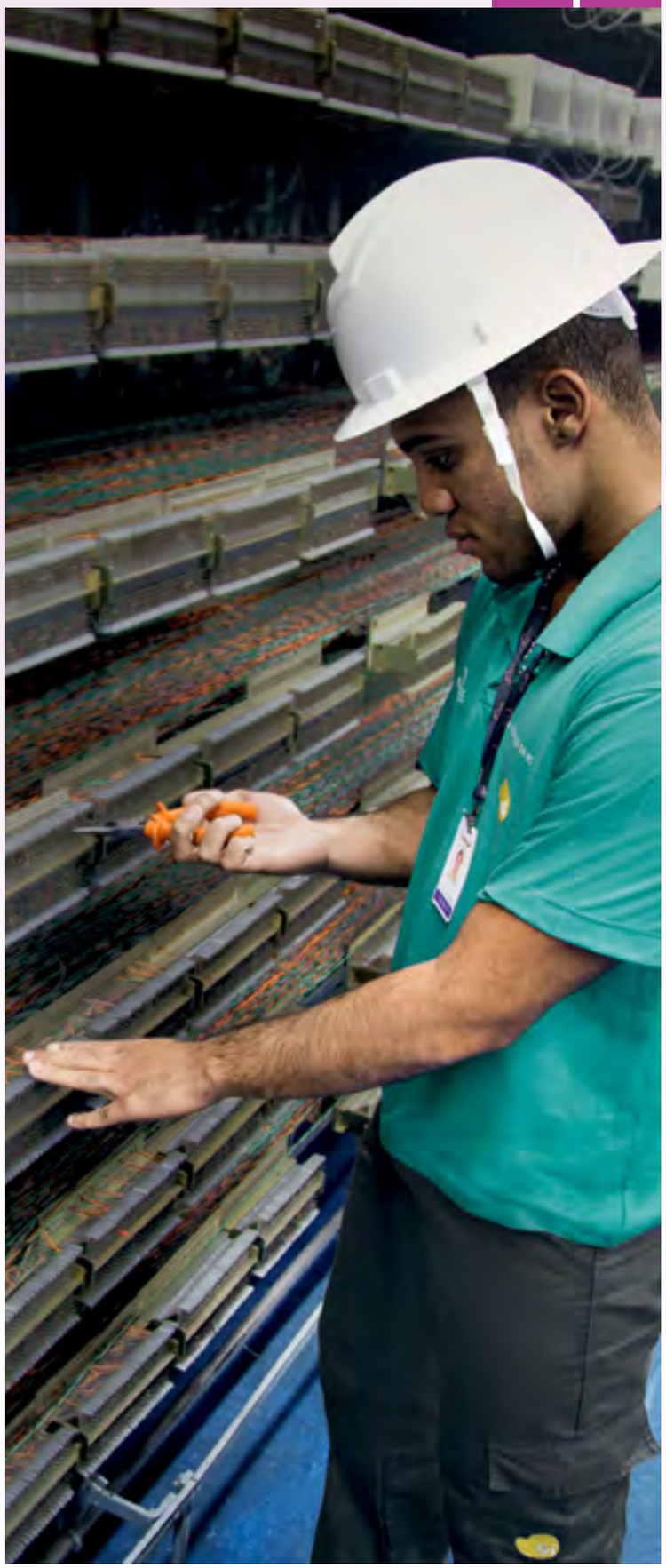
Currently, the waste management of the operations is shared between the areas of HSE and Logistics. The administrative wastes, on the other hand, are managed by Oi's Asset area. In 2014, a significant increase in volume for recycling was noticed, along with a reduction in the sale of scrap, as shown in the table. The increase in the disposal to landfills is due to a higher demand by Anatel for removing public telephones. This growth was partially offset by an initiative to transfer about 8 tons of phone protections to be refurbished in the states of Minas Gerais and Bahia, which avoided the disposal of this volume into landfills and contributed to the installation of public phones in these regions. G4-EN23

In 2014, 985 tons of waste was generated, which were designated to certified companies that promoted environmentally sound disposal of this waste. These companies underwent environmental audits in 2014 performed by Oi, which generated adaptation plans to minimize risks related to the activities. Over 2,700 tons of scrap were sold for recycling, which included materials such as copper, aluminum, and iron, batteries, telephone cables, computer scrap, parts and accessories of public telephones, among others. This volume was significantly lower than 2013 due to Anatel not approving materials from reversible scrap. In order to reduce the environmental impacts of its operations, the Company manages the materials disposed of (scrap) by its service providers and sales them to recycling companies approved by the environmental agencies. G4-EN27

G4-DMA: Waste treatment | G4-DMA: Products and Services

G4-EN23 NON-HAZARDOUS WASTE BY TYPE AND DISPOSAL METHOD	2012	2013	2014
Landfill (tons)	724.4	590.1	985.0
Recycling by selective collection in the administrative buildings (in tons)	131	1,362	4,981.8
Recycling for the sale of scrap (in tons)	43,583.4	16,950.3	2,756.4
Recycling of phones, batteries, and accessories (in items)	43,782	5,834	3,151
Recycling of light bulbs (in items)	14,981	22,680	21,912
Various waste sold to auction (in items)	269,752	57,770	146,361

Waste management is also the subject of Oi research & development projects. The Company created the Ecompensa program from the investment in Scientific and Technological Institutions (STIs). The proposal is to install interactive collection containers in stores to facilitate the collection of discarded batteries and cell phones and engage customers toward a responsible attitude. At the top of the container is a screen that shows a character who in a playful way interacts with the user. In addition to identifying what is being discarded, the system gives you the option to create promotions and even to take a picture and post it on Facebook. The information recorded goes to a database that facilitates the planning of the company responsible for collecting the waste in the container, also allowing gains in logistics and urban mobility. In the context of the National Solid Waste Policy, Oi's solution allows the participation of users who are not customers and can also cater to corporate clients as an Information & Communication Technologies (ICT) solution. To learn more, visit www.ecompensa.com.br.



5.4.4 EMISSIONS G4-DMA: Emissions

Oi has identified and recorded the direct and indirect emissions resulting from its activities every year since 2009. The inventory of greenhouse gas (GHG) emissions follows the standards of the Brazil GHG Protocol Program, which provides tools for reporting and measuring emissions by adapting the methodology developed by the World Resources Institute (WRI). The information is disclosed voluntarily on the public record of emissions with the Brazil GHG Protocol Program itself and the Carbon Disclosure Project (CDP), which is a global initiative

G4-DMA: Emissions

for monitoring climate governance.

Besides giving priority to transparency in the communication of information, the Company also actively participates in discussions and initiatives related to climate change. To do so, it is part of the Companies for Climate (EPC) platform, which is a forum of corporate proposals to reduce the emissions of greenhouse gases from companies and support the transition of the country's economy towards a low-carbon economy, while also discussing solutions and contributions to legislation on the subject. 0i is also participating in the Simulation of Emissions Trading (SCE), a new initiative of the EPC launched in January 2014, which is a simulation of a market for greenhouse gas emissions (GHG) of the cap-and-trade type, which means that it seeks to restrict the amount of GHGs of a sector or from the economy of a region or country within a predetermined limit.

In 2014, 0i was selected to be a part of BM&FBOVESPA's Carbon Efficient Index (ICO2) portfolio for the fifth year in a row. The index combines actions of companies that have already taken the first step towards this new economy by monitoring and reporting their emissions.

One of the relevant sources of 0i's emissions is its own and third-party fleet, totaling 40,000 vehicles. Because of this, the Company launched in 2014 a fleet management system that will optimize the performance of this activity. The initial results are promising: the first module implemented was of fuel control, and the result was a reduction of 27% in fuel consumption in the pilot project. The system consolidates the data recorded on each vehicle in a friendly interface for the fleet manager. The next modules cover aspects such as defensive driving and preventive maintenance. 0i's Fleet Management was born from the Company's investment in innovation through an incubated company and it has already aroused the interest of corporate clients as an ICT solution.

-27%
REDUCTION IN FUEL

G4-EN15 | G4-EN16 DIRECT AND INDIRECT EMISSIONS - SCOPES 1 AND 2 (tCO_2e)	2012	2013	2014
Scope 1 (generators, own fleet of cars and refrigerants)	9,516.37	24,413.22	41.108,47
Scope 2 (electricity purchased and consumed)	109,629.30	174,855.14	235.131,25
TOTAL	**119,145.67**	**199,268.37**	**276.239,72**

G4-EN17 INDIRECT EMISSIONS - SCOPE 3 (tCO_2e)	2012	2013	2014
Goods and services purchased	124,297.04	122,627.30	75.066,90
Transportation and distribution upstream	10,643.32	9,733.61	35.789,24
Business travel	8,656.09	12,016.78	5.513,12
Commuting of employees	9,202.55	9,550.46	11.251,72
TOTAL	**152,799.00**	**153,928.16**	**127,620,98**

G4-DMA: Emissions

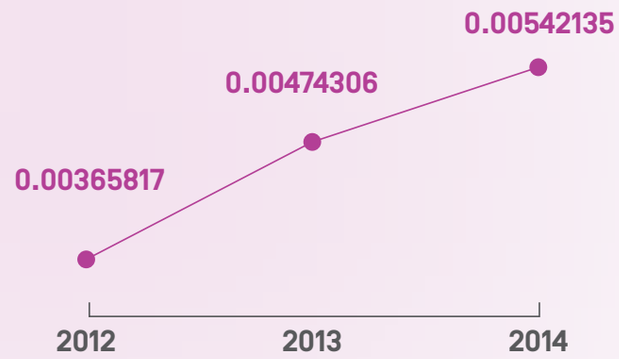
Figures for the Company's GHG emissions in 2014 were higher compared to previous years, despite several initiatives focused on reducing these emissions. One of the causes of evolution in direct emissions is the internalization of the indoor plant, whose emissions were fully accounted for in Scope 1 in 2014, while in 2013 the emissions from January to May of this operation was accounted for as Scope 3.

Scope 2 emissions increased year over year not only due to the Company's operational expansion, but also for the emission factor of the National Interconnected Power System (NIPS), which, due to frequent droughts and starting up of thermoelectric plants, has increased in recent years. Oi's power consumption had a slight increase of 1%, reflecting the efficiency of the company's various initiatives to reduce energy consumptio. G4-EN19

In 2013, the Company began the Do More with Less Program, which has among its targets to reduce spending on corporate travel and with taxis, which besides guaranteeing financial savings, directly impacted Scope 3 emissions from the inventory. In 2014 there was a significant reduction in emissions related to business travel by air especially in relation to long trips for the entire process of emissions of the streams from Portugal Telecom, which have been carried out by it since February. With this change in the process of issuing international tickets, changes in the merger's scenario between the two companies and the company's effort in order to reduce travels, the number of tickets issued has been significantly reduced by approximately 65%. There was also a significant reduction of approximately 57% for the short and medium duration travel, including domestic travel, due to initiatives such as to encourage using videoconferencing, which in addition to reducing travels it also contributes to strengthening the integration between the teams from several states. G4-EN19

In 2013, Oi, in partnership with other companies from the same industry, developed a sector indicator of telecommunications. The indicator is the volume of emissions (tCO2e) per Revenue Generating Unit (RGU).

G4-EN18 GHG EMISSIONS INTENSITY (tCO_2e/UGR)

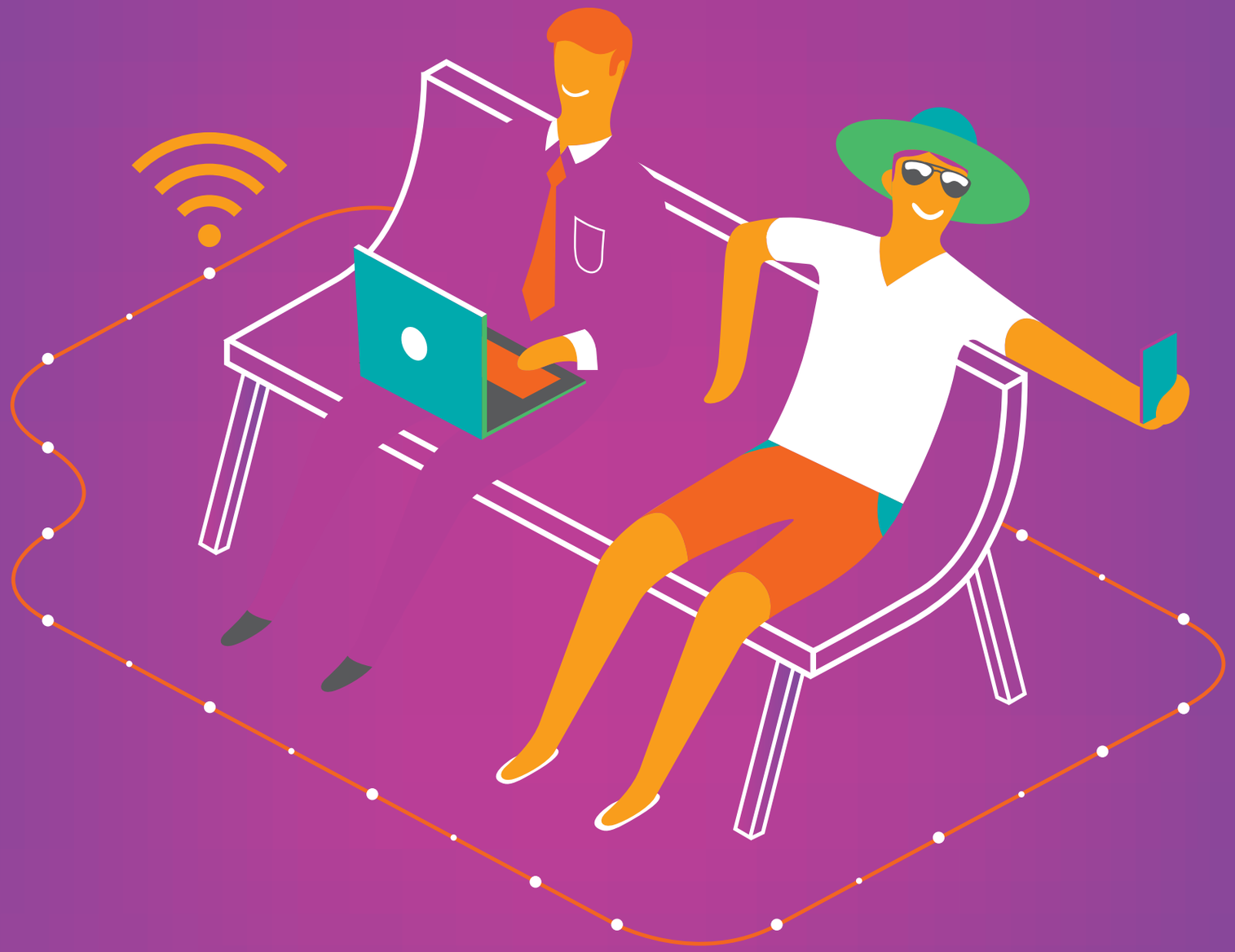


PROMOTION OF DEVELOPMENT

INFRASTRUCTURE INVESTMENT

SOCIODIGITAL INCLUSION

TECHNOLOGICAL INNOVATION



6.1 DIALOG AND INVESTMENTS 64

6.2 THE MOST CONNECTED WORLD CUP IN HISTORY 66

6.3 OI FUTURO 67

6.1 DIALOG AND INVESTMENTS

G4-EC7 | G4-SO1 | DMA: Indirect economic impacts | G4-DMA: Indigenous rights | G4-DMA: Human rights grievance mechanisms | G4-DMA: Local communities | G4-DMA: Grievance mechanisms for impacts on society

Oi's performance in community development is in line with its focus on citizenship and its public policies in telecommunications. The Company seeks to be close to representative bodies in society, government, and the communities themselves in order to identify opportunities and the demands of these stakeholders. Through Oi Futuro, the Company invests in education, culture, and social-environmental projects.

One of the main advances in 2014 was to reach the target set by the National Broadband Plan (PNBL) and by the Program Broadband in the Schools (PBLE). In December, Oi concluded the provision of the service in 4,668 municipalities in its area of operation, helping to expand access to broadband, promote digital inclusion, and reduce social and regional inequalities in Brazil. Regarding the Broadband in Schools Program (PBLE), which is also set up by the Ministry of Telecommunications and by the National Telecommunications Agency (Anatel) as a legal obligation of the telephone operators, Oi was already covering 52,072 schools at the end 2014, totaling an investment in the year of R$ 7.9 million. The objective of the PBLE is to provide Internet at a speed of 2 MB in all public schools listed by the Ministry of Education and Culture (MEC) by 2025.

Oi is implementing the Border Project, which aims to bring neighboring countries closer and foster communication by offering local rates for international calls between these locations. Calls from these cities to the neighboring countries will be reduced by up to 97% and will be valid for landlines. For the Company, the reduction of tariffs is a way to help in the development of these locations and it is in line with the spirit of offering innovative local solutions to meet the different demands of customers.

Another initiative that should be highlighted is broadband in Amapá, which has a partnership with the state government and other telecommunications carriers. It has to do with building a network that will cross the state and continue into French Guiana until Fortaleza with the aim of increasing the availability of Internet access with more affordable prices for the population. This project is part of the obligations that the company has with Anatel as for fiber optic installation along the BR-156 highway in order to cause the least possible impact on the environment. The arrival of broadband will allow the installation of 12,000 Oi Velox ports in the first 12 months of operation alone.

More than R$ 51 million was invested in the General Plan on Universal Services (PGMU) in 2014 covering 1,042 locations. As for the low-cost phone project in connection with the programs of social benefits of the federal government, it reached the end of the year with 109,094 subscribers. And finally, the backhaul, which consists in installing broadband in municipalities not covered without passing on costs to the customer, involved investments of R$ 925,000 and more than 3,000 municipalities.

Another important process for social-digital inclusion in Brazil was spearheaded by Anatel with Oi's active participation. It has to do with a public consultation regarding the topic of accessibility carried out over 2014 and that will support the creation of specific regulations for the sector. In addition to following the public hearings and discussions of this process, Oi participated in specific events such as the regional conference of Accessible Americas: Information and Communication for ALL, promoted in São Paulo in December. At the time, the Company signed a letter of principles and guidelines on this issue to be deployed into actions and initiatives in the coming years. The following items were among Anatel's main points of debate: promoting more

G4-EC7 | G4-SO1 | DMA: Indirect economic impacts | G4-DMA: Indigenous rights | G4-DMA: Human rights grievance mechanisms | G4-DMA: Local communities | G4-DMA: Grievance mechanisms for impacts on society

accessible mobile services, the transmission of the Paralympic Games 2016 with accessibility features for the disabled, and the use of sector funds such as the Universal Telecommunication Services Fund (FUST).

In the field of operations, Oi also facilitates the connection of the most remote places in the country through public telephones. One innovation project currently in progress will raise the level of quality of the service offered through public telephones, reduce costs, and optimize the entire chain involved in this system. The initiative was awarded funding from the Brazilian Innovation Agency (FINEP) obtained through the Inova Program of the Brazilian Development Bank (BNDES). The new public phone, still in a prototype version, will be half the size of the current one with a proposal for its mechanics to be more resistant to the elements of the weather and to vandalism. It is expected to reduce costs of acquisition and maintenance by over 50%. The advanced versions are in the design phase and will include Wi-Fi broadband services and video conferencing. The method of payment will also be modernized with a technology similar to mobile phone, allowing the telephone card to be recharged by the user, which increases its service life and reduces manufacturing and distribution costs.

PARTNERSHIPS AND THEIR RESULTS

Oi in the Antarctica | By ensuring voice (fixed and mobile), data, and television services to the Comandante Ferraz Antarctic Station (EACF) of the Brazilian Navy, the Company enables the communication of this research team with the world. In 2014, Oi broadcast to the EACF the FIFA World Cup being held in Brazil and began the installation of new antennas adapted to adverse weather in the region in order to improve communication and data transmission.

SOS Woman | In partnership with the State Departments for the Woman, the Department of Social Safety and Defense, and with the State University of Paraíba, Oi developed the SOS Woman application. With it, women in risk can immediately contact the Center for Integrated Police Operations (CIOP), which sends the closest police car to the place, which is marked by GPS.

Psychophobia Campaign | In conjunction with the Brazilian Association of Psychiatry, 36,600 public telephone cards were launched in February with the theme Psychophobia is a crime, contributing to the respect for people with mental disorders or disabilities.

Combating Violence Against the Elderly | This combating was strengthened in August through a partnership with the Prosecutor's Office of the State of Sergipe. The following message was released on the telephone bills of area code 79: "June 15: World Elder Abuse Awareness Day. Watch for signs that reveal aggression and violation of the rights of the elderly. Dial 100 to report cases of violence against the elderly."

Support for Health Research | In support of research by the Department of Surveillance of Noncommunicable Diseases and the Health Promotion of the Ministry of Health, Oi conceded the phone records of 5,000 residential lines in Brazilian capital cities. These units are contacted for collecting data related to risk and protection factors for chronic diseases.

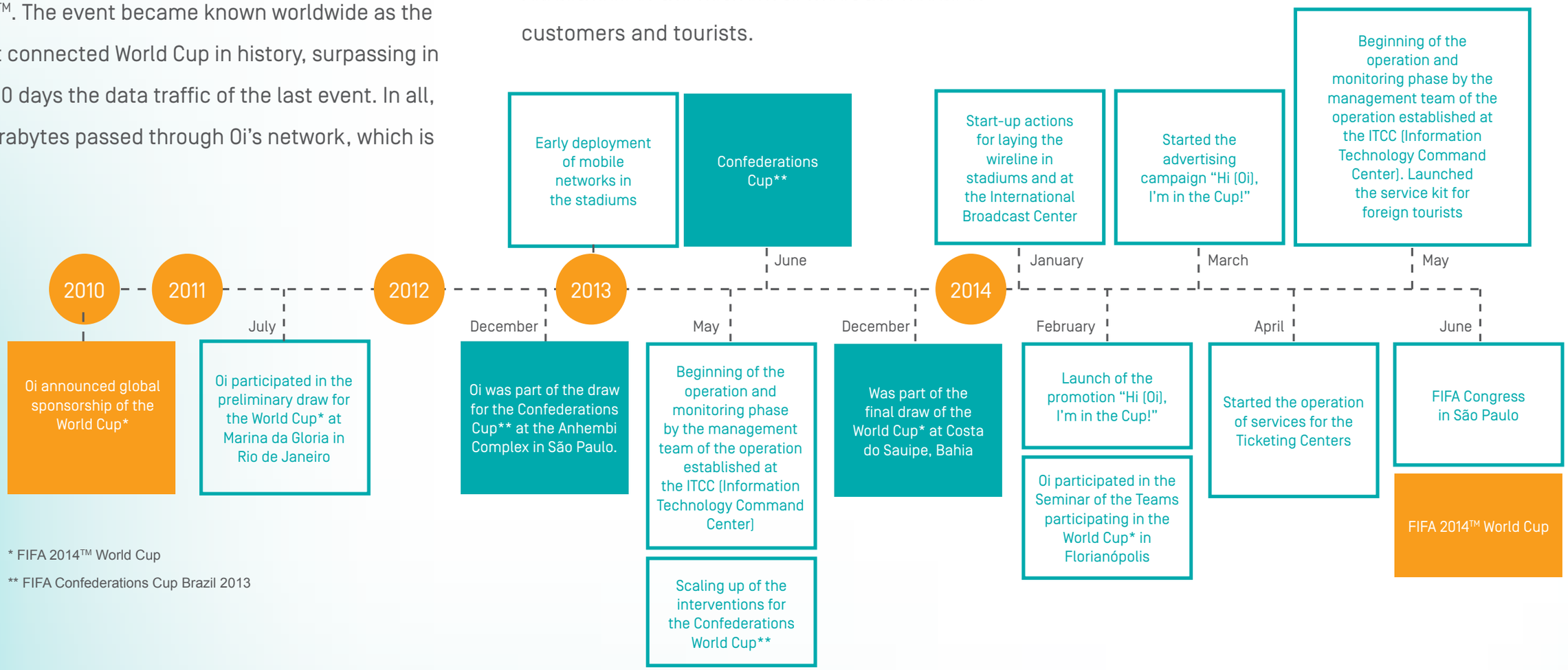
Infrastructure for indigenous associations: in conjunction with the National Indian Foundation (FUNAI) and with the National Institute of Environment (IBAMA), Oi has been implementing compensatory and mitigating measures in indigenous areas through which the Company's telecommunications infrastructure crosses. These actions bring direct benefits to the population, ensuring their social welfare, and they aim at minimizing the environmental impact of the equipment necessary for providing telecommunication services. Oi took actions in 2014 to improve the infrastructure of indigenous associations with a focus on providing Internet services along with equipment such as radios, computers, desks, and chairs. G4-EC7 | SO1

6.2 THE MOST CONNECTED WORLD CUP IN HISTORY

G4-DMA: Indirect Economic Impacts

Record in data transmission, 100% availability, and public recognition for the quality of telecom services—these are some of the results achieved by Oi as the supplier and sponsor of the FIFA World Cup 2014™. The event became known worldwide as the most connected World Cup in history, surpassing in just 10 days the data traffic of the last event. In all, 74 terabytes passed through Oi's network, which is the equivalent of 80 million photos.

The Company's planning to ensure this achievement involved 4,000 employees in more than 23 departments in the last four years (more details on the timeline). The work areas included the contract with FIFA (Fédération Internationale de Football Association, in French), the customization of services for companies, and the robustness of the network to meet the needs of customers and tourists.



* FIFA 2014™ World Cup

** FIFA Confederations Cup Brazil 2013

G4-DMA: Indirect economic impacts | G4-DMA: Local communities

When selected as a supplier by FIFA, Oi took on the commitment to provide Internet connection and corporate telecom services in the 12 stadiums and transmission sites for the 20,000 media professionals certified to cover the event. The contract also included the connection of 70 FIFA operating points that required building an infrastructure with 522 kilometers of network cable, 62 kilometers of fiber optics, 8,000 cable network points, and 700 Wi-Fi antennas.

The Company met the demand of companies that provided services during the Cup. Fixed-line, broadband, and cabling services connected sales kiosks and ATMs inside the stadiums and FIFA's International Broadcast Center (IBC). In partnership with SportTV, Oi held the first transmission in the UltraHD format (4K) live in Brazil, during the round of 16 game between Colombia and Uruguay. In the streets, customers, tourists, and foreigners counted on Oi to make their calls, browse the internet, and find out more about the World Cup. The initiatives in this field were diverse and included all of the Company's operating segments.

During preparation for transmission, Oi got involved in key issues for the infrastructure of the host cities. The Company worked in partnership with companies and government entities to exploit synergies in the building projects related to the event and minimize interventions that could impact the provision of services to customers. The monitoring of the network during the games was done simultaneously at the IBC and at Oi's Network Management Center with dedicated teams. Oi also joined the sector's consortium that provided free Wi-Fi internet to the public of the stadiums that closed an agreement: Maracanã (RJ), Nacional (DF), Arena Fonte Nova (BA) Arena Pantanal (MT), Arena Amazônia (AM), and Beira-Rio (RS). The network of this consortium supported 4.5 million phone calls and 48.5 million photos sent during the 64 World Cup matches.

The repercussion of all these initiatives was positive for the Company. As a sponsor of the FIFA Fan Fests, Oi transmitted the games to 5.1 million people and strengthened the offer of Oi Galera (a prepaid plan aimed at young people). More than 400 positive news items were mentioned in the press regarding Oi's services and the results as a FIFA supplier. Representatives of FIFA, from Match IT that provided the ticketing services, accommodations, and IT solutions, and the German Football Association whose training center was connected by Oi, publicly declared their satisfaction with the services provided by Oi and recognized the Company's role for the success of the event.

The legacy for the host cities was also an important result of all these efforts. The phone companies jointly invested R$ 1.3 billion, which increased the telecom infrastructure in the host cities by an average of 28%. Additionally, more than 15,000 3G and 4G antennas were installed and 10,000 kilometers of optical fibers.

6.3 OI FUTURO

G4-DMA: Comunidades locais

Oi Futuro, which is Oi's corporate social responsibility institute, develops and supports programs and projects in education, culture, sustainability, and sports. The institute is committed to social change and social inclusion, having the mission to promote human development by means of information and communication technologies. Increased access to knowledge, creating opportunities, and the development of models that can serve as a reference or inspiration for public policies are the strategic objectives that guide the institute's programs. G4-EC8 | G4-SO1

G4-DMA: Local communities

G4-EC4 PRIVATE SOCIAL INVESTMENT (R$ THOUSANDS)	2012	2013	2014
Education	17,083	14,829	17,748
Culture	50,154	50,727	53,212
Sustainability	6,947	4,796	5,326
Sports[1]	17,439	7,981	22,481
Administrative structure of Oi Futuro[2]	4,918	4,503	4,402
TOTAL	**96,542**	**82,835**	**103,169**
Direct investment	39,547	37,565	43,861
Through tax incentives	56,995	45,270	59,308

1. The variation between 2013 and 2014 is justified by the increase of projects primarily related to the World Cup.

2. This covers the areas of support: Communication, HR, Finance - Accounts Payable and Accounting, Planning, Assets, and Processing of Sponsorships

6.3.1 EDUCATION G4-EC8 | G4-SO1

The objective of the Education Program, to which most of the resources from Oi Futuro go to, is to qualify the vocational training of high school in the field of creative economy and develop and disseminate innovative educational methodologies. To do this, the programs Advanced Education Center (NAVE) and Oi Kabum! (School of Art and Technology) are funded, which use communication and information technologies at the same time as a tool and as part of its training processes, preparing young students for careers in the digital area.

6.3.1.1 *NAVE*

Developed in two public schools in partnership with the Departments of Education of Rio de Janeiro (State High School José Leite Lopes) and Pernambuco (Cícero Dias State Technical School), NAVE offers vocational training integrated into the regular high school curricula, offering technical courses in the area of programming for digital games, scripts for digital media and multimedia through research and innovation activities as well as dissemination of methodologies and practices. Currently the two schools have about 900 students and around 80 teachers are involved. It has been recognized by Microsoft for its innovation capacity in the Brazilian high school teaching system.

NAVE Rio has been part of Microsoft's Innovative Schools Program since 2009 and since 2014 has been integrated into the Show Case Schools program in which selected schools around the world are visited by others. NAVE Recife was also selected in 2013 as one of the 80 most innovative schools around the world in the Mentor category. In 2014, the two schools were present at the World Global Forum organized by Microsoft in Barcelona. NAVE Rio was the only school in Brazil invited by the Qatar Foundation to participate at the Wise Summit (World Innovation Summit for Education) in Doha in November 2014 and therefore being part of the Wise Book, one of the world's most important publications in the field of innovation in education.

NAVE was a winner of the prize Building the Nation conducted by the Institute of Brazilian Citizenship together with CNI-SESI, Volkswagen Foundation, and the Board of Education Departments - CONSED in 2014 in the category Public and Private Initiatives, and was a finalist of the award Governarte carried out by the Inter-American Development Bank - IDB.

G4-EC8 | G4-SO1

Another positive result of the program are the National High School Exam (ENEM) indicators. In the last two editions of the exam, the State School José Leite Lopes (NAVE Rio) was first. The Technical School Cícero Dias (NAVE Recife) also won first place among the schools linked to the Pernambuco State Department of Education (SEEP). Students from the schools NAVE Rio and Recife produced 37 games entered into the platforms of Windows Phone Market Place and Google Play. Up until December 2014, more than 630,000 downloads had been performed worldwide.

6.3.1.2 *OI KABUM!*

Oi Kabum! School of Art and Technology offers to young people in urban lower-class communities, students, or graduates from the public schools, training in courses related to creative economy: photography, graphic design, video, webdesign, and computer graphics. At every cycle of one and a half years, 380 young people join the units in Belo Horizonte (MG), Recife (PE), Rio de Janeiro (RJ), and Salvador (BA). After completion of the course, the graduates have the option to be a part of a second module of training for up to 18 months performing tasks and projects related to the languages of the schools. This module seeks to encourage artistic and cultural production and promote the integration of these young people into the labor market through partnerships with institutions and companies.

Throughout 2014, multiplying actions were set in place aimed at disseminating the Oi Kabum! program, thus benefiting more than 1,000 people in the four cities where the program is present, in order to provide young people and educators the opportunity to experience the content and methodology developed in the program. This is a systematized initiative of capillarity of knowledge accumulated during ten years of teaching and learning of art and technology through educational activities. Thirty-five activities were offered including free courses, workshops in public schools, continuing education activities for educators in public schools and community inclusion projects.

6.3.2 CULTURE

6.3.2.1 CULTURAL CENTERS

Cultural initiatives are supported through public bids and totaled 104 projects carried out in 11 Brazilian states in 2014, mainly in the areas of visual arts, performing arts, technology, music, and integrated arts. Part of the projects was conducted in three cultural centers held in Rio de Janeiro (RJ) with two units and in Belo Horizonte (MG). In 2014, the Ipanema unit won the award Noite Rio in the category of Best Stage for Launching, and the Flamengo unit won the Accessibility seal in the bronze category, which was delivered by Rio's City Hall through the Municipal Department of People with Disabilities (SMPD).

Since April 2014, the theaters of Rio de Janeiro and Belo Horizonte have had monthly sessions of the project Accessible Theater whose goal is to offer inclusive shows for people with disabilities. The shows were fitted with accessibility resources of audio description, closed caption subtitles, and interpretation into the Brazilian Sign Language.

6.3.2.2 TELECOMMUNICATIONS MUSEUM

These museums are permanent attractions of both Oi Futuro Flamengo as well as Oi Futuro BH, and are considered under the international category of technology museums, being pioneers in Brazil. They preserve, value, and disseminate the history of telecommunications in Brazil with valuable unique collections that include more than 93,000 items



G4-EC8 | G4-SO1

including handsets, telephone booths, switchboards, phone directories, photographs, technical catalogs, historical documents, etc. Both museums have a consolidated educational program with an interdisciplinary team of professionals who, through guided visits, bring together every day a variety of audiences (481 institutions participated in 2014). In 2014, the museum in Rio received 28,000 visitors and the museum in Belo Horizonte another 17,000. After seven years of existence in 2014, important public recognitions were received: the national prize of the 40th edition of the Brazilian Association of Corporate Communication (ABERJE) in the category Historical and Corporate Memory Responsibility.

6.3.3 SUSTAINABILITY

The Sustainability area of Oi Futuro seeks to integrate reflection, learning, and to support sustainable practices aimed at human development through actions to strengthen citizenship and participation as human rights for present and future generations. The Oi Novos Brasis program is used to channel financial support to social and environmental projects developed by social organizations (NGOs) aimed at improving the quality of life, the promotion of diversity, accessibility, and social inclusion. Additionally, it manages the support to the Boards for the Rights of Children and Adolescents through the Fund for Children and Adolescents and Oi's Program of Sports Incentive Sponsorship. With these initiatives, Oi and Oi Futuro work at strengthening their public policies for ensuring socio-sports rights to populations in vulnerable situations, in particular to the teen public.

6.3.3.1 OI NOVOS BRASIS

The program is guided by the public selection of innovative initiatives that reflect the needs of populations in vulnerable situations and the strengthening of local culture with prospects of building a model capable of being reapplied, using information and communication technologies and low environmental impact as a tool for bringing people together and accelerating social and

G4-EC8

environmental development. The program covers two fields of activity: Community Development (social inclusion, civic education, and professional training aimed at generating employment and income) and Environment & Biodiversity (conservation and sustainable use of the environment).

During 2014, 26 projects were supported with more than 5,000 beneficiaries across the country. The program was recognized by two important awards: The Millennium Development Goals award with the project Sustainability along the Pathway: Sun, Technology, and Biodiversity and Von Martius Sustainability Award with the project Living with the Semiarid Reality (2nd place in the category Humanity).

SOME OF THE PROJECTS SUPPORTED BY OI NOVOS BRASIS

I-deaf | Promotes the social inclusion of young people with hearing impairment through courses in how to use new technologies, how to create a web portal, and the rebirth of an association formed by the participants themselves, giving them active roles and awareness of their rights and responsibilities. The project lasts 14 months and is run by the Company Semear in Sergipe.

Teko Arandú Indian Orchestra | Offers theoretical and practical classes on percussion and wind instruments as well as guitar for students of the Terena Indians and to public schools in the cities of Aquidauana and Anastácio (MS), increasing the visibility of the cultural identity of indigenous peoples. Support from Oi Futuro included acquiring 50 music stands and 32 new musical instruments.

Parauninha Environmental and Cultural Network | Promotes environmental awareness and the training of professionals from riverine communities in the Médio Espinhaço region, 175 kilometers from the state capital of Minas Gerais. The actions are planned based on community demands and among them is the creation of the portal www.parauninha.org with cultural and historical information of the region.

Young Communicators of the Amazon: Democratizing Access to Information | It offers a course in the field of communications with social-political content and public policies, in addition to technical tools for his profession. This training course lasts 144 hours and is aimed at young people between 15 and 25 years old and residents of the peripheral areas of the metropolitan region of Belém.

Income Generation through Sustainability | Supports the development of community gardens in partnership with other entities in Paraná. The gardens produce medicinal, condiment, and aromatic plants in systems that prevent depredation of the Araucaria forests characteristic in this region.



G4-EC8

6.3.3.2 FUND FOR CHILDREN AND ADOLESCENTS

Oi supports actions through Oi Futuro aimed at ensuring the rights children and adolescents as proposed by the Boards for the Rights of Children and Adolescents. In 2014 donations were given to state and municipal Funds for Children and Adolescents (FIAs) to support 10 projects distributed throughout the states of Alagoas, Amazonas, Ceará, Minas Gerais, Paraná, Pernambuco, and Rio Grande do Sul. Through this initiative, Oi and Oi Futuro contribute to the effectiveness of the public policies for ensuring the human rights of children and adolescents throughout the Country.

6.3.3.3 SPORTS

Viewed as instrument of social transformation, sports is also an area that Oi Futuro works with through Oi's Program of Sports Incentive Sponsorship. The program supports sports and para sports projects that promote improved quality of life and health of the individual and value accessibility and diversity. For the fifth year running, we were granted the seal of "Business Friend of Sports" from the Ministry of Sports as an important sponsor of Brazilian sports. The actions strategy of Oi and Oi Futuro in sports is aligned with the federal public policy to foster sports.

SOCIAL BALANCE SHEET

1 – Basis of calculation	2014 – R$ thousand	2013 – R$ thousand
Net Revenue (NR)	28,247,099	28,422,147
Operating Results (OR)	1,128,073	2,012,169
Gross Payroll (GP)	2,539,835	2,222,372
Total Value Added (TVA)	16,884,640	20,509,138

2 - Internal social indicators	R$ thousand	% on GP	% on NR	% on TVA	R$ thousand	% on GP	% on NR	% on TVA
Meals	176,821	6.96	0.63	1.05	164,542	7.40	0.58	0.80
Payroll taxes and benefits	480,851	18.93	1.70	2.85	509,877	22.94	1.79	2.49
Private pension plan	60,253	2.37	0.21	0.36	64,560	2.91	0.23	0.31
Health	134,120	5.28	0.47	0.79	117,077	5.27	0.41	0.57
Industrial safety and medical care	11,912	0.47	0.04	0.07	13,048	0.59	0.05	0.06
Education	0	0.00	0.00	0.00	0	0.00	0.00	0.00
Culture	0	0.00	0.00	0.00	0	0.00	0.00	0.00
Professional capacity-building and development	8,326	0.33	0.03	0.05	11,682	0.53	0.04	0.06
Daycares or stipend for daycare	11,572	0.46	0.04	0.07	11,078	0.50	0.04	0.05
Sports					0	0.00	0.00	0.00
Profit sharing	287,764	11.33	1.02	1.70	214,353	9.65	0.75	1.05
Transportation	45,537	1.79	0.16	0.27	45,483	2.05	0.16	0.22
Others	28,792	1.13	0.10	0.17	20,510	0.92	0.07	0.10
Total - internal social indicators	**1,245,948**	**49.06**	**4.41**	**7.38**	**1,172,210**	**52.75**	**4.12**	**5.72**

3 - External social indicators	R$ thousand	% on GP	% on NR	% on TVA	R$ thousand	% on GP	% on NR	% on TVA
		1.57	0.06	0.11	14,829	0.74	0.05	0.07
Culture	53,212	4.72	0.19	0.32	50,727	2.52	0.18	0.25
Health and sanitation	141	0.01	0.00	0.00	299	0.01	0.00	0.00
Sports	22,481	1.99	0.08	0.13	7,981	0.40	0.03	0.04
Hunger relief and food safety	334	0.03	0.00	0.00	289	0.01	0.00	0.00
Sector indicator								
Others	9,252	0.82	0.03	0.05	8,710	0.43	0.03	0.04
Total contribution to society	**103,168**	**9.15**	**0.37**	**0.61**	**82,835**	**4.12**	**0.29**	**0.40**
Taxes (less payroll taxes)	9,619,746	852.76	34.06	56.97	9,954,791	494.73	35.02	48.54
Total – external social indicators	**9,722,914**	**861.90**	**34.42**	**57.58**	**10,037,626**	**498.85**	**35.32**	**48.94**

4 – Environmental Indicators	R$ thousand	% on GP	% on NR	% on TVA	R$ thousand	% on GP	% on NR	% on TVA
4.1 - Investments related to corporate production/operations								
Land expropriation	0	0.00	0.00	0.00	0	0.00	0.00	0.00
Environmental liabilities and contingencies	0	0.00	0.00	0.00	0	0.00	0.00	0.00
Program for technological and industrial development	286,500	25.40	1.01	1.70				
Conservation of energy	15,535,313	1377.15	55.00	92.01				
Environmental education	0	0.00	0.00	0.00	0	0.00	0.00	0.00
Sector indicator								
Others	0	0.00	0.00	0.00	0	0.00	0.00	0.00
Total investments related to corporate production/ operations	**15,821,813**	**1402.55**	**56.01**	**93.71**	**0**	**0.00**	**0.00**	**0.00**
4.2 - Investments in external programs and/or projects								
Environmental education projects in communities	780	0.07	0.00	0.00	741	0.04	0.00	0.00
Preservation and/or recovery of degraded environments	915	0.08	0.00	0.01	848	0.04	0.00	0.00
Others	133	0.01	0.00	0.00	75	0.00	0.00	0.00
Total investments in external programs and/or projects	**1,828**	**0.16**	**0.01**	**0.01**	**1,664**	**0.08**	**0.01**	**0.01**
Total investments in the environment (4.1 + 4.2)	**15,823,641**	**1402.71**	**56.02**	**93.72**	**1,664**	**0.08**	**0.01**	**0.01**

Distribution of investments in the environment	R$ thousand	% of total	R$ thousand	% of total
Total investments in environmental prevention actions	0	0.00	0	0.00
Total investments in environmental maintenance actions	0	0.00	0	0.00
Total investments in environmental compensation actions	0	0.00	0	0.00
Number of environmental, administrative, and judicial lawsuits filed against the company:	276		150	
Amount of fines and compensations related to the environmental issues determined as administrative and/or legal proceedings:	29,607.00		0.00	
Regarding setting annual targets for minimizing waste and consumption in general in production/operation to increase efficiency in the use of natural resources, the company:	( ) No targets ( ) Reaches from 0% to 50% (X) Reaches from 51% to 75% ( ) Reaches 76% to 100%		( ) No targets (X) Reaches from 0% to 50% ( ) Reaches from 51% to 75% ( ) Reaches 76% to 100%	

5 - Employee composition indicators	2014 In units	2013 In units
Headcount at end of period	18,295	18,947
Admissions during period	4,339	8,454
Dismissals during period	5,116	4,704
Outsourced workers	159,277	148,298
Number of interns	670	419
Number of employees over age 45	3,981	4,120
Number of employees by age group:		
Under 18 years old	0	0
Between 18 and 35	8,751	9,189
Between 36 and 45	5,562	5,609
Between 46 and 60	3,641	3,840
Over 60 years old	341	309
Number of employees by level of education:		
Illiterate	0	0
With elementary school	95	99
With high school/technical	8,752	9,460
With college education	7,578	7,504
Graduate Studies	1,870	1,884
Number of women working for the company	6,423	6,417
Percentage of management positions held by women	25%	24%
Number of men working for the company	11,872	12,530
Percentage of management positions held by men	75%	76%

Number of blacks working for the company		
Percentage of management positions held by blacks		
Number of employees with disabilities or special needs	344	319
Gross compensation by:		
Employees		
Administrators		
Difference between the lowest salary paid by the company and the minimum wage (national or regional):		
Difference between the lowest salary paid by the company and the minimum wage	135	72
Source	FPW payroll	FPW payroll

6 – Information relating to the exercise of corporate citizenship	2014	2013
Relation between the highest and the lowest compensation in the Company		
Total industrial accidents		
developed by the company were defined by:	( ) Top-level executives (x) Top-level executives and mid-level management ( ) All employees	( ) Top-level executives (x) Top-level executives and mid-level management ( ) All employees
Safety and occupational health standards in the workplace were defined by:	( ) Top-level executives (x) All employees ( ) All employees + CIPA	( ) Top-level executives (x) All employees ( ) All employees + CIPA
Concerning freedom of association, the right to collective bargaining and employee representation in unions, the Company:	(x) Has no involvement ( ) Complies with the ILO norms ( ) Encourages and follows ILO norms	(x) Has no involvement ( ) Complies with the ILO norms ( ) Encourages and follows ILO norms
The private pension plan covers:	( ) Top-level executives ( ) Top-level executives and mid-level management (x) All employees	( ) Top-level executives ( ) Top-level executives and mid-level management (x) All employees
Profit sharing or results include:	( ) Top-level executives ( ) Top-level executives and mid-level management (x) All employees	( ) Top-level executives ( ) Top-level executives and mid-level management (x) All employees
As regards to the selection of suppliers, the same ethical and social and environmental responsibility standards are adopted by the company:	( ) Are not considered ( ) are suggested ( ) Are required	( ) Are not considered ( ) are suggested ( ) Are required
As regards the participation of employees in voluntary work programs, the company:	( ) Has no involvement ( ) Supports ( ) Organizes and encourages	( ) Has no involvement ( ) Supports ( ) Organizes and encourages
Total number of consumer complaints and criticism:	In the company with the Consumer Protection Agency 366,723 In court 254,124	In the company with the Consumer Protection Agency 375,554 In court 241,615

Percentage of answered and solved complaints:	In the company with the Consumer Protection Agency In court				In the company with the Consumer Protection Agency In court	
Amount of fines and compensation to customers determined by protection agencies and consumer protection or by the courts:	with the Consumer Protection Agency In court				with the Consumer Protection Agency In court	
Actions taken by the company to remedy or minimize the causes of complaints:						
Number of labor claims:						
Filed against the company	42,981				42,357	
Upheld						
Dismissed						
Total value of indemnities and fines paid by Court sentence:						
Total Added Value to be distributed (in thousands of reais):	16,884,640				20,509,138	
Distribution of Added Value:	R$ thousand	% of total	R$ thousand	% of total	R$ mil	% sobre total
Government	9,914,338	58.72	10,276,966	50.11	10.276.966	50,11
Employees	2,539,835	15.04	2,222,372	10.84	2.222.372	10,84
Shareholders	1,290	0.01	0	0.00	0	0,00
Third Parties	8,836,888	52.34	6,516,785	31.78	6.516.785	31,78
Retained	-4,407,711	-26.10	1,493,015	7.28	1.493.015	7,28

7 – Other Information

In item 3 “Others”, we considered the Sustainability line (support for Community Development projects and Environment and Biodiversity). The Administrative Structure of Oi Futuro was also considered - support areas (Communication, HR, Finance, Planning, Assets and Sponsorship Processing). In “Number of blacks and %” of item 5, Oi does not collect the information according to IBGE’s criterion (self-declaration) in the system. In item 4 “Environmental Indicators - Energy Conservation”, the 2013 data is not available. In item 6 “Total number of accidents” - We will not disclose the numbers as a management/strategic decision. In item 4.2 “Quantity of environmental, administrative, and judicial filed against the company”, only the ADMINISTRATIVE processes are informed. The JUDICIAL processes will not be reported by a Management/Strategic decision. Regarding item 6, more specifically in relation to the number of cases considered “upheld”/”dismissed”, this is not possible to inform because the absolute majority of the processes are “partly founded”.

GRI G4 CONTENT INDEX G4-32



STANDARD CONTENTS

Standard contents	Page	External verification	Global Compact
STRATEGY AND ANALYSIS			
G4-1	3 to 4	ø	
G4-2	35 to 36	ø	
ORGANIZATIONAL PROFILE			
G4-3	24	ø	
G4-4	13	ø	
G4-5	13 and 86	ø	
G4-6	13	ø	
G4-7	24	ø	
G4-8	13	ø	
G4-9	2	ø	
G4-10	49 to 50	ø	6
G4-11	100% of Oi's employees are covered by collective bargaining agreements.	ø	3
G4-12	54 to 55	ø	
G4-13	25 to 26	ø	
G4-14	15 and 35 to 36	ø	
G4-15	16	ø	
G4-16	24	ø	

STANDARD CONTENTS

Standard contents	Page	External verification	Global Compact
MATERIAL ASPECTS IDENTIFIED AND LIMITS			
G4-17	11. The Sustainability Report covers Oi S.A. and its subsidiaries, as well as the Company's Consolidated Financial Statements. As Oi does not manage the social and environmental indicators of its subsidiaries, they refer only to the parent company.	ø	
G4-18	6 to 8 and 11	ø	
G4-19	9 to 10	ø	
G4-20	9 to 10	ø	
G4-21	9 to 10	ø	
G4-22	6 to 7 and 9 to 11	ø	
G4-23	6 to 7 and 9 to 11	ø	
STAKEHOLDER ENGAGEMENT			
G4-24	14 to 18	ø	
G4-25	14 to 18	ø	
G4-26	The approach that Oi uses is through its communication channels and responsible areas. The frequency for engagement with stakeholders is continuous.	ø	
G4-27	7 to 11	ø	
REPORT PROFILE			
G4-28	11	ø	
G4-29	11	ø	
G4-30	11	ø	
G4-31	11	ø	
G4-32	11 and 78	ø	
G4-33	11	ø	
GOVERNANCE			
G4-34	29 to 33	ø	
ETHICS AND INTEGRITY			
G4-56	14 and 27 to 28	ø	10

SPECIFIC STANDARD CONTENTS

Material Aspects	Information on management approach and indicators	Page	Omissions	External verification	Global Compact
CATEGORY: ECONOMIC					
Economic performance	G4-DMA	36 to 37		ø	
	G4-EC1	43 to 44		ø	
	G4-EC4	68		ø	
Market Presence	G4-DMA	51		ø	
	G4-EC5	51		ø	6
	G4-EC6	Oi's objective in its selection process is to identify and hire the best candidate, regardless of the hierarchical level of the job opening and of the company's unit.		ø	6
Indirect Economic Impacts	G4-DMA	14 and 64 to 67		ø	
	G4-EC7	64 to 65		ø	
	G4-EC8	68 to 72		ø	
Purchasing practices	G4-DMA	14 to 16, 54 to 55		ø	
	G4-EC9	54. Oi considers local suppliers as those with headquarters established in the country.		ø	
CATEGORY: ENVIRONMENTAL					
Materials	G4-DMA	16 and 57 to 59		ø	
	G4-EN1	58 to 59		ø	7 | 8
	G4-EN2	58		ø	8

SPECIFIC STANDARD CONTENTS

Material Aspects	Information on management approach and indicators	Page	Omissions	External verification	Global Compact
Energy	G4-DMA	16 to 18, 57 to 58		ø	
	G4-EN5	-	Currently unavailable. Due to the complexity of obtaining this data there is still no strategy nor a date set by the company for the disclosure of possible results. We do not have submetering and therefore cannot measure the energy intensity by business segment, neither can we measure specific gains in energy efficiency. The company will study what types of energy intensity indicators are used in other telecommunications companies in order to map out its action plan.	ø	8
	G4-EN6	58		ø	
	G4-EN7	57	Currently unavailable. We do not have submetering of the reductions achieved in the energy requirements of products and services sold. Due to the complexity of obtaining this data there is still no strategy nor a date set by the company for the disclosure of possible results. The company will study what types of energy intensity indicators are used in other telecommunications companies in order to map out its action plan.	ø	8 | 9
Emissions	G4-DMA	16, 57 and 60 to 62		ø	
	G4-EN15	61		ø	7 | 8
	G4-EN16	61		ø	8
	G4-EN17	61		ø	8
	G4-EN18	62		ø	8
	G4-EN19	62		ø	8 | 9

SPECIFIC STANDARD CONTENTS

Material Aspects	Information on management approach and indicators	Page	Omissions	External verification	Global Compact
Waste treatment	G4-DMA	16 , 57 and 59 to 60		ø	
	G4-EN23	59 and 60		ø	8
	G4-EN24	Not applicable. The company frequently monitors the activities and operations that offer risk of leakage. In 2014 only two cases were reported, but without a significant impact.		ø	8
Products and Services	G4-DMA	16, 57 and 59 to 60		ø	
	G4-EN27	59		ø	7 | 8 | 9
	G4-EN28	59	Currently unavailable. The company does not have the percentage of packaging recovered from selling handsets and chip packaging (GSM). Currently, the company receives and disposes these packages by collecting them at its stores, but beginning in 2016 it will monitor this type of waste. The company's priority in waste management is focused on the collection of used mobile phones and batteries, but this same structure will be used to monitor the packaging.	ø	8
Compliance	G4-DMA	16 to 18, 57		ø	
	G4-EN29	-	Confidential Information. Oi prefers not to make public in this report the amounts of fines related to 2014 because it considers this type of information as strategic to the business since to disclose them amid the changes of legislation to which the Company must comply is contrary to its responsible management.	ø	8

SPECIFIC STANDARD CONTENTS

Material Aspects	Information on management approach and indicators	Page	Omissions	External verification	Global Compact
Environmental grievance mechanisms	G4-DMA	16 to 18, 28		ø	
	G4-EN34	There were none		ø	8
CATEGORY: PERFORMANCE					
SUBCATEGORY: Labor practices and decent work					
Occupational health and safety	G4-DMA	37 and 52 to 55		ø	
	G4-LA5	52		ø	
	G4-LA6	52 to 53		ø	
	G4-LA7	52 to 54		ø	
	G4-LA8	52		ø	
Training & education	G4-DMA	37 and 49 to 50		ø	
	G4-LA9	52		ø	6
Diversity and equal opportunities	G4-DMA	37, 49 to 52		ø	
	G4-LA12	30 and 50		ø	6
Labor practices grievance mechanisms	G4-DMA	28 and 49 to 50		ø	
	G4-LA16	There were none		ø	
SUBCATEGORY: Human Rights					
Investiments	G4-DMA	16 and 27 to 29		ø	
	G4-HR1	Oi does this type of evaluation with its investment contracts.		ø	2
	G4-HR2	27		ø	1

SPECIFIC STANDARD CONTENTS

Material Aspects	Information on management approach and indicators	Page	Omissions	External verification	Global Compact
Indigenous Rights	G4-DMA	14, 64 to 65		ø	
	G4-HR8	Oi was involved in four cases of violation of the rights of indigenous people. In Mato Grosso, the Company signed a statement of agreement in February 2015 with Funai to adopt compensatory measures by installing a telephone repeater station on Maraiwatsede Indian Reservation. On the Rio Pindaré Indian Reservation (PA), the repair plan of the fiber optic cables installed on the highway that cuts through their property was implemented and its results analyzed through routine processes of analysis of internal management. The Indian community wants a review of the Agreement already signed with Oi and the negotiations resumed with Funai. On the Waimiri-Atroari (AM) Indian Reservation, the mitigation measures of the Manaus-Boa Vista Backbone Project (laying of fiber optic cables inside the Indian Reservation) have been completed.		ø	1
Human rights grievance mechanisms	G4-DMA	28, 64 to 65		ø	
	G4-HR12	There were none		ø	1
SUBCATEGORY: Society					
Local communities	G4-DMA	14, 64 to 65 and 67 to 68		ø	
	G4-SO1	64 to 65 and 68 to 70	Currently unavailable. There is no percentage. The company is analyzing the possibility to map and evaluate the best programs that it already does, but there is still no forecast for the dissemination of this result.	ø	1
	G4-SO2	The company's operations are not considered having a significant negative impact.		ø	1

SPECIFIC STANDARD CONTENTS

Material Aspects	Information on management approach and indicators	Page	Omissions	External verification	Global Compact
Anti-corruption	G4-DMA	27 to 29, 35 to 36		ø	
	G4-SO3	35		ø	10
	G4-SO4	27		ø	10
	G4-SO5	28		ø	10
Public practices	G4-DMA	14		ø	
	G4-SO6	14		ø	10
Compliance	G4-DMA	28		ø	
	G4-SO8	Oi had at the end of 2014, 42,981 labor lawsuits with a provision of approximately R$ 1.15 billion.		ø	
Grievance mechanisms for impacts on society	G4-DMA	14, 28, 64 to 65		ø	
	G4-SO11	There were none		ø	
SUBCATEGORY: Product responsibility					
Product and service labeling	G4-DMA	55 to 57		ø	
	G4-PR4	55		ø	
	G4-PR5	57		ø	
Marketing communications	G4-DMA	55 to 57		ø	
	G4-PR7	55		ø	

ø There was no external verification

CORPORATE INFORMATION AND CREDITS G4-5

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INDEPENDENT AUDITORS (ON 12/31/2014)

KPMG Independent Auditors | SEC and CVM

EXTERNAL VERIFICATION OF THE GHG INVENTORY

Green Domus, accredited by INMETRO

STOCK EXCHANGE

BBM&FBOVESPA (Bolsa de Valores de São Paulo)
Ticker Codes: Oi S/A | OIBR3 and OIBR4 (as of 12/31/2014)
New York Stock Exchange (NYSE) in USA
Code of ADRs: OIBR.C and OIBR (as of 12/31/2014)

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CREDITS

Coordination and production | Administrative and Financial Director | Investor Relations, Governance, and Sustainability Manager | Governance & Sustainability Management

GRI Consulting, Production, and Edition | TheMediaGroup

Graphic Design | fmcom

ANNEX I MONITORED INDICATORS (NON-MATERIAL)

THE INDICATORS CONTAINED IN THIS ANNEX WERE CONSIDERED NON-MATERIAL IN THE 2014 CYCLE; HOWEVER, THE COMPANY DOES MANAGE THIS INFORMATION AND DISCLOSES IT IN AN ANNEX TO THIS PUBLICATION.

11.1 CATEGORY: ECONOMIC

11.1.1 ASPECT: ECONOMIC PERFORMANCE

G4-EC2 : Financial implications and other risks and opportunities for the organization's activities due to climate change

Operational risks | Material damage to telecommunication networks, stations, towers, antennas, and administrative buildings caused by heavy rains, floods, landslides, winds, hurricanes, tornadoes, or lightning. | Reduced life of equipment because of the likelihood of increased humidity and salinity in the air. | Delays or interruptions of service in the event of damages and failures of network or equipment due to natural phenomena. | Declining productivity in the Company's processes due to the possibility of employees affected by diseases or epidemics of a climatic origin receiving leaves. | Water scarcity and its impact on Oi's operations and on the supply of its units should be taken into account considering this water crisis that the country is facing.

Financial risks | Lack of coverage for certain assets and rising costs, both related to contracting insurance to cover damages to equipment and facilities caused by natural phenomena, as well as the consumption of water and electricity due to the increase in the average temperature in regions where Oi operates. Water scarcity has two focuses as it is analyzed: the shortage itself for consumption and use in the company's processes, and the impact it has on the country's power generation, leading to more frequent use of the thermoelectric plants and thus increasing the

amount to be paid by the consumer per kW/h. Some initiatives have been implemented throughout the entire Company to reduce energy consumption.

Strategic risks | Possible loss of customers and damage to the Company's image due to failures, delays, and service disruptions caused by weather phenomena. Furthermore, there is the possibility of limiting the development and expansion of Oi's network if a power shortage occurs due to climate changes. Another impact may be due to the increase in energy prices since this increase in the service given to the consumer will somehow be passed on to the consumer.

Compliance risks | Possibility of receiving significant regulatory sanctions (including fines or loss of concessions) for alleged noncompliance with the minimum quality targets and availability of service provided to customers and for the absence of clear inspection criteria.

G4-EC3: Coverage of the obligations foreseen in the organization's defined benefit plan

The Company and its subsidiaries sponsor retirement benefit plans (Pension Funds) for its employees, when they opt for these plans, and for current beneficiaries. These plans are managed by two foundations: Atlântico Foundation that administers the BrTPREV, TCSPREV, TelemarPrev e PBS-Telemar plans; and Sistel Foundation that administers the PBS-A, PBS-TNCP, and CELPREV plans.

Currently, the BrTPREV benefit plan defined is the only plan in which the obligations are directly covered by Oi's resources. The other plans are over-funded and no obligation is incurred. Management's strategy to cover the plan's obligations is to perform annual amortizing contributions. On December 31, 2014, the estimated value of the BrTPREV obligation was R$ 473 million. This plan had a 77% coverage with assets of R$ 1.550 million and liabilities of R$ 2.024 million.

For plans managed by the Atlântico Foundation, the percentage varies according to the participant's age and choice on the participation salary: BrTPREV ranges from 3% to 8%, TCSPREV from 3% to 8%, TelemarPrev from 0.5% to 3%, and PBS-Telemar from 0.5% to 1.5%. For the plans managed by Sistel Foundation, the PBS-A plan is currently intended for participants that had the status of beneficiaries. In the PBS-TNCP, the funding procedure is the capitalization and contribution due, and in the CELPREV it is from 0% to 2% of the participation salary.

11.2 CATEGORY: ENVIRONMENTAL

11.2.1 ASPECT: ENERGY

G4-EN3: Power consumption within the organization

Most of the electricity consumed by Oi is from power companies. In 2013, 1,717,441.81 MWh were consumed, which corresponds to 6,182,790.534 GJ. In 2014, 1,740,695.59 MWh were consumed, which corresponds to 6,266,504 GJ.

INDIRECT ENERGY PURCHASED AND CONSUMED (GJ)	2012	2013	2014
Network of local supply	4,794,355	5,142,694	5,247,375
Free market	1,017,420	1,040,097	1,019,130
TOTAL ELECTRIC ENERGY PURCHASED	**5,811,775**	**6,182,791**	**6,266,504**

11.2.2 ASPECT: WATER

G4-EN8: Total water withdrawal by source

WATER CONSUMPTION BY SOURCE (M³)	2012	20131	20142
Underground water	80,960	2,376	44,477
Rainwater collected	n.d.	527	85
Municipal supply or other water supply companies	1,562,026	1,716,325	992,938
TOTAL	**1,642,986**	**1,719,228**	**1,037,500**

1. The 2013 value is related to the consumption in the state of Mato Grosso.
2. The 2014 value is related to the consumption in the states of Acre, Mato Grosso, Mato Grosso do Sul, Rondônia, and Roraima.

11.2.3 ASPECT: BIODIVERSITY

G4-EN13: Habitats protected or restored

An inspection was conducted of the locations impacted by the Backbone project and on July 18, 2014 and a conditions compliance report was submitted to IBAMA with the result of the inspection performed. To date IBAMA has not given its position about the document nor stated a need for any necessary compensatory measures.

11.2.4 ASPECT: EMISSIONS

G4-EN20: Emissions of substances that deplete the ozone layer (ODS)

EMISSIONS OF SUBSTANCES DESTROYING THE OZONE LAYER (TCFC11E)	2012	2013	2014
HCFC 22[1]	2.9326	1.759	2.3654
HCFC 141b[2]	0.4499	0.3827	0.8336
TOTAL	**3.3825**	**2.1417**	**3.1990**

1. Considers an ODP (Ozone Depletion Potential) of 0.055, and the absolute consumption in tons was 43.00 (2014) and 31.98 (2013).
2. Considers an ODP (Ozone Depletion Potential) of 0.11, and the absolute consumption in tons was 7.58 (2014) and 3.48 (2013).

G4-EN25: Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel convention, annexes I, II, III, and VIII, and percentage of waste transported internationally

TOTAL WEIGHT OF HAZARDOUS WASTE (T)*	2012	2013	2014
Transported	2,204	1,373	987

* Almost all the hazardous waste refers to stationary batteries.

The hazardous materials transported by Oi are stationary batteries. Their transportation is basically what is performed between stations, sites, and the central warehouse of each state. The non-assent of Anatel in 2014 resulted in a drop of the tons transported. For 2015, Oi aims to require more rigor on aspects such as origin and documents, including the MSDS for transport of materials.

11.2.5 ASPECT: TRANSPORTATION

G4-EN30: Significant environmental impacts resulting from the transportation of products and other goods and materials used for the organization's operations, and for transporting its employees

The environmental impact considered is GHG emissions by vehicles used in the company's fleet by its employees in service. Due to the implementation of the Solid Waste Manifest, carriers began to be required to have an Operating License number.

Regarding environmental impacts from pollutant emissions caused by using various means of transportation, Oi has in its operations a leased fleet used for internal plant maintenance, by the sales force, for the transportation of employees, for the maintenance of an external plant (fleet from SEREDE, a company in the group), as well as logistics services contracted for distributing and transporting equipment and other goods.

Every year Oi takes a survey with its employees to find out the means of transportation used for the home-work-home route, the distance traveled, and fuel used. In its last survey, 2415 Oi employees participated. With the result obtained from this survey, the Company can trace the main transportation profiles of its employees, as well as calculate the corresponding GHG emissions reported in scope 3 of Oi's GHG emissions inventory.

Business trips are also monitored by the Company and presented a significant reduction compared to 2013. This reduction can be seen in the following table.

AIR TRAVEL (KM)	2013	2014	VARIATION (%)
Short trips (up to 500 km)	8,748,619.00	5,102,429,81	(42)
Medium trips (between 500 km and 3,700 km)	39,533,830.00	15,798,908,86	(60)
Long trips (over 3,700 km)	18,392,606.00	7,169,915,64	(61)

11.2.6 ASPECT: GENERAL

G4-EN31: Total environmental protection expenditures and investments by type

INVESTMENTS AND EXPENDITURES WITH ENVIRONMENTAL PROTECTION (R$)	2012	2013	2014
Treatment and disposal of waste (regular collecting of garbage + dumpsters)	n.d.	836,755.26	1,193,957.01
Disposal of batteries, appliances, and accessories collected from Oi shops (Descarte Certo)	n.d.	52,751.61	12,000.00
Expenses with environmental licensing	4,855,000.00	4,855,000.00	5,796,976.10
Issuance of radiometric reports that serve to monitor the quality of the radiofrequency signals, as well as prove their status before ANATEL and the government in general	988,500.00	527,740.00	709,256.99
Costs with transportation and storage of solid waste	572,632.72	708,124.35	363,376.43
Hiring of consulting company for external verification of GHG inventory	29,990.45	30,885.00	19,124.00
Costs of prevention and environmental management	69,570.45	299,910.21	0
Total	**6,515,693.62**	**7,311,166.43**	**8,094,690.53**

11.3 CATEGORY: SOCIAL II SUBCATEGORY: LABOR PRACTICES AND DECENT WORK

11.3.1 ASPECT: EMPLOYMENT

G4-LA1: Total number and rates of new employee hires and employee turnover by age group, gender, and region

In 2013 there was the internalization of the internal plant, which increased Oi's headcount by approximately 4,500 employees. In 2014 there were no changes of the same proportion. The most relevant fact was the decommissioning of the business segment and of the door-to-door sales force in November. GlobeNet Internacional was sold in December 2013.

NEW HIRES	2012	2013	2014
By gender			
Men	2,937	6,290	2,403
Women	2,805	2,164	1,936
By age bracket			
Under 30 years	3,477	2,925	2,399
Between 30 and 50 years	2,219	4,510	1,876
Over 50 years	46	1,019	64
By region			
South	631	1,344	535
Southeast	3,491	4,216	2,400
Midwest	523	801	347
Northeast	832	1555	879
North	243	525	178
United States	17	12	0
Colombia	1	1	0
Bermuda Islands	1	0	0
Venezuela	3	0	0

TURNOVER RATE (%)	2012	2013	2014
By gender			
Men	17.64	25.67	14.83
Women	16.19	12.33	10.51
By age bracket			
Under 30 years	18.56	14.74	12.45
Between 30 and 50 years	14.36	19.6	11.89
Over 50 years	0.92	3.65	0.99
By region			
South	3.47	5.5	3.53
Southeast	22.46	20.22	13.68
Midwest	2.86	3.76	2.16
Northeast	3.76	6.33	4.76
North	1.16	2.11	1.21
United States	0.09	0.06	0.00
Colombia	0.01	0	0.00
Bermuda Islands	0.01	0	0.00
Venezuela	0.02	0	0.00

NUMBER OF TERMINATIONS	2012	2013	2014
By gender			
Men	2,033	2,599	3,130
Women	1,758	2,105	1,986
By age bracket			
Under 30 years	1,761	2,181	2,249
Between 30 and 50 years	1,826	2,277	2,561
Over 50 years	204	246	306
By region			
South	347	541	783
Southeast	2,835	2,852	2,706
Midwest	282	488	458
Northeast	227	615	896
North	85	198	273
United States	10	10	0
Colombia	2	0	0
Bermuda Islands	1	0	0
Venezuela	2	0	0

G4-LA2: Benefits granted to full-time employees that are not provided to temporary or part-time employees by the organization's important operational units

All employees are offered food vouchers, transportation vouchers, life insurance, health insurance, dental care, maternity/paternity leave, and a private pension plan. The voluntary private pension plan with variable contribution includes retirement income, and supplement payment during sickness or in the case of death.

11.3.2 ASPECT: LABOR RELATIONS

G4-LA4: Minimum notice period regarding operational changes including whether they are specified in collective agreements

No minimum deadline has been set, not even for collective agreements, regarding advance notice, but if significant operational changes occur, employees, their representatives, and the union are properly informed.

11.3.3 ASPECT: TRAINING AND EDUCATION

G4-LA10: Skill management and lifelong learning programs that contribute to the continued employability of employees in the period of preparation for retirement

PARTIAL

The Company maintains structured programs at different functional levels with a view to developing and improving the skills of its employees. The programs aim to leverage learning, ensuring the mapping and dissemination of key knowledge through educational practices and actions that encourage the creation, acquisition, dissemination, use, and sharing of the knowledge of its employees. Programs for all employees include some of the following topics:

Project Management Track 2014 | Training program for the development of technical and behavioral skills of the staff working directly on strategic projects linked to revenue growth guidelines, service quality improvement, compliance to obligations, or cost reduction.

Training in Human Resources Management for Supervisors of the Internal Plant (Operations Department) | Program in order to better prepare supervisors to play their role of managing people and this way enhance the results of their respective teams.

Training in NR10 | Training program for employees who work on electric installations and services with electricity in order to train them on the use of safe techniques and equipment handling according to NR10.

Training in NR35 | Training program for employees who have tasks working at heights so that they can use the proper techniques and equipment handling in accordance with the new NR35.

Technical Training about Contracts | Technical training offered by the contractual suppliers of equipment for the best and proper use of new equipment and software acquired by the Engineering, Operations, and IT departments.

Outplacement | To support the relocation of executive professionals in cases selected by internal decision, Oi has an outplacement program that aims to facilitate the search for a new job by identifying and enhancing their skills so that their choices are fully successful. The investments in this process in 2014 totaled R$ 16,000.

11.3.4 ASPECT: EQUAL REMUNERATION FOR MEN AND WOMEN

G4-LA13: Mathematical ratio of salary and remuneration between women and men broken down by job category and the relevant operating units

At Oi, position and salary policy is not associated with gender discrimination. Average compensation considers the base salary, which is the monthly and minimum fixed value paid to an employee to perform his or her job. It does not include additional remuneration, such as overtime pay, bonus, payment of benefits, or any other assistance. The differences in average salaries by job category are justified by the level of development and career time of the professionals. In 2014, there were no significant variations in the proportions. A mention could be made of the slight increase in the average difference in the supervision/coordination level due to the increase in the number of women recently promoted to this level.

2012

AVERAGE COMPENSATION PER FUNCTIONAL CATEGORY (R$)	MEN	WOMEN	RATIO W/M (%)
Top Management	37,476.64	26,203.33	70
Management	13,944.48	13,018.17	93
Supervision/Coordination	5,510.26	4,404.50	80
Functional Staff	4,124.02	3,177.16	77

2013

AVERAGE COMPENSATION PER FUNCTIONAL CATEGORY (R$)	MEN	WOMEN	RATIO W/M (%)
Top Management	35,877.82	28,023.64	78
Management	13,824.56	13,360.65	97
Supervision/Coordination	5,538.03	4,272.33	77
Functional Staff	3,556.34	3,165.19	89

2014

AVERAGE COMPENSATION PER FUNCTIONAL CATEGORY (R$)	MEN	WOMEN	RATIO W/M (%)
Top Management	37,219.95	29,475.38	79
Management	13,876.78	13,291.27	96
Supervision/Coordination	5,409.57	3,951.79	73
Functional Staff	3,846.01	3,399.22	88

11.4 CATEGORIA: SOCIAL II SUBCATEGORIA: DIREITOS HUMANOS

11.4.1 ASPECT: NON-DISCRIMINATION

G4-HR3: Total number of incidents of discrimination and corrective actions taken

In 2014 no complaints were received about cases of discrimination. Oi maintains a permanent structure for receiving and dealing with complaints in order to ensure the credibility of its Code and the role of its Ethics Committee.

11.4.2 ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

G4-HR4: Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights

Oi guarantees the right of employees to join unions. There are no operations that may be at risk regarding the rights of employees to exercise freedom of association or collective bargaining. All employees are covered by collective bargaining agreements that combine clauses related to working hours, health, occupational safety, benefits, and profit sharing.

11.4.3 ASPECT: CHILD LABOR

G4-HR5: Operations and suppliers identified as a risk for the occurrence of cases of child labor and measures taken to contribute to the effective abolition of child labor

Currently, Oi discourages child labor through contractual clauses in all the Company's standard drafts, to which its service providers agree to not encourage such practices. There are no targets set for 2015 on the subject because 100% of the contracts negotiated have a clause that confirms the concern with preventing the exploitation of child labor.

11.4.4 ASPECT: FORCED AND COMPULSORY LABOR

G4-HR6: Operations identified as having significant risk for incidents of forced or compulsory labor and measures taken to contribute to the elimination of all forms of this type of work

Currently, Oi discourages forced or compulsory labor through contractual clauses in all the Company's standard drafts, to which its service providers agree to not encourage such practices. This is monitored through periodic audits carried out by the Labor Relations Board and this same Board does regular assessments with support from the Health, Safety, and Environment area. Both audits are done in companies considered critical to the business. There are no targets set for 2015 on the subject because 100% of the contracts negotiated have a clause that confirms the concern with preventing forced or compulsory labor.

11.4.5 ASPECT: SECURITY PRACTICES

G4-HR7: Percentage of security personnel who received training in the organization's policies or procedures related to human rights that are relevant to operations

Specific training is given to the surveillance and entrance guard companies contracted, making sure that in 2014 100% of the professionals in these activities were trained. The curriculum of this training includes the following topics: Excellence in customer service, Basic notions of Private Asset Protection, Notions of administrative tasks, Profile of a differentiated professional, Notions of Preventing and Fighting Fires, Notions of First Aid, Demonstrating emotional control in pressure situations, Demonstrating patience and politeness when dealing with people, as well as Behavior and Attitudes on Human Rights.

In the satisfaction survey, 98% of reviews on the training were positive (adding "excellent" and "very good").

11.4.6 ASPECT: EVALUATION OF SUPPLIERS IN HUMAN RIGHTS

G4-HR10: Percentage of new suppliers selected based on criteria related to human rights

PARTIAL

One of the significant instruments to monitor the quality of the services rendered by suppliers is the Supplier Qualification Index (IQF), which assesses customer service on items related to operational efficiency, compliance of processes, customer satisfaction, contract management, financial aspects, and human resources management. In 2014, 21 reviews were conducted of the IQF on the pillar of human resources management. The Company goes to the field to periodically inspect the larger service providers.

The assessment generates a score and an action plan under the responsibility of the contract manager and the supplier evaluated in order to correct possible noncompliance actions detected by the supplier with the objective of increasing operational efficiency and reducing labor contingencies. Suppliers who have good or poor scores receive bonuses or penalties as stated in the contract. Of the 57 items assessed in 2014, about 18 are related to health and safety at work.

TRAINING

Oi includes within its operating strategy to work with outsourced teams in the field through companies set up as Network Service Providers (NSP). Because of this we have developed educational materials used for the technical training of these professionals working with installation and maintenance of network services in the segments of Voice, Velox, Data, and TV. The Company provides these materials and gives training for multipliers of NSPs.

To ensure that the knowledge is disseminated, Oi applied a Certification Process with the NSP professionals that includes theoretical and practical knowledge tests, as well as verification of safety standards certificates with tests carried out in Oi's own laboratories as well as at Professional Qualification Test Centers (CEQUAL). In 2013 and 2014 we applied Certification tests in all regions of Brazil.

In 2014, the Company improved the content of existing training materials on Voice and ADSL and created new segments (Satellite TV) through a partnership with Senai. Two training rooms were built for this and other training containing all the real components of a telecommunications system (external plant), which makes it possible to apply

situations encountered in the field as a way of complementing the theoretical training. These rooms, besides serving for training, are also used as a model, together with a book of specifications, for the providers to reformulate/build their own rooms, and give the training in accordance with Oi's orientation.

Among the materials revised is the Customer Service Quality Course that deals with issues that technicians face in their daily tasks with the customer such as getting prepared for a visit, checking working conditions, the practice of good verbal communication and body language, and how to deal correctly with the diversity found with customers (color, religion, sexual orientation, disability, etc.).

Regarding the topic of Occupational Safety, guidelines and procedures for each technical activity were inserted that require individual and/or collective protection of the professionals involved and the public in general.

After reviewing the materials, Oi conducted the training of the NSP instructors in Oi's training rooms, thus ensuring keeping up-to-date perfectly regarding knowledge and the standardization of the transfer of the content to the technicians of these companies.

Oi also initiated the training of Oi Examiners, who are employees from the Operations Department who are going to give the certification exams to the field technicians, thus replacing outsourced teams.

Oi consolidated a partnership with the Brazilian Army and the Network Service Provider companies through the Citizen Soldier program in order to establish an institutional and technical cooperation for preparing armed forces personnel who are interested in telecommunications training. With this we invest in the quality and specialized technical training involving citizenship and ethics on the premises of the Brazilian Army, promoting social inclusion through financial and human investment in free training for the military personnel who participate, enabling employability at the end of their military service time.

11.5 CATEGORY: SOCIAL II SUBCATEGORY: SOCIETY

11.5.1 ASPECT: ANTI-COMPETITIVE BEHAVIOR

G4-SO7: Total number of legal actions filed for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes

Two actions were filed in the period:

- Unfair competition in using the advertising campaign "Almost a dream" (no penalty fee charged for portability and selling of unlocked handsets). The lawsuit was filed by a competitor in 2009. A favorable decision has already been given, but Oi awaits the decision of an appeal filed by the plaintiff.
- Unfair competition due to a mistake in the Mother's Day promotional advertising in 2009. The lawsuit was filed by a competitor in 2009. A favorable decision has already been confirmed by the court. This discussion was closed in April 2014 on the understanding that there was no loss caused to the competitor.

The Company seeks to comply with the legal and regulatory determinations established by the National Telecommunications Agency (Anatel). Market changes

or positioning between competing companies can lead to lawsuits questioning terms of regulations or promotions, while Oi can exercise its right of defense.

11.6 CATEGORY: SOCIAL II SUBCATEGORY: PRODUCT RESPONSIBILITY

11.6.1 ASPECT: CUSTOMER HEALTH AND SAFETY

G4-PR1: Percentage of the categories of significant products and services that are assessed as to their impacts on health and safety, while seeking improvements

Solid Wastes | Oi sets up collection bins in its stores for the collection of handsets, batteries, and accessories, in addition to collecting batteries in 40 administrative buildings. In 2014, 1,524 items were collected. The collections in the stores began now to be on demand: the store should wait until the bin's capacity is 80% full before requesting a collection. Currently, the project evolved into electronic polling machines and has been given the name Ecompensa Program. The proposal is to install interactive collection containers in stores to facilitate the collection of discarded batteries and cell phones and engage customers toward a responsible attitude.

Radio Base Stations | Oi's Sustainability Policy directs the continuous process of improvements and preventive measures in relation to the Radio Base Stations (RBS) that make the connection between mobile phones and the operator, ensuring alignment with the federal legislation and compliance to the criteria adopted worldwide, and the National Policy on the Environment. The activity developed by the Company is not considered even potentially polluting. All of Oi's RBSs are in compliance with the law and in comparison with radio and TV stations, emit significantly lower levels of radiation considered safe. In accordance with federal law, the electromagnetic emissions and noise levels of the stations are measured continuously to ensure compliance with legal limits. The Company provides periodic reports to ANATEL on the intensity of the non-ionizing radiation fields of the RBSs and it adopts measures to reduce noise levels.

Because of conflicts of urban and environmental competence among federal entities (states, municipalities, and the Union), a broad discussion has arisen, including judicial, regarding the possibility of states and municipalities establishing different or additional protection rules beyond the applicable federal legislation. Some state and/or municipal laws directly affect Oi's operation and define different criteria. For these reasons, on some occasions, the Company is compelled to adopt appropriate legal and/or judicial measures to safeguard the provision of its services as well as its rights.

The national scene has become just as complex as the topic, not only for Oi, but also involving all telecom operators in the market. However, currently in the National Congress a new law is being prepared known as the Law of antennas, which intends to establish general criteria, especially urban ones, that are applicable to all Brazilian states and municipalities with regard to the installation of antennas. Once the new law is enacted, Oi will assess its impact on the lawsuits in progress in order to try to put an end to some of the ongoing measures and minimize the impact of fines levied in others through agreements or compliance of possible obligations.

11.6.2 ASPECT: PRODUCT AND SERVICE LABELING

G4-PR3: Types of product and service information required by the organization's procedures regarding the information and labeling of products

and services, and the percentage of significant categories subject to these requirements

All telecommunications services provided by Oi comply with Law 9,472/97 (LGT - General Telecommunications Law), as well as the General Regulation of Consumer Rights of Telecommunications Services (RGC), as approved by Resolution No. 632/2014 of the National Telecommunications Agency (Anatel), and the specific regulations of each service, also issued by Anatel. In the specific case of the Conditional Access Service (SeAC), Law No. 12,485/2011 and the rules of the National Motion Pictures Agency (Ancine) are also observed.

The regulations of each service have definitions and rules as to what are the elements necessary for providing them and their characteristics. The RGC is about the rights and obligations of users and operators. Among the rights of users is the detailed invoice of the services used and the values charged for them in addition to taxes. Among the duties of the service provider is to offer to the users is a way to answer any kind of questions, complaints, compliments, etc. Oi has a 24-hour Call Center for customer service. Users can also get in touch with the stores or through its Internet site, which has a reserved space accessible by receiving a login and password (My Oi) by which it is possible to carry out several interactions between customers and the Company.

The Company is also attentive to the regulations governing the quality of the services provided, the interconnection with other networks of support for the service provided, payment for use of other infrastructure providers, etc. All equipment necessary for providing the services are previously certified and homologated by Anatel after undergoing rigorous assessments of service quality and meeting the technical criteria.

Targets in customer relations:

- Reduce the volume of calls to the Call Center or complaints to Anatel.
- Improve the autonomy of resolution at the first contact, reducing the need of customers to resort to the analyses of the back office for dealing with their demand.
- Increase the rate of customer satisfaction.
- Increase the digital relationship so that it reaches more than 25% of the customers.
- Be a market reference in Call Center operations, including the capacity of mobilization for voluntary actions

11.6.3 ASPECT: MARKETING COMMUNICATIONS

G4-PR6: Sale of banned or disputed products

Oi does not sell banned products. The industry is well regulated and Anatel acts rigidly with operators.

11.6.4 ASPECT: CUSTOMER PRIVACY

G4-PR8: Total number of substantiated complaints and claims regarding breaches of customer privacy and losses of customer data

The initiatives to ensure information security apply especially to the areas of Business, Information Technology and Engineering and are aimed at supporting the development of products and services, defining technological standards across the network and raising awareness among teams. This work is based on legal standards and best and current control practices. The management of information security ensures the minimum safety requirements in research and development of products, as well as on the tests run prior to entering into production. It also works with any information made available from customers or external storage.

The information systems of the Business Intelligence (BI) area have access control by

personal password and log of transactions. Access to reports containing personal client data require authorization from a manager, acting within the regulations of an information Confidentiality Agreement. The BI area also issues informative reports with client data, such as CPF (Individual Taxpayer's ID) and call history, to be used as a basis for business analyses and decision making.

COMPLAINTS REGARDING BREACHES OF CUSTOMER PRIVACY AND LOSS OF CUSTOMER DATA (ANATEL)	2013				2014			
	PERSONAL MOBILE	FIXED TELEPHONY	PAY TV	TOTAL	PERSONAL MOBILE	FIXED TELEPHONY	PAY TV	TOTAL
Unauthorized disclosure	44	878	1	923	41	481	0	522
Misuse by third parties	846	880	33	1759	91	107	13	211
Confidentiality of information	15	9	0	24	5	0	0	5
Total	**905**	**1,767**	**34**	**2,706**	**137**	**588**	**13**	**738**

11.6.5 ASPECT: COMPLIANCE

G4-PR9: Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

The Conduct Adjustment project was started with Anatel in 2014 and because of this significant fines were not received.



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