ANNUAL SUSTAINABILITY
REPORT 2013

Annual Sustainability Report 2013

GRI 3.5 | 3.6 | 3.8 | 3.11

Oi presents its Annual Sustainability Report for the third year in a row in line with the GRI (Global Reporting Initiative) guidelines, version G3, with application level B. The document brings together the Company's initiatives and performance in its operations in Brazil during the period from January 1 to December 31, 2013, and was structured based on information gathered through interviews with its executives and from printed, electronic, and audiovisual materials provided by Oi itself, plus information disclosed publicly. The last report was published in 2013 with reference to the activities of the year 2012. GRI 3.1 | 3.2 | 3.3

The references used include Criteria from Abrasca for the Preparation of Annual Reports, the IBASE Social Report, NBCT 15 (Brazilian Technical Accounting Standard No. 15), CPC (Accounting Pronouncements Committee), and from CODIM (Steering Committee for Information Disclosure to the Market). Accounting data follows the International Financial Reporting Standards (IFRS) as recommended by the CVM (Brazilian (Securities and Exchange Commission). GRI 3.9

The identification and preparation of the contents of this publication were developed in a multidisciplinary way by employees of the Company and validated by the Board. The content follows, once again, the guidelines of the Dialogue Panel held in 2012 due to their topicality and relevance in defining the issues considered relevant to the administration and Oi stakeholders, which include employees, suppliers, service providers, customers, consumers, shareholders, investors, partners Oi Futuro and organized civil society. GRI 4.14 | 4.15

The first step to create a structured process of engagement with the Company's public was to set up the multistakeholder panel, conducted in 2012, which pointed out the following topics as relevant to the Sustainability Report:

- Incorporation of sustainability in management (coherence between the talk and practices).

- Integrated management (guidelines for inserting sustainability into decision-making processes and everyday actions).

- Dialogue and communication between teams and representatives of the value chain.

- Innovation (development of technologies, systems, and materials).

- Waste management (in particular those associated with communication technology).

- Quality of customer service.

- Private social investment, addressing impacts on poor communities.

- Digital inclusion.

- Generation of jobs and income.

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

Multiplying agent (potential to disseminate good practices throughout the entire value chain).

Because of the corporate restructuring process completed in 2012, it was necessary to adjust the presentation of some information to allow understanding and comparability. Thus, the results described in this report represent Oi S.A. (surviving company and new name of Brasil Telecom S.A.) at the end of December 2013. **GRI 3.10**

MENU

In October 2013 the Company announced as material fact the closing of a memorandum of understanding for the merging of its activities with Portugal Telecom. The data follow corporate standards and have undergone internal verification. The information concerning the operation of this corporate restructuring is based on a memorandum of understanding announced to the market on October 2, 2013. GRI 3.10

Only the economic and financial information were subject to external audit. The indicators are pointed out throughout the text and can also be identified by the remissive index.

For more information and suggestions, please contact the Company's Governance and Sustainability Department (the Treasury and IR Director) by e-mail pp-sustentabilidade@oi.net.br or invest@oi.net.br. GRI 3.4 | 3.13

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MESSAGE FROM THE BOARD GRI 1.1 | 1.2

Oi kept attentive to opportunities in the telecommunications market in 2013. According to data from ANATEL (National Telecommunications Agency), in late August 2013, the total access of telecommunications services in Brazil came to approximately 350.6 million represented by 44.5 million fixed lines in operation, 268.4 million mobile users, 20.4 million fixed broadband internet users, and 17.3 million pay TV users. There was an increase of 2.8% in accesses compared to 2012 driven primarily by net additions from the mobile products segment, as well as increased penetration of broadband and pay TV.

We closed 2013 with 74.5 million RGU (Revenue Generating Units), net revenue of R$ 28.4 billion, and EBITDA of R$ 9.6 billion. Net earnings were R$ 1.5 billion and we made investments of R$ 6.3 billion due to our confidence in our long-term strategy. Oi's gross debt closed the year at R$ 34.4 billion while the net debt stood at R$ 30.4 billion.

We defined a strategy based on three main pillars to take advantage of the opportunities that the Brazilian market offers. The first is the consolidation of our business model and a focus on productivity and operational excellence. We want to strengthen our business model based on clear and well-defined strategies for each segment, leveraging the convergence of our services and offering innovative products, as well as a focus on the quality of the sales so as to ensure profitable growth.

On the other hand, we have worked diligently to achieve operational excellence with infrastructure management having a three-pronged focus on network, operations, and Information Technology (IT) through various initiatives aimed at the efficiency of our processes and management of the customer experience to ensure the provision of high quality services. In this process we increased the focus on creating value and on the efficiency of investment allocation in the area of Engineering, on implementing a system architecture that strengthens the convergence in the field of IT, and on a new management in the area of Operations with training of technicians, internalization of functions, and adopting control productivity control tools.

The second strategic priority is to correct the trajectory of the Company's cash flow with a focus on a strong financial discipline, on a more efficient allocation of investments, on the reduction of operating costs, and on the profitability of our business. This financial discipline also inspired the strategy of selling assets that are not essential to the business, which started in late 2012, and adapting our dividend policy to the Company's economic and financial reality.

Finally, the third pillar is the constant pursuit for maintaining the Company's sustainable growth by leveraging our strategic differences such as convergence and the extensive coverage of our network in order to bring on board a significant portion of the potential of penetration that the telecommunication services have in Brazil, notably pay TV as well as fixed and mobile data services.

To reach these objectives we implemented a series of changes designed to transform the Company into a better service provider for its customers, employees, partners, and shareholders—and also for society as a whole. We are a Company that views technology as a tool to improve people's lives, make businesses more efficient, and promote a digital revolution.

In this year of transformation, we have been focused on being a company that values listening to the customer for developing and offering consistent solutions and services. This process was made possible by the involvement of people in an environment of cooperation in all areas and by the great synergy between Oi and Portugal Telecom, which began with the industrial alliance closed in 2010.

The success of the alliance led naturally to the next step: in October 2013, Oi and Portugal Telecom announced the signing of a memorandum of understanding for the merging of their activities. The operation is a natural evolution of the industrial alliance between the two operators, which started in 2010, and will make it possible to accelerate the Company's development, besides being an important step towards the process of improving Oi's corporate governance with the simplification of the corporate structure, a spreading out of the control, and the migration of its shares to the Novo Mercado of BM&FBOVESPA, which is a special segment with the highest standards of governance and that will naturally contribute to the strengthening of our commitment to transparency and the relationship with our stakeholders.

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

Zeinal Bava
CEO

MENU

OI IN NUMBERS GRI 2.8

INCOME STATEMENT (R$ THOUSANDS)	2012*	2013
Revenues from sales and/or services	**25,161,031**	**28,422,147**
Cost of assets and/or services sold	[12,670,413]	[15,259,215]
Gross income	**12,490,618**	**13,162,932**
Operating [expenses] income	**[7,730,969]**	**[7,876,315]**
Equity in earnings from subsidiaries	[12,880]	[17,750]
Selling expenses	[4,840,707]	[5,553,891]
General and administrative expenses	[2,993,131]	[3,519,419]
Other operating income	1,996,101	3,127,676
Other operating expenses	[1,880,352]	[1,912,931]
Income before financial income and taxes	**4,759,649**	**5,286,617**
Financial revenue	2,275,106	1,375,217
Financial expenses	[4,490,889]	[4,649,665]
Financial income	**[2,215,783]**	**[3,274,448]**
Income before taxes	2,543,866	2,012,169
Income Tax and social Contribution		
Current	[932,871]	[418,498]
Deferred	173,932	[100,656]
Net income for the year	**1,784,927**	**1,493,015**
Net profit attributable to controlling shareholders	1,784,890	1,493,015
Net profit attributable to non-controlling shareholders	37	–
Primary and diluted earnings per share		
Common shares - primary and diluted [R$]	1.09	0.91
Preferred shares - primary and diluted [R$]	1.09	0.91

* Figures restated proforma. Net income for 2012 refers to 10 months of results of 0i S.A. and 2 months of results of former BrT..

74.5 million from RGUs [Revenue Generating Units]

12 million households served [voice and internet]

5,477 municipalities served by 0i

330,000 km of fiber-optic network in all states

Over **520,000** Wi-Fi hotspots

18,947 employees

148,298 Outsourced service providers

Residential
17,837,000 RGUs [fixed line, broadband, and pay TV]

Market Share of 40.5% in wireline

Personal Mobility
47,727,000 RGUs

Mobile coverage for 88.5% of the Brazilian population with a market share of 18.6%

Corporate/SME
8,246,000 RGUs [fixed line and mobile and broadband]

Public Telephones:
655,000 public phones

1. Anatel's data in October 2013.
2. Anatel's data in October 2013.

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ANNUAL SUSTAINABILITY REPORT 2013

OI COMPLETES YOU

PRESENT IN 5,477 CITIES, THE COMPANY
HOLDS CONCESSIONS, AUTHORIZATIONS,
AND PERMISSIONS TO OFFER SERVICES
OF FIXED AND MOBILE TELEPHONY,
DATA TRANSMISSION, BROADBAND
INTERNET ACCESS, AND PAY TV.

GRI 2.2 | 2.3 | 2.7 | 2.8

Oi S.A. is present in 5,477 municipalities. The Company holds concessions, authorizations, and permissions to offer services of fixed line ,mobile, data transmission, broadband Internet access, and pay TV. Oi is also unique in that it has the largest Wi-Fi network in the Americas with more than 520,000 hotspots and an exclusive partnership with Fon, a global community with 12 million internet connection points worldwide. GRI 2.1 | 2.6

Headquartered in the city of Rio de Janeiro (RJ), Oi is responsible for the STFC (Switched Fixed LineTelephony Services) in Regions I and II of the PGO (General Concession Plan) that covers all the states of the Federation except São Paulo and the Federal District. The company also has authorization from Anatel (National Telecommunications Agency) to provide mobile telephony services throughout the country. GRI 2.4

The telephone industry in which the Company operates is the segment of Brazilian infrastructure that is best placed in the Competitiveness Report 2014 of the World Economic Forum according to the Global Competitive Index. In this segment, Oi has an advantageous position because of its diverse range of products and services, its national coverage, and its commitment to sustainability. In 2013 the Company became part of the Dow Jones Sustainability Index (DJSI) as the only company in Brazil in its segment in the category Emerging Markets, along with being listed for the sixth consecutive year on ISE (Corporate Sustainability Index) of BM&FBovespa.

1.1. PORTFOLIO OF SERVICES AND NETWORK

Fixed Telephony: includes local and long distance services, as well as the use of networks (interconnection) and public telephones in accordance with the concessions and authorizations granted by Anatel. With 16.855 million lines installed (11.75 million Revenue Generating Units – RGU in the residential segment) and 655,000 public phones, Oi is one of the largest fixed-line telephone companies in South America.

Mobile Telephony: prepaid and postpaid customers totaled 50.238 million RGUs in the segment of Personal Mobility across Brazil.

Pay TV: with DTH (Direct To Home) satellite technology, this service is offered throughout Brazil with the exception of São Paulo, totaling 829,000 RGUs at the end of 2013. The launch of the geostationary satellite SES-6 in 2013, which offers more transmission capacity of channels, will raise the quality and add new interactive functions to the service.

Data Transmission: Oi offers high speed data transmission services under the brand Oi Velox with ADSL (Asymmetric Digital Subscriber Line) technology, which allows the simultaneous use of telephone and internet, in Regions I and II. It also provides voice and data services to corporate clients throughout the country. In 2013, the Company had 5.888 million broadband subscribers, of which 5.258 million were in the residential segment.

Fiber optics: Oi has a fiber optic network of approximately 330,000 km distributed throughout all the states, serving around 12 million households with voice and internet services in about 4,800 municipalities.

In 2013, Oi also operated a network of submarine fiber optic transmission cables with GlobeNet, 22,500 km in extension connecting Brazil, Colombia, Venezuela, Bermudas, and the United States. In December 2013, Oi completed the transfer of its full participation in GlobeNet to BTG Pactual YS Empreendimentos e Participações. The transaction includes a long-term contract that guarantees the Company's use of the infrastructure for the provision of services.

OI'S MARKET SHARE

40.5%
FIXED

18.6%
MOBILE

28.1%
BROADBAND

4.6%
PAY TV

1.2 AWARDS AND RECOGNITION

GRI 2.10

BRAND

- 18 Top of Mind Minas Gerais.

- 23 Top of Mind Rio Grande do Sul.

- Brands that I Like (Pernambuco).

- Great Brands Award (Ceará).

- Top Natal 2013 (Rio Grande do Norte).

CUSTOMERS

- The best in the fixed telephony sector in 2013 according to BCSI (Brazilian Index of Customer Satisfaction).

- The only Brazilian telecommunications operator recognized by Stevie Awards, which highlighted the institutional site and the Minha Oi application.

- Best Self-Service Technology of the 8th Annual Top Ranking Performers in the Contact Center Industry Awards Program with the Minha Oi application.

- Second place in the Social Bakers' national survey on response time and customer interactions by the Faceboook institutional fan page.

(See more awards in the Customers section in the chapter Social and Environmental Performance)

CAPITAL MARKET

- Only telecom company in Brazil listed in the portfolio of Emerging Markets of the DJSI of the New York Stock Exchange in 2013.

- Listed on the ISE of BM&FBovespa for the sixth year in a row.

- Part of BM&FBovespa's ICO2 (Carbon Efficient Index) portfolio for the fourth year in a row.

CORPORATE SEGMENT

- 2012 Brazil Competitive Strategy Leadership Award for services from Oi SmartCloud.

- EuroCloud Europe Awards 2013 for services from Oi SmartCloud.

MANAGEMENT

- Smart Award - Utilities & Telecom in the categories of Relationship with the Internal Public (gold trophy) and Relationship in Crisis Management (silver trophy).

- Taxpayer Award as the third company that collected the most ICMS tax in Ceará in 2012.

MENU

CORPORATE GOVERNANCE

LAST YEAR OI JOINED THE PORTFOLIO OF SHARES ON THE DOW JONES SUSTAINABILITY INDEX (DJSI) OF THE NEW YORK STOCK EXCHANGE. REVIEWED ANNUALLY, THE DJSI BRINGS TOGETHER THE LEADING COMPANIES IN SUSTAINABLE PRACTICES WORLDWIDE.

MENU

CORPORATE GOVERNANCE

GRI 4.5

Oi continually invests in improving its corporate governance practices, which are fundamental for a transparent relationship with its investors and for the success of its business in the long run. The Company is associated with IBGC (Brazilian Institute for Corporate Governance), guided by the principles of transparency, fairness, accountability, and corporate responsibility.

An example of the improvement of its practices was the publication in 2012 of the Policy on Transactions with Related Parties and Situations Involving Conflict of Interests. The document establishes rules and consolidates the procedures for transactions of this nature while preserving process transparency so that decisions are taken in the best interests of the Company, its senior management, and its shareholders. GRI 4.6
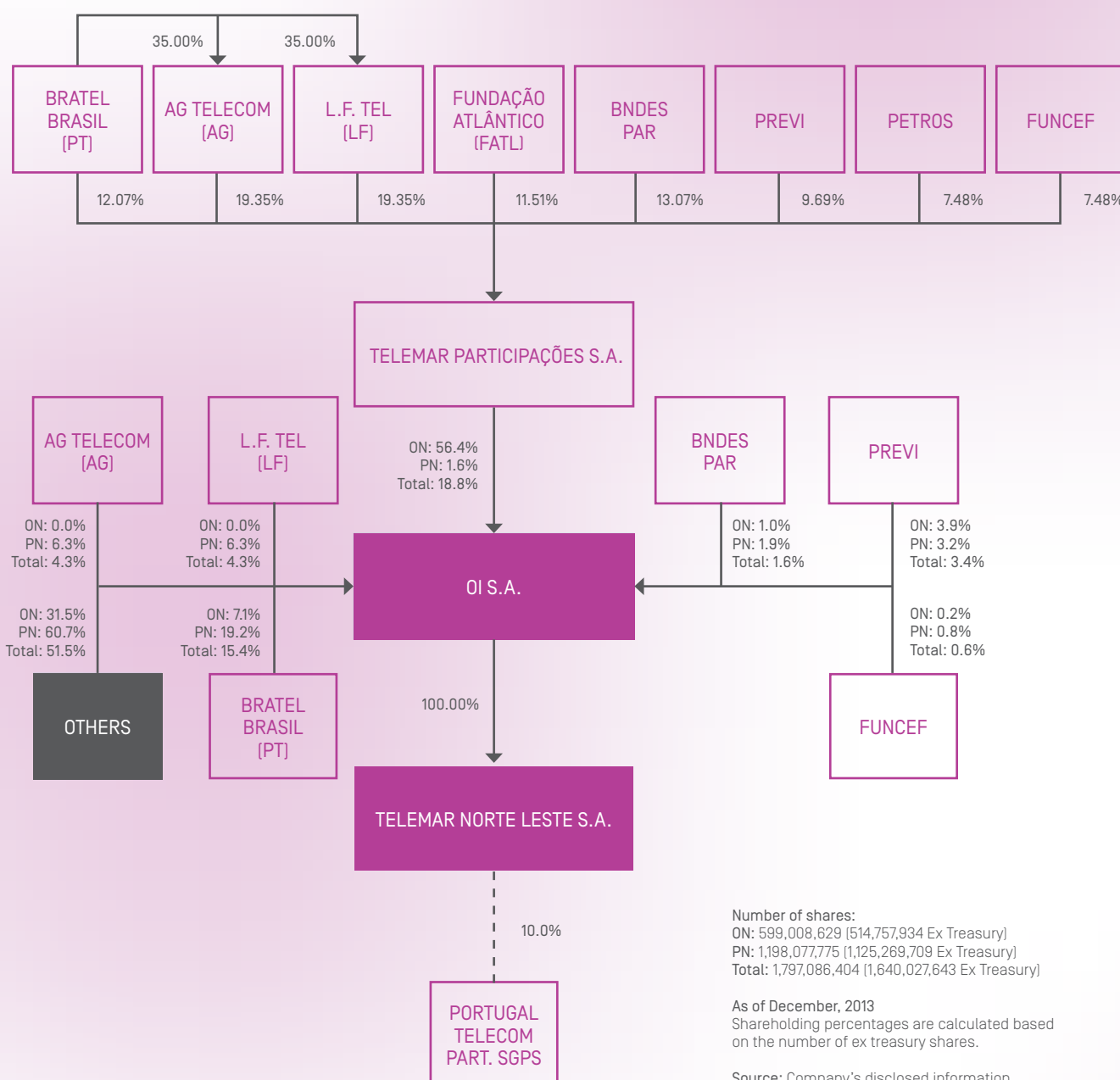
Also in 2012 there was a simplification of the corporate structure, resulting in very positive factors for adding value for the shareholders, reducing operating, administrative, and financial costs, making the Company more attractive for investors and with a greater access to capital markets. Further evidence of this constant improvement is the disclosure of the information regarding the transactions stated in the memorandum of understanding for the merging of the activities of Oi and Portugal Telecom.

As a result of this continuous improvement and the commitment to transparency with the market, the Company was listed on Level 1 of Corporate Governance of BM&FBovespa in December 2012 and is preparing to move to Novo Mercado in 2014. The evolution of governance practices and measures to correct its cash flow have led to a growing interest from long-term investors (traditionally foreigners, insurance companies, and Brazilian pension funds) in its shares.

Last year Oi joined the portfolio of shares on the Dow Jones Sustainability Index (DJSI) of the New York Stock Exchange. Revised annually, the DJSI brings together the companies who are leaders in sustainable practices around the world and able to create value for shareholders through managing risks associated with economic, environmental, and social factors. Currently there are 17 Brazilian companies listed on the DJSI Emerging Markets. Oi was the only telecommunications company in Brazil being listed in 2013 in this category.

CORPORATE GOVERNANCE

Its value for best practices in governance and sustainability can also be seen by the Company's participation in the ISE (Corporate Sustainability Index) since 2008 and ICO2 (Carbon Efficient Index) since 2010, both from BM&FBovespa. Oi has been a signatory of the Global Compact for four years, taking actions related to issues such as human rights, labor relations, environment, and anticorruption.

Number of shares:
ON: 599,008,629 (514,757,934 Ex Treasury)
PN: 1,198,077,775 (1,125,269,709 Ex Treasury)
Total: 1,797,086,404 (1,640,027,643 Ex Treasury)

As of December, 2013
Shareholding percentages are calculated based on the number of ex treasury shares.

Source: Company's disclosed information

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BEST PRACTICES IN 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).

- Definition of the Information Disclosure and Securities Trading Policy.

- Segregation of duties of the Chairman of the Board and the CEO.
  GRI 4.2

- 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.

- Commitment to corporate responsibility through investments by Oi Futuro.

2.1   CAPITAL MARKET

Oi's IR (Investor Relations) department, which is the Company's channel of relationship with the capital market, took an important step in communicating with the market by launching in 2013 the application for tablets Oi IR. The new platform includes the Company's main information in Portuguese and English, including annual and quarterly reports, press releases, material facts, along with news and prices of its shares. Other innovative channels used by this department in Oi are the Mobile version of the IR site and Twitter @oi_investors, beyond the website itself www.oi.com.br/ir in Portuguese and English.

The team also continued throughout 2013 the practices already adopted to communicate with the capital market such as meetings with investors and meetings of the Capital Market Analysts Association (APIMEC), conferences, and roadshows in Brazil and abroad, in addition to updates on the IR site as a way to always keep investors informed about the Company's business. In 2013, the department participated in 13 conferences in Brazil and abroad, meeting with about 1,000 investors and analysts.

NUMBERS OF
OI + PT MERGER

CLIENT
PORTFOLIO:
100 MILLION

EMPLOYEES:
30,000
EMPLOYEES

OPERATING AND FINANCIAL
SYNERGIES EXPECTED
ARE AT APPROXIMATELY
R$ 5.5 BILLION.

MENU

2.1.1. OI'S MERGER WITH PORTUGAL TELECOM

On October 2, 2013, Oi disclosed a material fact to communicate the signature of a memorandum about the potential creation of the company CorpCo by bringing together shareholders from Oi, from Portugal Telecom (PT), and from Telemar Participações S.A. and combining activities and business developed by Oi in Brazil and by PT in Portugal and Africa.

The merger will create a large multinational operator with headquarters in Brazil. Its operations would involve a population of 260 million people, including more than 100 million customers. The new company will have on a pro forma basis related to financial information of 2012 approximately R$ 37.5 billion in revenue and R$ 12.8 billion of EBITDA, being one of the top 20 telecommunications companies in the world.

The transaction aims to strengthen the position of both companies as leading operators in the Brazilian and Portuguese markets. Significant economies of scale, synergy gains, reduced risks, and increased productivity are some of the benefits expected from the merger, which intends to keep the trademarks of Oi and PT. The formation of the new company consolidates the industrial alliance begun in 2010 between the two companies, facilitating access to capital and financial resources and creating value for shareholders, customers, and employees, as well as opportunity for growth in convergence and mobility in Brazil.

The consummation of this type of operation is subject to a number of events and approvals, including the shareholders of the companies involved and the regulatory authorities, which should occur in the first half of 2014. As an event subsequent to the period of this report, CADE (the Administrative Council for Economic Defense) approved the merger without restrictions in January 2014.

Once the operation is complete, Oi and Portugal Telecom will become wholly owned subsidiaries of CorpCo. The new company will start its activities already listed on the Novo Mercado of BM&FBovespa, on the New York Stock Exchange (NYSE) and on the NYSE Euronext Lisbon, and will not have a shareholder or a group of related shareholders holding a majority of the voting shares.

CAPITAL INCREASE OF OI IS AT LEAST

R$ 13.1 BILLION WITH THE TARGET OF REACHING

R$ 14.1 BILLION WITH

R$ 7 BILLION AND

R$ 8 BILLION, RESPECTIVELY, IN CASH.

EACH 1.0857 PREFERRED SHARE OF OI WILL BE REPLACED BY 1 CORPCO COMMON SHARE AND EACH 1 COMMON SHARE OF OI WILL BE REPLACED BY 1 COMMON SHARE OF CORPCO.

2.1.2. REVISION OF THE DIVIDEND DISTRIBUTION POLICY

Throughout the year Oi took a series of measures to adapt the business to the plan of debt reduction, diversification of activities, and growth of the operation. One of them was revising the Dividend Distribution Policy, which establishes the estimated value of R$ 500 million for paying dividends to shareholders for the fiscal years 2013 to 2016.

This amount meets the legal requirements and also allows for the payment of interim or interspersed dividends depending on market conditions and the Company's financial results. The payment of dividends relating to 2013 was made on October 11, 2013. In March of the same year was approved at the Annual and Extraordinary General Meeting the dividend and redemption of bonus shares for the year 2012, totaling R$ 1 billion, paid on March 28 and April 1, 2013.

2.1.3. PERFORMANCE OF SHARES AND ADRS

At the end of 2013, Oi's capital was represented by 1.797 billion shares, being 599 million common shares and 1,198 million preferred shares. At BM&FBovespa, the Company's shares closed the year 2013 listed at R$ 3.61 (OiBR3, common) and at R$ 3.59 (OiBR4, preferred), showing a negative performance of 54.5% and 49.4% respectively in 2013. Ibovespa closed the same period with a drop of 15.5%. On the New York Stock Exchange (NYSE), the Company's ADRs (American Depositary Receipts) had a depreciation of 56.4% (OIBR.C, common) and 53.1% (OIBR, preferred) in 2013.

2.2. GOVERNANCE GUIDELINES AND STRUCTURE

2.2.1. CODE OF ETHICS

GRI 4.8

The main guidelines for the actions of the members of the Board of Directors, and consequently of all employees, are widely disseminated through its written corporate policies. Among them, the Code of Ethics deserves to be highlighted, which was instituted in 2007 and revised in 2012 with the inclusion of items for combating corruption and fraud, digital relationship, and behavior on social networks. In 2013, Oi's Code of Ethics received some specific updates so as to comply with Law No. 12,846/2013 known as the Anti-Corruption Law.

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 the Company's assets and resources, treatment of confidential information, relationships with public agencies, media, investors, customers, and suppliers, assumptions for environmental responsibility, among others.

As part of increasing its awareness, this document was made available on the intranet and specific training was given on human rights and corruption. In 2013, 95% of employees with access to Oi's internal virtual environment (16,051 people) read and formally accepted the conditions of the Code of Ethics. The training on this issue covered 22% of the workforce and totaled 7,465 training hours. Still in 2013, 3,248 employees and 118 managers completed the online training on the Code of Ethics while 650 employees and 249 managers attended in person the Workshop on Ethics and Anti-Corruption. GRI HR3

The Company's target for 2014 is to update the workshop and e-learning content on ethics and anticorruption to the new Brazilian anti-corruption law.

GRI SO3

PERCENTAGE OF EMPLOYEES TRAINED IN ANTI-CORRUPTION PROCEDURES (%)			
	2011	2012	2013
Managers	89	21	29
Not Managers	95	26	22

2.2.1.1. ETHICS COMMITTEE

Oi's Ethics Committee is made up of five directors, and it monitors compliance with the standards of the code and examines complaints of violations received from the Complaint Channel. The channel is open to all publics on the Company's website and is also available to employees on the intranet.

Complaints can be made anonymously or identified, and their confidentiality is guaranteed. 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 2013, the channel received five complaints treated as having valid grounds in relation to practices of discrimination and corruption. All cases reported were analyzed and appropriate actions were taken.
GRI HR4 | SO4

2.2.1.2. LEGAL COMPLIANCE

GRI SO7

The Company seeks to comply with the legal and regulatory determinations established by Anatel (National Telecommunications Agency). 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. In 2013, the Company obtained favorable rulings in two civil lawsuits filed by a competitor claiming alleged practice of unfair competition in a promotional campaign in 2009 and a supposed procedure to unlock handsets in an unauthorized manner.

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2.2.2. CORPORATE POLICIES

Policy on the Disclosure of Information: approved by the Board of Directors in April 2013, it promotes transparency in the fair disclosure to the market of material acts and facts, curbing privileged access to this information.

Securities Trading Policy: also approved by the Board in April 2013, it aims to curb the use of inside information in the trading of securities issued by the Company.

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.

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GRI 4.8

CORPORATE ESSENCE

MISSION	VISION	PRACTICES
To surprise our Customers every day with simple solutions for communicating and connecting	To be the Customers' preferred Telecom, offering complete services with excellence	Customer at the center of everything | Surprising people | Making things happen with excellence | Sustainable results

2.2.3. GOVERNANCE STRUCTURE

GRI 4.1

Guided by these principles, Oi's various organs of corporate governance operate within their specific roles and responsibilities in order to ensure the continuity of the Company and the sustainability of its results.

The Ordinary General Meeting, which takes place in the first quarter of each year and by special meetings as needed, decides on the appointment of board members, approves the Company's accounts (Financial Statements), the allocation of net income, and the remuneration of the board members. It should also address any matters within its jurisdiction under the terms of the Brazilian Corporation Law, such as strategic issues involving pooling, merger, and split or changes in Oi's share capital.

On March 21, 2013, an Extraordinary General Meeting was held that approved the Board's proposal to give a bonus of redeemable shares. On the same date the Annual General Meeting approved the proposal on the allocation of income, election of the Fiscal Council, the remuneration of the directors and counselors, and the vote on the Board of Directors' Report and Financial Statements.

The Company is governed by a Board of Directors, a Board of Executive Officers, and a Permanent Fiscal Council. Six non-statutory committees advise the Board of Directors. No director holds, directly or indirectly, more than 1% of the shares of any type or class of the Company's capital stock.

The remuneration of the governance executives includes fixed and variable compensation based on short and long-term incentives. The members of the Board of Directors and the Fiscal Council receive fixed compensation only. Non-Statutory Directors receive compensation based on short-term incentives and Statutory Directors receive compensation based on short and long-term incentives. GRI 4.5

MENU

The short-term incentives are bonuses that aim to recognize the individual performance of the executives based on the year's business plan. The long-term incentives on the other hand are equivalent to stock-based compensation that aims to promote the engagement of the executives to the Company's Business Plan for the period of 2012-2015, ensuring the permanence of these professionals in the medium to long term.

BOARDS AND COMMITTEES

```
                    SHAREHOLDERS
                      MEETING

        BOARD OF                    FISCAL
        DIRECTORS                   COUNCIL

  INDEPENDENT                FINANCE, MONITORING AND
  AUDITORS                   BUDGET COMMITTEE

  EXECUTIVE                  HR AND COMPENSATION
  OFFICERS                   COMMITTE

                             RISK AND CONTINGENCIES    DISCLOSURE COMMITTEE
  INTERNAL AUDITORS          COMMITTEE

                             ENGINEERING & NETWORKS,
                             TECHNOLOGY & INNOVATION,
                             AND SERVICE OFFERING
                             COMMITTEE
```
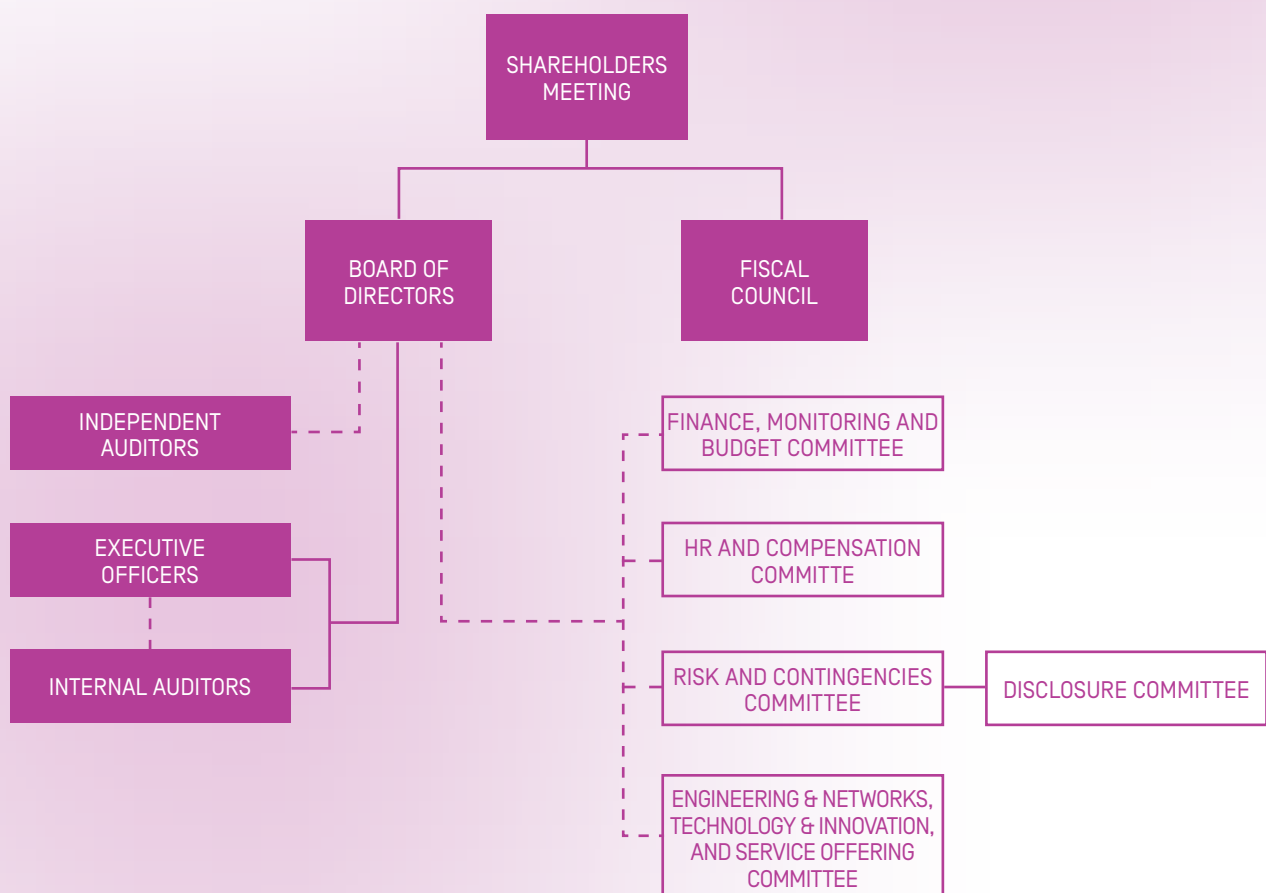
2.2.3.1. FISCAL COUNCIL

Oi's Fiscal Council is of a permanent nature and is made up of three to five members and equal number of alternates. It holds regular meetings monthly and extraordinarily when needed. It is up to this body to inspect the activities of the Board of Directors and of the Executive Officers, check the effectiveness of the internal controls and efficiency of the operations (in accordance with the US Sarbanes-Oxley Act) and carry out the role of the Audit Committee, meeting the requirements of the SEC (Securities and Exchange Commission) registration.

The Fiscal Council is also responsible for evaluating confidential reports and anonymous complaints related to accounting, auditing, and controls received by the Complaints Channel that is available on the Company's website for the general public, primarily, as well as for shareholders and employees. Oi also provides contacts of the IR team (phone and email) to provide all necessary support to shareholders. Another mechanism of bringing shareholders and management closer together is through the voting power in the Annual Meetings. GRI 4.4

COMPOSITION OF THE FISCAL COUNCIL ON DECEMBER 31, 2013

MEMBERS	ALTERNATES
Allan Kardec de Melo Ferreira	Newton Brandão Ferraz Ramos
Sidnei Nunes	Aparecido Carlos Correia Galdino
Umberto Conti	Carmela Carloni Gaspar
Marcos Duarte Santos	Peter Edward Cortes Marsden Wilson
Manuel Jeremias Leite Caldas	Vanessa Montes de Moraes

2.2.3.2. BOARD OF DIRECTORS

The Board of Directors is composed of 16 members and 14 alternates with two-year terms, reelection being permitted. There is no process for determining the qualifications and expertise of the Board members as this is defined by the body itself with support from the Administrative Department. **GRI 4.7**

The Board meets ordinarily once a month and extraordinarily when called by its Chairman or by two counselors. This group has the responsibility to approve the annual budget, the plan of targets and of Oi's business strategy, monitor the performance of the executives, and decide on corporate matters that require their involvement. Six Committees formed by counselors of the board and of the fiscal council assist the Board of Directors in deciding on specific topics: financial risk management, finances, monitoring, and budget; human resources and compensation; risks and contingencies; disclosure; and engineering & networks, technology & innovation, and offerings of services (which also involves Oi's CEO).

The conflict of interests within the Board is prevented by the prohibition of appointing members holding positions in companies considered market competitors or have interests that conflict with those of the Company. 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. During the year 2013, the Board of Directors convened 21 times. **GRI 4.6**

MENU

GRI 4.3

COMPOSITION OF THE BOARD OF DIRECTORS ON DECEMBER 31, 2013

MEMBERS	ALTERNATES
José Mauro Mettrau Carneiro da Cunha (Presidente)	José Augusto da Gama Figueira
Alexandre Jereissati Legey	Carlos Francisco Ribeiro Jereissati
Antonio Cardoso dos Santos (Membro Independente)	Vago
Armando Galhardo Nunes Guerra Junior	Paulo Marcio de Oliveira Monteiro
Carlos Augusto Borges	Emerson Tetsuo Miyazaki
Carlos Fernando Costa	Marcelo Almeida de Souza
Cristiano Yazbek Pereira	Erika Jereissati Zullo
Fernando Magalhães Portella	Carlos Jereissati
Fernando Marques dos Santos	Laura Bedeschi Rego de Mattos
José Valdir Ribeiro dos Reis	Luciana Freitas Rodrigues
Luis Miguel da Fonseca Pacheco de Melo	Vago
Pedro Jereissati	Cristina Anne Betts
Rafael Cardoso Cordeiro	André Sant'Anna Valladares de Andrade
Renato Torres de Faria	Carlos Fernando Horta Bretas
Sérgio Franklin Quintella	Bruno Gonçalves Siqueira
Shakhaf Wine	Abilio Cesário Lopes Martins

2.2.3.3. EXECUTIVE OFFICERS

The Board of Executive Officers is composed of the Chief Executive and Financial Officer and can include another eight other members appointed by the Board of Directors. Its job is to enforce the decisions from the General Meeting and of the Board, approving and executing the activities necessary for the Company's operation. It is up to the CEO to periodically report to the Board the proposals and providing any pertinent accountability.

MENU

2.2.3.4. INTERNAL AUDITING

Oi's Internal Audit is subject to the Board of Directors and, indirectly, the CEO of the Company. It covers all the business and considers aspects of corporate responsibility in accordance with the principles and best practices recognized by the Institute of Internal Auditors. It is structured into three areas—IT & Operations, Compliance, and Processes & Business—as well as having a team specialized in sophisticated data mining and programming techniques that supports the auditors. The annual work plan of this department is approved by the Board of Directors through the Risk and Contingencies Committee and by the Fiscal Council.

2.2.3.5. ADVISORY COMMITTEES

The Disclosure Committee oversees management of risks and internal controls and the flow of disclosing the Company's public information, making sure it is within the legal standards as well as ensuring the reliability of the managerial, financial, and operational data. Among the documents validated by this body are the Management Report and the reports submitted to CVM [Securities Commission], SEC, and to Anatel.

DISCLOSURE COMMITTEE
Bayard de Paoli Gontijo
Maria Gabriela Campos da Silva Menezes
Suzana Santos
Flavio Nicolay Guimarães
Nuno Filipe Carnaz Cadima

The Financial Risks Committee oversees the framework of the hedge and investments policy as well as approves new forms of derivative transactions and the term of the investment fund managers.

FINANCIAL RISK COMMITTEE

COO

CFO

Treasury Director

Control Officer

New Business Director

The Finance, Monitoring and Budget Committee focuses on the financial aspects of strategic planning, financial strategy, annual budget, tax planning, and business performance.

FINANCE, MONITORING, AND BUDGET COMMITTEE

Alexandre Jereissati Legey

Daniel Gonçalves Pereira

Emerson Tetsuo Miyazaki

Fernando Magalhães Portella

José Mauro Mettrau Carneiro da Cunha

Rafael Cardoso Cordeiro

Renata Eichler Ribeiro

Renato Torres de Faria

Shakhaf Wine

Virgínia Cavalcante de Melo

The Human Resources and Compensation Committee advises the Board of Directors on matters related to human resources, issues associated to major changes to the organizational structure, compensation strategy, and performance assessment.

HUMAN RESOURCES & COMPENSATION COMMITTEE

Armando Galhardo Nunes Guerra

Bruno da Silva Almeida

Carlos Jereissati

Daniel Gonçalves Pereira

Emerson Tetsuo Miyazaki

José Mauro Mettrau Carneiro da Cunha

Laura Bedeschi Rego de Mattos

Shakhaf Wine

MENU

The Risk and Contingencies Committee assists on issues related to the performance of Internal Audit, compliance with laws, regulations, policies, and code of conduct, the process of disclosing information, managing corporate risks, as well as managing and controlling contingencies.

RISK AND CONTINGENCIES COMMITTEE

Daniel Gonçalves Pereira

José Mauro Mettrau Carneiro da Cunha

Emerson Tetsuo Miyazaki

Bruno da Silva Almeida

Pedro Guimarães e Melo de Oliveira Guterres

Rafael Cardoso Cordeiro

Sidnei Nunes

Vanessa Gomes Ferreira

The Engineering & Networks, Technology & Innovation, and Service Offering Committee is related to the operational aspects of strategic planning, commercial strategic positioning of business units, operational quality indicators, innovation cycle and new businesses, partnership opportunities with suppliers and other entities, network and platform strategies, IT architecture, opportunities for collaboration and synergies with the operating partner. The Committee sets the priority subjects to be discussed every year.

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

Alan Adolfo Fischler

Alexandre Jereissati Legey

Armando Galhardo Nunes Guerra

Cristiano Yazbek Pereira

Emerson Tetsuo Miyazaki

Fernando Magalhães Portella

José Mauro Mettrau Carneiro da Cunha

Pedro Guimarães e Melo de Oliveira Guterres

Rafael Cardoso Cordeiro

Renato Torres de Faria

Shakhaf Wine

Daniel Pereira Gonçalves

Virgínia Cavalcante de Melo

Zeinal Bava

2.2.3.6. EXECUTIVE GROUP ON SUSTAINABILITY

GRI 4.9

Sustainability management in Oi's business is coordinated by the Executive Group on Sustainability made up of members from the areas of Investor Relations, Property, Logistics, Human Resources, Network Operations, Network Development and Engineering, Corporate Communication, Procurement, and Oi Futuro.

In addition to integrating the theme of sustainability into the strategic direction, the Executive Group evaluates the management of the socio-environmental risks, recommend the continuance of and/or adopting new public commitments, define the stakeholder relations strategy, and leverage sustainability actions. It also monitors performance through following up indicators, evaluating investments in sustainability such as sponsorships, new business, products and services, and also keeps the Sustainability Policy up-to-date.

To learn more about Oi's governance, go to Reference Form at www.oi.com.br/ir.

2.3. RISK MANAGEMENT

GRI 1.2

Despite the interesting growth rates in recent years, especially in relation to other markets, and the level of competitiveness of the telecommunications sector, this market has not yet reached a high level of maturity. With only 15 years of operation through private concessions, the segment suffers from front-end regulations that are out of step with the reality that is still in evolution in Brazil.

Among the challenges in the sector are the laws in the various spheres of government (there are over 200 different city and state laws for the installation of mobile antennas alone) and the requirements of Anatel (National Telecommunications Agency) related to the general plans and the targets of universalization, competition, and quality. These conditions lead to the risk of incurring costs for noncompliance not covered by statutory rule effectively applicable and of an unfavorable relation between required investments and expected revenues.

A highlight in 2013 was Anatel's resolution that set up the Negotiation System of Wholesale Offers (SNOA). This is a single digital platform for buying and selling wholesale products (infrastructure of towers, ducts, leased lines, interconnections, local access, and roaming). With it the operations among operators gain more transparency and agility.

This scenario also presents opportunities for operators. With regulatory initiatives of compensation, the companies in the telecommunications sector need to invest in programs such as Broadband in Schools and the National Broadband Plan (PNBL) intended to spread the use of Internet in Brazil. For Oi, this scope includes much more than compliance with the law because it is closely linked to the business and can facilitate the Company's growth.

ENTITIES THAT REGULATE OI'S ACTIVITY

ANATEL | National Telecommunications Agency

CADE | Administrative Council for Economic Defense

CONAR | Self-Regulation Advertising Council

ANCINE | National Motion Pictures Agency

Oi's risk management model is in alignment with the major market references on the subject such as the Brazilian Risk Management Standard (ABNT – NBR ISO 31000), Internal Control – Integrated Framework by Coso (Committee of Sponsoring Organizations of the Treadway Commission), and CobiT (Control Objectives for Information and Related Technology).

The management of market risks is guided by the Financial Risk Management Policy approved by the Board of Directors, which led to the creation of the Financial Risk Management Committee. Among the main aspects managed in this context are the exchange rate, interest rate, credit, and liquidity. To mitigate them, Oi keeps an intense discipline on financial management and has reduced its level of indebtedness. Instruments of hedge, investments in derivatives, and those pegged to the CDI variations are some of the other protection mechanisms adopted.

The mapping of risks is based on the ISO 31,000 methodology, and the actions to mitigate them are implemented through appropriate controls and constant monitoring of the internal environment. Risks related to corruption were identified and then evaluated in 30 groups of the company's processes such as sales and customer relations, investor relations, legal, regulatory, human resources, treasury, financial planning, financial controls, procurement & contracting, logistics, charging, billing, invoicing, credit & collection management, configuration and activation of services, installation and maintenance of resources in the field, information technology, as well as developing and launching products and offers.

To comply with the provisions of the Sarbanes-Oxley Act, Oi processes undergo external audit annually in accordance with representativeness of the related accounting records. In parallel to this, the Internal Audit examines all processes regardless of accounting record representativeness. This process is performed in the most relevant companies in the group, which correspond to 78% of operating revenue. `GRI SO2`

In 2013 Oi strengthened its risk management model by keeping up the operation of the Business Continuity Committee. Implemented in 2012 in accordance with ABNT – NBR ISO 22,301, this Committee aims to mitigate potential risks that impact not only operations, but mostly society or the environment.

OI'S RISK FACTORS

From the Company, its subsidiaries and associated companies | Corporate reorganizations, levels of debt, judicial and administrative processes, reliability of the internal systems, security and maintenance of the network, execution of the expansion and improvement plans, loss of key members on the board of directors, lack of insurance coverage or hedge operations, and mandatory distribution of dividends.

From the controlling shareholder | Incompatibility of interests in relation to the other shareholders.

From suppliers | Level of dependence on strategic suppliers and possible contingencies arising from contracting service providers.

From customers | Default on payment.

From the sectors of activity | Intensification of the competition, technological changes (obsolescence of equipment, services, and technology), wrong perception of risk about alleged health risks from radio frequency emissions.

From regulations | Changes in legal requirements, permits, and licenses, the possibility of non-renewal of concessions at the end of 2025, non-compliance with regulatory obligations and bills affecting freedom in offering products and services.

2.3.1. SOCIAL-ENVIRONMENTAL RISKS

GRI EC2

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.

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.

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.

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.

2.3.2. INFORMATION SECURITY

GRI PR1

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.

This management was done on 100% of the analyses of the IT infrastructure projects delivered in 2013 such as Catalog, SFA, Inventory, Roaming, WFM, and New Mediation. This year there was an increase in the volume of safety analyses done by the IT department. The area also gave training to increase safety in the development of the Company's applications.

The information systems of the BI (Business Intelligence) 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.

2.4. INTANGIBLE ASSETS

Because they represent important competitive advantages, Oi's intangible assets are subject to numerous initiatives by the Company aimed at strengthening its market operations and improving internal processes. Among these assets, some deserve special mention: the brand, capillarity, human capital, the infrastructure of the information technology, and research & development. Most of all, Oi has been conducting some projects on these themes with support and sharing of experiences with Portugal Telecom. So, the experience of this important partner results in good ideas and accelerates the growth of the operator in Brazil.

2.4.1. BRAND

In 2013 Oi initiated a movement to reposition its brand from telecommunications to entertainment while keeping the customer's needs as the main focus when making decisions. This change was natural after the period of gaining maturity in which the Company gained ground as the most complete company in the market and reflects a convergent view of the customer and product offer. Among the major efforts include a focus on young people since they have the highest presence on social networks and association of the brand with major events. (To learn more, go to the Customers section in the chapter on Social and Environmental Performance)

MENU

2.4.2. COVERAGE

The Company is present throughout the country and has a Wi-Fi network composed of more than 520,000 hotspots. Oi still holds the largest network of broadband access in the country, covering 5,477 municipalities, and operates a network of 330,000 kilometers of fiber optics.

Its wide scope is also present in the sales and distribution channels. The Company has the following infrastructure for selling fixed telephony services: a telemarketing sales channel with 1,100 sales reps who answer more than 1 million calls per month, 3,400 door-to-door sales people, and Tele-agents channel with 600 sales positions.

The distribution channels for mobile services include 9,100 retail stores, 184,000 certified establishments (pharmacies, supermarkets, newspaper stands, and similar stores), 189 own stores, 500 Oi franchised customer service stores and kiosks located in major shopping malls and other high-density areas throughout Brazil, 350 exclusive agent stores, and a telemarketing sales channel with 500 sales representatives.

Small and medium enterprises are served by a specific channel of telemarketing sales (responsible for 620 sales representatives and 400 retention representatives) and about 200 franchised service offices with 1,400 sales representatives. Corporate customers rely on the Company's direct sales team.

THE COMPANY IS PRESENT THROUGHOUT THE COUNTRY AND HAS A WI-FI NETWORK COMPOSED OF MORE THAN **520,**000 HOTSPOTS.

2.4.3. PEOPLE

Oi employees constitute a valuable and essential asset to fulfill the mission to fascinate and surprise customers with innovative products and quality services. The Company adopts the best practices of the market with its policies of well-being, health, safety, and development in order to increase the skills of its professionals throughout the country and build sustainable results for its business. Get to know more in the Employees section in the chapter Social and Environmental Performance.

2.4.4. IT

Strategic and essential to operate in the competitive market of telecommunications, Information Technology (IT) is one of Oi's key intangible assets not only for expanding its network and developing innovative products and solutions for customers, but also for improving internal processes focused on operational efficiency, reducing costs, and increasing the quality of the services provided.

Examples of IT's strategic contribution to the Company's success was the launch in 2013 of the second phase of the innovative services in the cloud (SmartCloud) for the corporate segment. This launching, which marks the sum of synergies between Oi and Portugal Telecom, reinforced the cutting edge that the Company has in the market of cloud computing. That same year, Oi concluded the SAP Consolidation Project to unify and standardize the business processes supported by the SAP business management system (accounting & financial, asset & logistics, project management, etc.) in a single working platform. Considered one of the largest migration projects in the world, it involved running 8,500 integrated tests and the training of almost 1,000 people including employees and third parties.

2.4.5.RESEARCH & DEVELOPMENT

Technological innovation is a fundamental requirement and condition for the continuity of the business and market leadership in an industry such as telecommunications, which is highly competitive and strongly influenced by the constantly evolving digital technologies. Because of this, Oi allocates investments in research and development, according to regulatory requirements, in projects closely linked to its strategy. In 2013 these investments totaled R$ 123 million in 56 projects.

Click to see more pictures

2.4.5.1. INOVA PROGRAM

The area of Innovation and New Business has the mission to promote innovation within the Company and develop projects according to the demands of the business and operations areas. Since 2012, the Inova Program encourages employees to give suggestions of ideas and innovations focused on reducing costs, increasing efficiency, and on sustainability.

The Inova Program is broken down into three Innovation Factories. Incremental Innovation Factory has a short-term focus, encouraging a culture of innovation in day-to-day processes at Oi. Planned Innovation

SINCE 2012, THE INOVA PROGRAM ENCOURAGES EMPLOYEES TO GIVE SUGGESTIONS OF IDEAS AND INNOVATIONS FOCUSED ON REDUCING COSTS, INCREASING EFFICIENCY, AND ON SUSTAINABILITY.

Factory develops projects to implement innovative products, services, and processes at Oi (focus on the medium term). And Exploratory Innovation Factory evaluates the placement of new trends, technologies, and business models that can be implemented in the long term.

At the Incremental Innovation level, the proposals are placed on an internal virtual environment (Market for Ideas) where other employees can support them or not. Those that are voted on the most are assessed by a team of specialists and implementation plans may be developed. By the end of 2013, the initiative brought together about 5,000 employees and 1,900 ideas.

2.4.5.2. PARTNERSHIPS

The projects of developing solutions or products are conducted with the support of research institutions and business incubators. In some cases Oi Futuro is involved with the knowledge and dedication of young people benefited from Oi Kabum! School of Art and Technology and by the Advanced Education Center (Nave). Most initiatives still have a partnership with Portugal Telecom. Among the actions recently taken are the partnership with Fon global community (Wi-Fi hotspots), new applications (Minha Oi and Oi Ligou), and the deployment, even though in a pilot stage, of Wi-Fi in public telephone booths.

Click to see more pictures

FINANCIAL & OPERATING PERFORMANCES
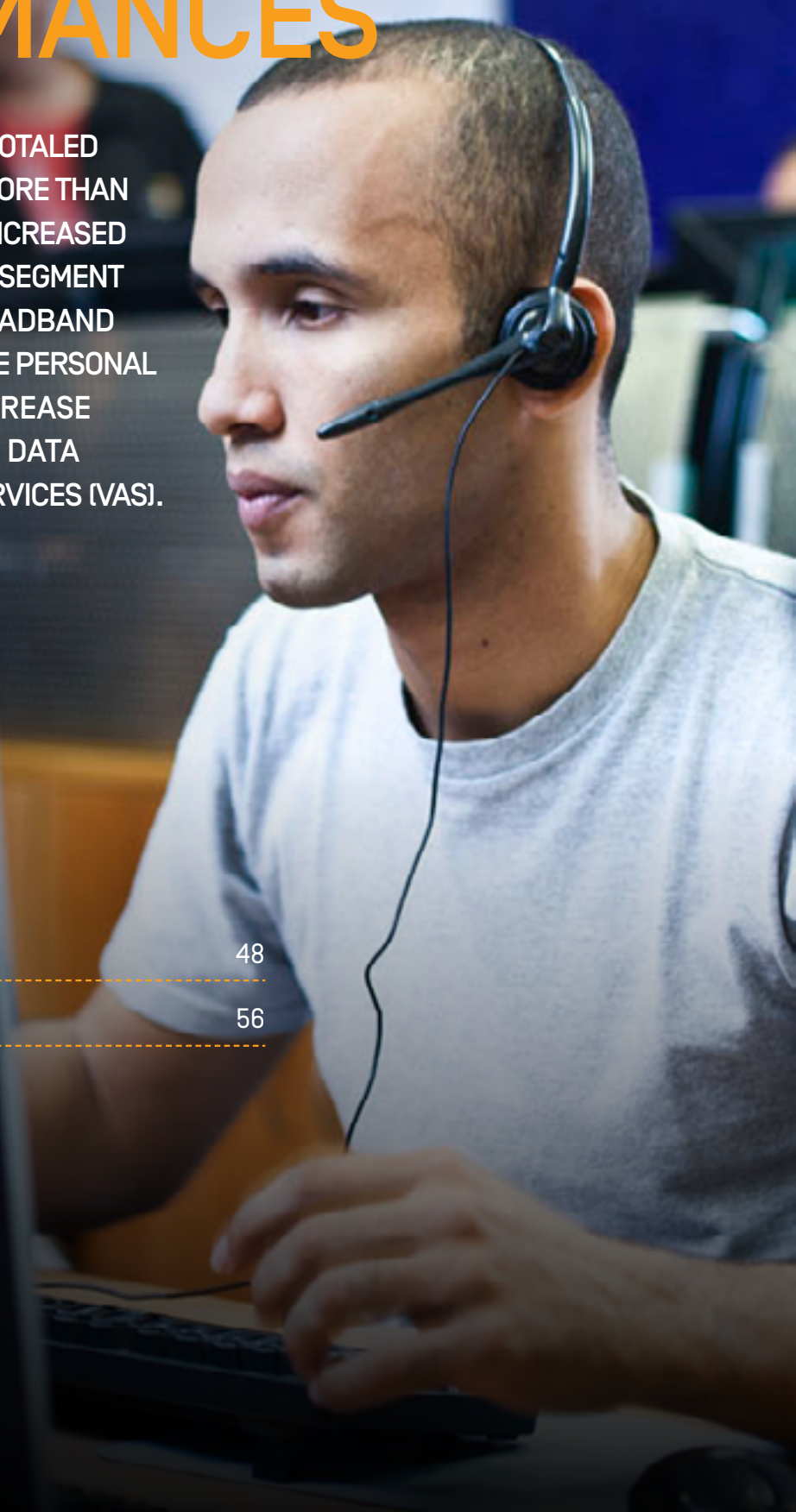
IN THE YEAR 2013, NET REVENUE TOTALED R$ 28.4 BILLION, R$ 280 MILLION MORE THAN IN 2012 (+1%), REPRESENTED BY INCREASED REVENUE FROM THE RESIDENTIAL SEGMENT WITH THE GROWTH OF FIXED BROADBAND AND PAY TV, AS WELL AS FROM THE PERSONAL MOBILITY SEGMENT WITH AN INCREASE IN THE RECHARGE VOLUME AND DATA PACKAGES AND VALUE ADDED SERVICES (VAS).

Total access of telecommunication services in Brazil came to approximately 350.6 million in late August 2013 according to data from Anatel (National Telecommunications Association) with 44.5 million fixed lines in operation, 268.4 million mobile users, 20.4 million fixed broadband internet users, and 17.3 million pay TV users. The evolution of 2.8% in total accesses compared to 2012 was driven primarily by net additions from the mobile products segment.

The Brazilian fixed telephony market recorded in 2013[3] a growth in the number of lines of 0.4% over December 2012. Because it is a mature market, its growth is only marginal because of the global trend of traffic migration from fixed to mobile telephony. Fixed telephony concessionaires represented 66% of total fixed lines operating in 2013[4].

With 271.1 million users in December 2013 and a penetration rate of 136.4%, the Brazilian mobile telephony market recorded a net addition of 9.3 million users (3.5% more than in 2012). The pre-paid segment represented 78% of total mobile users in December 2013 (80.5% in 2012), while post-paid users accounted for 22% of the total mobile base.

Fixed broadband internet access continued to be one of the sector's growth drivers in 2013. At the end of 2013[5], the user base reached about 20.9 million accesses, revealing an 11.1% growth against 2012 (December), which represented 2.1 million new users.

350.6 million
MILLION WAS THE TOTAL ACCESS TO TELECOMMUNICATION SERVICES IN BRAZIL IN 2013

3. Data from Anatel from August 2013

4. Data from Anatel from August 2013

5. Data from Anatel from November 2013.

In December 2013, the user base of Pay TV services showed an increase of 1.8 million, which is a growth of 11.3% in 2013 (27.0% in 2012). At the end of 2013, accesses to Pay TV totaled 18 million subscribers. This evolution was driven by the increased options of packages targeted to lower purchasing-power levels of the population in Brazil, where there is still a strong market potential in the country. The penetration rate relative to total inhabitants reached 29% (27% in 2012), which proves the growth potential of this market. Accesses through DTH (Direct to Home) technology accounted for 70.1% of new users followed by cable technology with 36.6%. The newcomers in the market, including Oi, use the DTH technology.

3.1. KEY HIGHLIGHTS IN 2013[6]

- Investments of R$ 6.3 billion, of which 75% was spent on improving and expanding the network.

- 1% growth in net revenue resulting from growth in fixed broadband and pay TV in the residential segment and an increased revenue from Personal Mobility services. These increases, however, were partially offset by the cut in interconnection rates, reduced sales of handsets, and lower revenues in the Corporate/SME segment.

- 8% increase in EBITDA compared to 2012, totaling R$ 9.6 billion, a result supported by a focus on quality sales, profitability, operational efficiency, and financial discipline.

- Improvement of operating cash flow (EBITDA minus investments).

- Net income of R$ 1.49 billion.

- Net debt of R$ 30.4 billion.

- 0.2% growth in Revenue Generating Units (RGU) totaling R$ 74.5 million at the end of 2013.

6. To facilitate the understanding of the business, Oi presents its pro-forma consolidated earnings of the 12 months of 2012, equivalent to the information from the former Tele Norte Leste Participações S.A., of physical numbers, incomes, costs, expenditures (EBITDA), and investments for first two months of 2012

CONSOLIDATED RESULTS

REVENUE GENERATING UNITS - ('000)	20122	2013	VARIATION (%)
Residential	18,337	17,837	(2.7)
Personal Mobility	46,305	47,727	3.1
Corporate/SME	8,971	8,246	(8.1)
Public Telephones	727	655	(9.9)
Total	**74,339**	**74,466**	**0.2**
NET REVENUE (R$ MILLION)	**2012**	**2013**	**VARIATION (%)**
Residential	9,974	10,303	3.3
Personal Mobility	9,102	9,290	2.1
Corporate/SME	8,510	8,456	(0.6)
VAS and Others	556	374	(32.7)
Total	**28,142**	**28,422**	**1.0**
EBITDA	8,873	9,583	8.0
EBITDA Margin (%)	31.5%	33.7%	2.2 pp
EBITDA of Routine1	n.d.	7,576	–
EBITDA Margin of Routine (%)2	N/A	26.7%	–
Net Income	1,785	1,493	(16.4)
Net Debt	25,068	30,416	21.3
Available Cash	7,804	3,931	(49.6)
CAPEX	6,564	6,250	(4.8)

1. In 2012, the Company did not use the concept of EBITDA of routine.
2. Figures restated proforma. Net income for 2012 refers to 10 months of results of Oi S.A. and 2 months of results of former BrT.

3.1.1. NET INCOME

In the year 2013, net revenue totaled R$ 28.4 billion, R$ 280 million more than in 2012 (+1.0%), represented by increased revenue from the residential segment with the growth of fixed broadband and pay TV, as well as from the Personal Mobility segment with an increase in the recharge volume and data packages and Value Added Services (VAS). These increases more than offset the effects of the drop in the MTR[1] and lower revenues from fixed lines in the Residential and Corporate/SME segments.

7. Mobile Termination Rates - amounts charged for use of the Mobile Operator's network that the Fixed or Mobile Telephone Operator pays per Fixed-to-Mobile or Mobile-to-Mobile call (interconnection fee).

3.1.2. COSTS AND EXPENSES

In 2013, the Company's costs and operating expenses totaled R$ 18.8 billion, down 2.2% compared with 2012. Interconnection costs reached R$ 4 billion, 10.1% less than in 2012 mainly because of the reduction of the MTR rate and the lower off-net traffic.

Expenses with personnel totaled R$ 2.5 billion, an increase of 21.7% compared to 2012 due to increased headcount (insourcing part of the maintenance operations of Oi's internal network) and the payment of salary bonus related to 2012 and the annual wage increase adjustment for inflation.

For the year, the costs of third-party services totaled R$ 8.4 billion, an increase of 1.9% over the previous period. This performance is a reflection of the expenses from consulting companies due to the implementation of the BPO project for back-office operations, the adjustment of contracts due to inflation, and a greater acquisition of content for pay TV in 2013, partially offset by lower electricity tariffs and less expenses with commissions and sales.

Costs with publicity and advertising totaled R$ 539 million, 13.5% higher than in 2012 due to spending on the launch of Oi Galera, Oi Sorte na Palma da Mão campaign, the sponsorship of the Rock in Rio, and expenses with media related to the FIFA Confederations Cup, an event which was sponsored by Oi and the official supplier of telecommunications and IT services.

Rent and insurance expenses totaled R$ 2.1 billion. In comparison with the year 2012, there was an increase of R$ 254 million primarily due to higher rental expenses of towers, expenses related to divestitures in 2013, to the lease of real estate and vehicles for the insourcing of the internal plant, and due to annual contractual increases.

3.1.2.1. PROVISIONS FOR BAD DEBT

Provisions for bad debt totaled R$ 850 million, an increase of 42.9% or R$ 255 million compared to 2012 due to sales growth occurred in 2012 together with the deterioration of the macroeconomic scenario in 2013. For the year, the provision was at 3.0% of the annual net revenue against 2.1% in 2012.

The Company took steps in the second half of 2013 to improve the quality of the sales and efficiency of the charges mainly in the Residential and SME segments, reducing default on payments by 1.6% of the net revenue in the fourth quarter. These measures also included the adoption of more stringent credit policies for new customers.

In 2013, Oi's other operating expenses/income totaled R$ 165 million, representing an increase of R$ 1.2 billion compared to 2012, resulting primarily from the sale of the submarine cable company GlobeNet.

BREAKDOWN OF OPERATING COSTS AND EXPENSES (R$ MILLION)	2012	2013	VARIATION Z§(%)
Interconnection	4,414	3,966	(10.1)
Personnel	2,016	2,453	21.7
Materials	156	221	41.7
SMP Handset Costs/Other (COGS)	542	515	(5.0)
Third-Party Services	8,236	8,394	1.9
Publicity & Advertising	475	539	13.5
Rent and Insurance	1,813	2,067	14.0
Provisions for Bad Debt	595	850	42.9
Other Operating Expenses (Revenue), Net	1,021	(165)	–
Total	**19,269**	**18,839**	**(2.2)**

3.1.3. DEBT & LIQUIDITY

The Company's consolidated gross debt closed the year 2013 at R$ 34.3 billion. Foreign currency-denominated debt represented 41.1% of the total at the end of the fourth quarter. However, only 0.2%of the debt, equivalent to R$ 59 million (R$ 466 million in December 2012), had some exposure to currency fluctuations. Oi uses derivative transactions such as swaps and NDFs for protection against currency fluctuations for debts held in a foreign currency.

The Company maintained its policy of managing costly liabilities so as to replace more expensive debts for funding at a lower cost. The financial strategy to improve its debt profile was also maintained: at the end of 2013, the average debt maturity was 4.3 years. The consolidated net debt closed the year 2013 at R$ 30.4 billion.

BREAKDOWN OF GROSS DEBT IN 2013 (R$ MILLION)

International Capital Markets	11,730
National Capital Markets	9,414
ECAs and International Development Banks	4,355
National Development Banks	6,356
Commercial Banks	4,528
Hedge and Borrowing Costs	(2,036)
Total Gross Debt	**34,347**

GROSS DEBT AMORTIZATION SCHEDULE (R$ MILLION)

	2014	2015	2016	2017	2018	2019 onwards	TOTAL
Local Currency Amortization	3,256	2,324	3,789	4,119	2,720	5,080	**21,288**
Foreign Currency Amortization + swap	861	1,265	1,179	2,905	408	6,442	**13,060**
Total	**4,116**	**3,589**	**4,968**	**7,024**	**3,127**	**11,523**	**34,347**

DEBT (R$ MILLION)	2012	2013
Short Term	2,783	4,116
Long Term	30,088	30,231
Total Debt	**32,871**	**34,347**
In Local Currency	20,497	21,287
In Foreign Currency	12,849	14,566
Swaps	(475)	(1,507)
Cash	(7,804)	(3,931)
Net Debt	**25,068**	**30,416**

3.1.4. EBITDA

In 2013, EBITDA reached R$ 9.6 billion, an increase of 8.0% compared to 2012. The EBITDA margin was 33.7%, up 2.2 percentage points compared to 2012.

3.1.5. INVESTMENTS

The investments made during 2013 totaled R$ 6.3 billion, a decrease of 4.8% compared to 2012. These values include the capitalization of financial expenses related to interest on construction in progress (JOA) in the amount of R$ 250 million (in 2013) and R$ 324 million (in 2012). Excluding these financial expenses, investments would total R$ 6.0 billion in 2013 and R$ 6.2 billion in 2012.

Of the total investments, R$ 4.7 billion (or 75%) was allocated to the network, especially for expanding and improving the quality of the 3G mobile network, improving the wireline for broadband services, optimizing the platform of the Oi TV product, and for deploying and expanding the 4G network. The item Others reached R$ 1.2 billion in 2013, a reduction of 15.9%, which reflected the acquisition of the 4G license in 2012.

8%
WAS THE GROWTH IN EBITDA COMPARED TO 2012, REACHING R$ 9.6 BILLION IN 2013

INVESTMENTS (R$ MILLION)	2012	2013	VARIATION (%)
Network	4,772	4,678	(2.0)
IT Services	336	348	3.6
4G License + Others	1,456	1,224	(15.9)
Total	6,564	6,250	(4.8)

3.1.5.1. SALES OF ASSETS

Another important movement was the sale of fixed and mobile towers, assets considered as non-core to the Company's business, which started in late 2012. In July 2013, Oi announced the sale of the wholly-owned subsidiary of submarine fiber optic cables, GlobeNet, to the investment fund in infrastructure, BTG Pactual. In return, GlobeNet, whose network of 22,500 kilometers connects Brazil, Colombia, Venezuela, Bermuda, and the United States, will continue to provide connection services to Oi and its subsidiaries under a long-term contract. The transfer of the shareholding was completed in December.

The Company also announced the sale to SBA Torres Brasil the rights to commercial exploitation and use of 2,113 towers of fixed telephony in July and the sale of 2,007 mobile telephony towers in December. The transactions include leasing the space on the towers through long-term contracts, which ensures the continuity of the provision of fixed and mobile services.

3.1.6. DISTRIBUTION OF THE VALUE ADDED

GRI EC1

In 2013, Oi generated a consolidated added value of R$ 20.27 billion, with 50.7% of this total being allocated to the payment of taxes, fees, and contributions.

STATEMENT OF ADDED VALUE (R$ MILLION)	2012*	2013
Gross Income	**39,901**	**45,253**
Gross income after deductions	33,992	37,961
Other incomes and expenses	1,445	2,209
Inputs acquired from third parties	(14,443)	(15,959)
Gross value added	20,994	24,211
Retentions	(3,997)	(5,303)
Net value added produced by the entity	16,997	18,908
Value added received as transfer (financial income)	2,262	1,357
Added value to distribute	**19,259**	**20,266**
Payroll and related accruals	1,997	2,025
Taxes, charges, and contributions	9,556	10,283
Interest and financial charges	4,318	4,397
Rent and Insurance	1,603	2,067
Minority Interest	–	–
Employee profit sharing	–	–
Dividends	446	–
Retained Earnings	1,339	1,493

* The balance in 2012 was changed due to the restatement of the balance sheet in 2013.

R$ **20**.27 billion WAS THE CONSOLIDATED VALUE ADDED BY OI IN 2013 WITH 50.7% OF THIS TOTAL BEING ALLOCATED TO THE PAYMENT OF TAXES, FEES, AND CONTRIBUTIONS

Distribution of the value added in 2013 (%)

7.4% Retained
10% Employees
31.9% Outsourced
50.7% Government
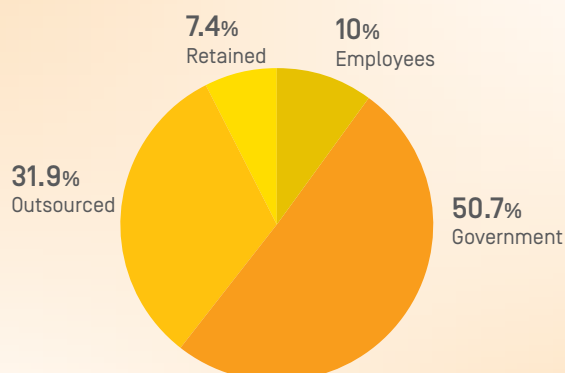
3.2. OPERATING RESULTS

A year of transformation: this is perhaps the most straightforward way to define what 2013 meant for Oi. The Company's strategic shift came in full force and definitely put the customer at the center of attention, which prompted the launch of a bold plan to transform the field operations in pursuit of greater productivity, cost reduction, and customer retention.

The main initiatives of this plan include the implementation of the Project Click, the internalization of what has been called the internal plant, and the multi-competence training of the field technicians. In the new model, the Centralized Operations Center takes on its strategic role in the management and control of the field activities. Also part of the strategy of operational improvement is the reorganization of processes and defining indicators that are more assertive and consistent.

**MAIN OBJECTIVES OF THE TRANSFORMATION
IN THE FIELD OPERATIONS**

Deployment of WFM (Workforce Management) too

Successful installation of seven out of ten sales

Increase of over 20% in the productivity of field technicians (both our own and partner companies)

Reached the highest reduction of complaints to Anatel

Reduced by two percentage points the total cost of operation

The Click project consists of adopting WFM management tool launched in the first half of 2013 and with completion expected in all Regions by June 2014. The new system allows you to optimize the route of customer service, giving more autonomy to technicians (reduction of travel time, better control of visits, and decrease in schedule failures). Furthermore, it provides more visibility of the field activities, which are tracked in real time by Oi's operation managers.

The project demanded investments in the training of field staff in order to use the new system in the activities of operation and maintenance of the telecommunications equipment (fixed, mobile, data, and satellite networks) and in the techniques of switching, transmission, data network, IP network, mobile network (core and access), and satellite network. Beginning in 2014, a new model will be implemented for certifying technicians in 25 labs of Oi's Professional Qualification Test Centers that are installed in all regions of the country. Since 2000, 20,000 professionals have been certified that do the installation, maintenance, and service repair on the network. By the end of 2015, the goal is to certify another 20,000 technicians in the new model.

The increase in productivity in the field operations also means more sustainable operations. Productive technicians require less travel time to the homes of clients, which reduces fuel consumption, and the more the contacts between the technician and the company are digital also leads to reduction in paper consumption.

3.2.1. RESIDENTIAL

Oi closed 2013 with 17.837 million Revenue Generating Units (RGUs) in the residential segment. The drop of 2.7% compared to 2012 was driven by a 5.8% annual reduction in the number of fixed lines in service, which annulled the expansion of pay TV (+9.5%) and the growth of fixed broadband (+3.1%). Both the reduction in the number of fixed lines as well as the deceleration of the expansion of pay TV and broadband are reflections of the change in the Company's positioning to focus on the quality of its customer base.

The Company adopted a more conservative business strategy, reviewing its credit policies and sales processes, resulting in lower gross additions. On the other hand, the strategy based on bundling (offering convergent services), the initiatives to retain existing customers, and upselling efforts (offering additional services) resulted in the fall of the churn rate, in the growth of the ARPU (Average Revenue Per User), and a more reasonable level of default payments, leading to a profile of higher quality and profitability of the customer base.

20,000

IS THE NUMBER OF CERTIFIED PROFESSIONALS THAT DO THE INSTALLATION, MAINTENANCE, AND SERVICE REPAIR ON THE NETWORK

In 2013, the net revenue from the Residential segment totaled R$ 10.3 billion, 3.3% more than in 2012, mainly due to a growth in the client base of broadband and Pay TV, which surpassed the drop in revenue from fixed voice. Still, there was a slowdown in the decline in revenues from fixed voice compared to that seen between 2012 and 2011. This deceleration is due to the successful strategy of offering convergent services with broadband, pay TV, and mobile through the Oi Conta Total billing strategy and the launch of new prepaid offers such as Oi Voz Total.

KEY RESIDENTIAL RESULTS	2012	2013	VARIATION (%)
Net Revenue (R$ million)	9,974	10,303	3.3
Revenue Generating Units (RGUs) – ('000)	18,337	17,837	(2.7)
Fixed line in service	12,478	11,750	(5.8)
Fixed Broadband	5,102	5,258	3.1
Pay TV	757	829	9.5

3.2.1.1. WIRELINE

At the end of 2013, the customer base of fixed line in Oi's Residential segment was 11.75 million and net disconnections totaled 728,000 fixed lines in 2013 compared to 568,000 in 2012. This increase was a result of a lower volume of gross additions due to a more conservative credit policy and the maintenance of strict involuntary churn policy during the second half of 2013, which is in line with the Company's objective of improving the quality of its customer base.

The retention rates showed improvement during 2013 by their initiatives focused on cross selling and offering products more suited to the customer's use profile. The sales teams were mobilized to offer everything from a redesign of the fixed phone plan all the way to selling new broadband accesses and pay TV though bundled services, as well as plans in the Personal Mobility segment that promote fixed-mobile convergence.

The package deals Oi Conta Total and Oi Voz Total are two examples aimed to increase ARPU and reduce churn. Oi Conta Total [OCT] is a triple-play offer combining fixed line, broadband, and mobile postpaid and can be combined with pay TV (quadruple-play) and mobile data packages. Oi Voz Total is a double-play offer combining fixed line and prepaid mobile in order to improve the fixed-mobile convergence. All these offers have significantly lower churn rates compared to single products.

Additionally, plans under contract where the customer accumulates discounts on monthly bills by staying in the base for the entire contract period of 12 months are also an important tool in controlling the churn rates.

3.2.1.2. FIXED BROADBAND

Oi ended the year 2013 with 5.258 million RGUs of fixed broadband in the residential segment, which represented an increase of 3.1% compared to the end of 2012 and a total of 156,000 net additions in 2013. The penetration of Oi's fixed broadband in homes with Oi products reached 44.2%, or 3.8 percentage points above the 40.4% recorded at the end of 2012.

Together with pay TV, broadband plays an important role in increasing the profitability of the segment, whether through cross selling or upselling of convergent offers that encourage the reduction of churn in the segment.

The average speed for broadband customers increased 18.8% YoY from 3.2 Mbps at the end of 2012 to 3.8 Mbps at the end of 2013. About 18% of the broadband RGUs have a speed equal to or greater than 10 Mbps.

These advances reflect Oi's hard work at increasing the capacity of customer retention and profitability by investing in the expansion of coverage and capacity of its broadband network and speed upgrade. As a result, voluntary churn continued falling and showing the results of the strategy focused on improving the quality of the customer base.

3.2.1.3. PAY TV

Oi closed the year 2013 with 829,000 RGUs in the base of pay TV, an increase of 9.5% compared to 2012. This increase occurred even with the initiatives to focus on quality sales and the Company's decision to relaunch Oi TV only in 2014 after the implementation of a new platform using the SES-6 satellite contracted in 2013.

The SES-6 will expand Oi TV's capacity of DTH and aims to improve the quality and signal coverage, enabling the Company to offer more channels in its programming scheduleand new services in the area of pay-per-view and interactivity. The additional capacity brought by the satellite is a competitive advantage that will sustain Oi's growth in the medium and long term in pay TV via DTH.

At the end of 2013, the penetration of Oi TV in homes with the Company's products was 7% against 6% at the end of 2012. With the attractive offer of channels in HD at competitive prices, the segment of pay TV has a high potential for upselling within Oi's portfolio due to the offer of various packages and channels a la carte with an impact on the sustainable growth of the residential ARPU and strategically important for the retention and loyalty of residential customers.

ABOUT **18**%
OF THE BROADBAND
RGUS HAVE A SPEED
EQUAL TO OR EXCEEDING
10 MBPS.

RESIDENTIAL ARPU

The total number of households connected to the Oi network at the end of 2013 was 11.9 million, of which 58% (6.911 million) had more than one Oi product, an annual increase of 4.7 percentage points and a more significant growth in the number of homes with triple-play and quadruple-play offers. With an increased exposure of Oi homes to fixed broadband and pay TV, the products with the highest upselling potential, the residential ARPU continued to grow, closing the fourth quarter of 2013 with an improvement of 6.8% over the closing of 2012.

3.2.2. PERSONAL MOBILITY

In 2013, the segment of Personal Mobility totaled R$ 9.3 billion of net revenue, an increase of R$ 188 million compared to 2012. This performance is due to the increase of average recharge of prepaid and higher consumption of data, especially in the prepaid segment, apart from an increase of 9.4% in the sales of handsets. The growth was partially offset by cuts in MTR, which resulted in a drop of 8.1% in revenues from network services.

Oi closed 2013 with 47.727 million RGUs in this segment, which is an increase of 3.1% compared to 2012. This growth represented 1.422 million net additions with 1.186 million being prepaid and 236,000 RGUs being postpaid. Together with the 2.511 million RGUs from the Corporate/Small and Medium Enterprise segment, Oi's mobile customer base ended the year with 50.238 million RGUs.

PERSONAL MOBILITY	2012	2013	VARIATION (%)
Net Revenue (R$ million)	**9,102**	**9,290**	**2.1**
Services/Customers[1]	6,276	6,609	5.3
Network Usage	2,337	2,147	(8.1)
Sales of handsets, sim cards and others	489	535	9.4
Revenue Generating Units (RGUs - '000)	**46,305**	**47,727**	**3.1**
Pre-Paid Plans	39,832	41,019	3.0
Post-Paid Plans[2]	6,472	6,708	3.6

1. Includes: subscriptions, calls originated, mobile long-distance, roaming, data, 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 (mini-modem).

SHARED NETWORK

Reduction of costs, of the environmental impact, and of the implementation schedule— just with these benefits alone the Radio Access Network or RAN Sharing project between competitors Oi and TIM would be a good deal. But even more, this joint effort is unprecedented in Brazil and considered a global case of cooperation between competitors in the telecommunications sector.

Among the challenges of this technological model are the development of a series of practices and controls in order to allow for a transparent and efficient management of the services and network assets and fully meeting the targets set by regulators. Furthermore, as a guarantee for the parties and a CADE requirement, it was decided to hire Accenture through a bid to manage the agreement between the operators.

Gains with RAN Sharing

- Suppression of 50% of the equipment
- 250 to 300 tons of material saved
- 37% reduction in energy consumption with an estimated savings of 384 kWh/month/site (equivalent to the average monthly consumption of nine homes)
- Cut by half the likelihood of travel for maintenance and consequently fuel consumption

BETWEEN
250 TO 300
TONS OF MATERIAL WERE SPARED WITH THE 4G NETWORK SHARING PROJECT

3.2.2.1. PRE-PAID

At the end of 2013, Oi's prepaid customer base totaled 41.019 million RGUs, a 3% increase or 1.186 million RGUs in relation to the end of 2012. The prepaid segment is of strategic importance for the financial discipline and cash generation due to its characteristics such as scale, very low customer acquisition costs, no cost to issue invoice and billing, lack of default, and favorable impact on working capital. Oi seeks to leverage the use of voice and data by focusing primarily on clients with an active consumption and recharge profile.

In 2013 there was strong recharge volume with record high in December. The volume of gross recharges increased by 5.3% year-over-year, which is a performance that is higher than the annual growth of 3% of the prepaid customer base. With this, the average recharge in the fourth quarter was the highest level since 2010 with a growth of 5.6% compared to same period last year. To stimulate the segment, the Company has an infrastructure capacity for processing recharges of 7,000 transactions per minute.

The consumption of mobile data in the prepaid segment maintained a consistent growth due to the sale of additional packages that complement the offers of customers and the use of active marketing tools. These initiatives resulted in an increase of revenue from prepaid data of 77% and of 32% in VAS revenue throughout 2013, and in the largest share of data usage on the consumption of recharges.

The Company started the deployment of the management platform of recharging campaigns in 2013. This tool creates, executes, and manages individualized campaigns for prepaid customers and control customers (one-to-one marketing concept). The tool allows you to send messages in real time to encourage customers to make purchase recharges and additional packages according to their profile and context, and is therefore more accurate in its offers. The improved performance in the recharge volume that Oi has shown is a direct result of using the new platform.

3.2.2.2. POST-PAID

Oi closed 2013 with 6.708 million RGUs in the postpaid of Personal Mobility, which is a growth of 3.6% when compared to the end of 2012. At the end of 2013, the postpaid segment represented 14.1% of the Personal Mobility base.

At the close of 2013, the volume of subsidized gross additions in the postpaid segment amounted to less than 1% of total sales. The goal is to add more quality to the customer base and protect cash flow with more targeted subsidies, maximizing the segment through a sustainable growth in the postpaid base, besides improving the levels of churn. In the last quarters of 2013, revenue growth in the postpaid segment was higher than the increase of the respective RGUs, and the early churn fell about 20% compared to last year.

The offer of loyalty programs have also supported the continued reduction of voluntary churn both in postpaid customers as well as in the customers with mobile access from Oi Conta Total. The new offer of Oi Conectado, which combines voice, data packages, unlimited SMS, and unlimited calls to Oi, demonstrates the growing power of attraction of data.

3.2.2.3. 3G AND 4G LTE COVERAGE

Oi closed 2013 with 3G coverage in 891 municipalities (76% of urban population), an increase of 29% compared to the end of 2012 with an increase of 199 municipalities covered. This evolution is essential to increase the penetration of data in the customer base and sustain consistent revenue growth in mobile data. Oi offers data using the 4G LTE technology in 24 municipalities, including the 12 host cities of the FIFA World Cup™.

MOBILE ARPU

Mobile ARPU considers the total revenue from the mobile division (Personal Mobility + Corporate/SME) as if it was a separate company, which means it includes the revenue from the traffic between the mobile and wireline divisions (intercompany). Likewise, revenue from mobile long-distance calls (SMP) in the STFC license (fixed voice concession) is not included in that calculation. The amount is then divided by the average base to calculate the mobile ARPU.

In the fourth quarter of 2013, the mobile ARPU was R$ 19.9, down 7.4% over the last quarter of 2012, despite a reduction in the interconnection rate of 11.3%. The lower revenue from interconnection was partially offset by higher revenue from data and the increased level of prepaid recharging. Excluding the interconnection revenue, mobile ARPU increased by 3.9% compared to the fourth quarter of 2012.

3.2.3. CORPORATE/SME

Oi closed 2013 with 8.246 million RGUs in the Corporate/Small and Medium Enterprise segment, down 8.1% compared to the end of 2012, a result from the focus on quality sales and continuous cleaning of the customer base. The base reduction is a consequence of the Company's strategy to focus on profitability, including a more rational use of handset subsidies, as well as the reassessment of sales processes in the pursuit of higher quality in the mix of customer additions.

The annual net income of the segment reached R$ 8.5 billion with a reduction of 0.6% compared to the previous year due to solid operating results in 2012 in RGU numbers and a change in strategy throughout 2013, focusing on the quality of sales.

THE ANNUAL NET INCOME FROM THE CORPORATE/SMALL AND MEDIUM ENTERPRISE SEGMENT REACHED

R$ 8.5 BILLION

MAIN RESULTS CORPORATE/ SME	2012	2013	VARIAÇÃO (%)
Net Revenue (R$ million)	8,510	8,455	(0.6)
Revenue Generating Units (RGUs - '000)	8,971	8,246	(8.1)
Fixed	5,422	5,105	(5.8)
Fixed Broadband	594	630	6.1
Mobile	2,955	2,511	(15.0)

3.2.3.1. SMARTCLOUD

In its technology partnership with Portugal Telecom, Oi continued with its strategy of capturing synergies and taking advantage of its expertise in cloud to offer more robust services, seeking scale and availability of solutions, as well as reduced costs.

In 2013, Oi presented to the Corporate/SME market its second phase of launches of cloud computing services, reinforcing the strategy of helping customers increase revenues and reduce costs by using this innovative technology. The new solutions will operate on the international network of datacenters belonging to Oi and Portugal Telecom, including the newly opened datacenter in Covilhã, one of the largest in the world.

3.2.3.2. SMALL AND MEDIUM ENTERPRISES (SMES)

The segment of Small and Medium Enterprises (SMEs) has been focused on quality sales and restructuring its framework of franchises and adopting its own stores for marketing offers. In 2013, the Company made changes to the commissioning policy of franchises by setting a condition for paying commissions based on the timely payment of the clients added. This initiative improved the quality of the base of franchises, who underwent a more rigid inspection process.

The initiative also had an impact on the reduction of the total franchises and hence the salesforce in the segment, directly influencing the reduction of gross additions. However, the Company has already developed a new salesforce and a greater support of partners to increase gross additions in the future.

Oi continues with its focus on the profitability of the customer base by improving the quality of its sales with initiatives such as a Quality Assurance Call (a call after the sale is made to confirm the order with the customer), the review of the commissioning model, and adjustments of current offers. The segment restricted the use of subsidies and has focused on the loyalty of existing customers. The highlight was the continued expansion of fixed voice (basic and advanced voice) and broadband services, which demonstrates the assertiveness of the convergence strategy in the segment.

In the fourth quarter of 2013, the base of RGUs of wireline (basic and advanced voice) increased by 9.1% compared to the fourth quarter of 2012, which, even with a more restrictive policy on customer additions, continues to consolidate the reversal of the drop of fixed base in this segment.

As for the broadband base, Oi closed the period with a growth of 9.8% over the same period last year, demonstrating the continued advancement of fixed broadband in SME segment. Regarding the mobile base, the SME segment dropped by 23.9% compared with the same period in 2012, reflecting a lower use of the subsidy policy.

MENU

3.2.3.3. CORPORATE

In the Corporate segment, the annual drop in RGUs was caused by insourcing employees of a vendor in the third quarter, which reduced the number of RGUs in this segment. In contrast, the number of RGUs in the personal mobility segment increased. These two movements are the result of the focus on the quality of the sale, reducing subsidies in search of profitability, especially when offering mobile telephony, and of the increase in sales volume in the fourth quarter of 2012.

The performance of the annual revenue in the Corporate segment was higher than the market in all products. Revenue from data grew by 6.0% while the market saw an expansion of 2.8%. Revenue from mobile increased 9.3% versus 6.3% in the market. And while revenue from fixed telephony services fell 3.3%, the market as a whole fell by 8.5% in the comparison of the year to date.

MENU

SOCIAL-ENVIRONMENTAL PERFORMANCE

GRI 4.12 | 4.13 | 4.15 | 4.16 | 4.17

OI IS THE FIRST CARRIER AND THE FIRST BRAZILIAN PRIVATE COMPANY TO CLOSE A STRATEGIC PARTNERSHIP THAT ENABLES A COMPLETE MANAGEMENT OF SOLID WASTES THROUGHOUT ITS SUPPLY CHAIN. THIS INITIATIVE WILL ALLOW THE COMPANY TO ANTICIPATE ITS COMPLIANCE WITH THE NATIONAL POLICY ON SOLID WASTE (PNRS).

The management of the social, environmental, and economic impacts from Oi's operations, products, and services involves the analysis of various aspects related to the environment, relations with public agencies and representatives of society, the relationship with its employees, customer satisfaction, and promoting growth and development of the telecommunications infrastructure in Brazil.

OI'S COMMITMENTS TO SUSTAINABILITY

Sustainability Trail: this is a program that promotes concepts of sustainability and seeks to engage employees in sustainable attitudes through an online platform of knowledge and training, and encourages the identification of corporate opportunities and actions related to the business. In 2013, 2,541 employees participated in the program.

EPC (Companies for the Climate): since 2011, Oi is a member of the EPC, which is a permanent business platform for the transition towards a low carbon economy. EPC aims to assist member companies in their GHG management strategies and presents public policy recommendations for the low carbon economy in Brazil.

ISCV (Innovation and Sustainability in the Value Chain): The Company participates in activities for stimulating innovation in sustainability in small and medium enterprises that are part of its value chain through the ISCV project, which was created in 2011 by GVces (Center for Sustainability Studies of the Getulio Vargas Foundation). The project aims to produce knowledge on innovation and sustainability, encourage the exchange of experiences, and mobilize companies to adopt sustainability strategies.

CDP (Carbon Disclosure Project): Oi provides information voluntarily to CDP, a nonprofit organization with a global reach that seeks to strengthen the exchange of information between companies and shareholders about the impacts and business opportunities in climate changes.

Emission inventory: since 2010, the Company has carried out a GHG (Greenhouse Gases) Emissions Inventory in order to quantify its emissions and identify the main sources. The inventory uses the tools of reporting and measuring emissions in accordance with the Brazilian Program GHG Protocol. The information is disclosed in the public record of emissions of the GHG Protocol and CDP, which is a global initiative for monitoring climate changes.

Joint Cooperation Agreement against Pedophilia: in 2008, the Company joined the initiative that brings together telecommunications companies, the Federal Prosecutor's Office, Federal Police, and the Safernet Brasil organization to prevent and combat crimes committed via the Internet against children and adolescents. The partnership covers diverse topics ranging from improving the techniques for identifying authors of crimes against children and adolescents and communication actions that aim to educate parents, children, and teens about the safe use of internet.

Global Compact: Oi has been a signatory of the United Nations Global Compact since 2009 and is permanently committed to adopting in its business practices the principles related to human rights, labor relations, the environment, and the fight against corruption.

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

ACTIONS/INITIATIVES	CORRELATION WITH THE GLOBAL COMPACT PRINCIPLES										CORRELATION WITH MILLENNIUM OBJECTIVES							
	DIREITOS HUMANOS			DIREITOS DO TRABALHO			MEIO AMBIENTE			CORRUPÇÃO								
	1	2	3	4	5	6	7	8	9	10	1	2	3	4	5	6	7	8
Education Program for Sustainability (Sustainability Trail)	X	X	X	X	X	X	X	X	X	X							X	X
Insertion of the Sustainability Module in the Generation Program (Trainees and members of the PDA)	X	X	X	X	X	X	X	X	X	X							X	X
Sustainability Policy	X	X	X	X	X	X	X	X	X	X	X	X	X				X	X
Code of Ethics	X	X		X	X	X	X	X		X		X	X				X	X
Actions of Ethics Committee	X	X		X	X	X	X	X		X			X				X	X
Online training (e-learning) of Ethics	X	X		X	X	X	X	X		X			X				X	X
Sustainability in the Supply Chain	X	X		X	X		X	X		X			X				X	X
Oi Novos Brasis	X	X			X		X	X	X			X	X				X	X
Oi Program of Cultural Incentive Sponsorships	X	X			X		X	X	X			X						X
Actions of Internal Auditing		X	X	X	X	X				X								
Inventory of GHG (Greenhouse gases) emissions	X	X					X	X									X	
NAVE - Advanced Center in Education	X	X			X			X			X	X						X
Sports Incentive Sponsorship	X	X			X			X										X
Freedom of Association to Unions, Collective Bargaining, Collective Working Agreements and Workday Agreements	X	X	X	X														X
Oi Kabum! - Schools of Art and Technology	X	X			X						X	X						X
Compliance to the corporate platform of Companies for the Climate (EPC)							X	X	X								X	X
Waste Management							X	X	X								X	X
Selective collection in the main administrative buildings							X	X	X								X	X
Channel on website for complaints	X	X	X															X
Minha Oi							X	X	X								X	

ACTIONS/INITIATIVES	CORRELATION WITH THE GLOBAL COMPACT PRINCIPLES										CORRELATION WITH MILLENNIUM OBJECTIVES							
	DIREITOS HUMANOS			DIREITOS DO TRABALHO			MEIO AMBIENTE			CORRUPÇÃO								
	1	2	3	4	5	6	7	8	9	10	1	2	3	4	5	6	7	8
Actions to reduce GHG (Greenhouse gases) emissions							X	X	X								X	
Actions to use less electric energy							X	X	X								X	
Actions to reduce water consumption							X	X	X								X	
Collection and special disposal of batteries and handsets							X	X	X								X	
Fleet Renewal Project							X	X	X								X	
Using Returnable Envelopes							X	X	X								X	
Collection and Forwarding of Donations to Institutions	X	X									X	X		X				X
Broadband in Schools Program	X				X						X	X						X
Statement of Mutual Cooperation Against Pedophilia	X	X											X	X			X	
Leadership Program for New Managers	X	X			X					X				X				
Accessibility for Customers	X	X															X	X
Sponsorship, supply, and actions at events of the Confederations Cup and FIFA World Cup 2014							X	X									X	X
Inova Program							X	X										X
Use of videoconferencing							X	X									X	
Mapping of corporate risks							X			X								
Program for Pregnant Women	X													X	X	X		
Executive Group on Sustainability										X							X	X
Program for Healthy Living	X															X	X	
Preventive Activities (Regular Exams, Health Education, Health in Action, Vaccination)	X															X	X	
Campaigns to encourage blood and marrow donation	X																X	X
Agreement with the Brazilian Navy - Antarctic Base								X						X				X
Public Disclosure of Reports, Results, Minutes, Acts, Material Facts, Announcements, and Filings										X								X
Channel for Complaints of the Fiscal Council										X								X
Environment of internal controls in conformity with Sarbanes-Oxley Certification										X								
Information Security Management										X								
Telecommunications Museum and Art Exhibits												X						X
Compliance to the corporate platform of Innovation and Sustainability in the Value Chain	X	X		X	X		X	X	X								X	X
Recycling Factory							X	X	X								X	X
Doing More with Less program								X									X	
Employee Development Programs	X	X			X		X	X	X					X				X

4.1. ENVIRONMENTAL ASPECTS

4.1.1. CONSUMPTION OF MATERIALS

For the third year now, Oi has continued in the utilization of reusable envelopes for internal correspondence. The format of these envelopes make space for many senders and receivers, which makes it possible to use them 12 times before their disposal, reducing costs with printing labels and the amount of paper used.

Some of the main savings reached with improvements in the materials for customer relationship are the reduction in the number of pages and changing the paper type of the Welcome Book (leaflets) as well as reducing the size and changing the type of packaging material of the SIM card (Rigid PVC to BOPP plastic). Oi was also the first operator in Brazil to implement a Double Cut (two chips in one) SIM card in order to reduce SKUs (Stock Keeping Unit) and consequently the amount of different plastics produced. The recovery of decoders after the closing of contracts with customers also minimizes the use of materials by the reuse of these in a specialized supplier. About 140,000 decoders were recovered in 2013 alone. Added to the 80,000 recovered in the previous year, this initiative has led to savings of around R$ 37.4 million. GRI EN27

R$ **37**.4 million
WAS THE SAVINGS
REACHED FROM
THE RECOVERY OF
APPROXIMATELY
140,000 DECODERS

MENU

Annual Sustainability Report 2013

GRI EN1

CONSUMPTION OF MATERIALS BY TYPE	2011	2012	2013
Packaging materials:			
Bags purchased for use in sales at stores (in units)	n.d.	106,840	308,940
Flyers - postal envelopes used in sending some products such as Chips, Devices, Modems, and small equipment. (in units)	698,764	842,456	776,984
Paper envelopes used when contracts are sent to customers (in units)	409,925	400,586	394,791
Cardboard boxes used to ship products when it is necessary to put the item in a mother box such as handsets, Mini Modem, Chips, Merchandising Material, engineering material, among others (in units)	327,727	412,825	417,659
Materials used in operations:			
Metal cables (in meters)	12,146,446.1	14,565,687.4	9,342,892
Optical cables (in meters)	17,217,860	20,942,268	10,347,696
Seam set (in units)	182,809	229,820	219,787
Wire (in meters)	211,752,316	242,453,229	221,023,489
Terminals (in units)	396,796	154,402	170,321

GRI EN2

MATERIALS USED FROM RECYCLING (T)	2011	2012	2013
Reusable paper envelopes used for internal correspondence (quantity of items purchased for use)	n.d.	40,000	40,000
Chips for mobile phones (in units)	27,462,584	29,214,120	29,605,537
Recharge cards for prepaid mobile phones (in units)	1,132,660	2,079,790	5,598,930
Cards for Public Phones (in units)	77,094,100	43,583,388	16,950,290
Flyers - postal envelopes used in sending some products such as Chips, Devices, Modems, and small equipment (in units)	698,764	842,456	776,984
Cardboard boxes used to ship products when it is necessary to put the item in a mother box such as handsets, Mini Modem, Chips, Merchandising Material, engineering material, among others	327,727	412,825	417,659

4.1.2. WASTE MANAGEMENT

GRI EN26

Various actions taken by the Company in recent years seek to encourage more careful use of natural resources and to lower the impacts caused by waste generation and disposal of materials. Oi is the first carrier and the first Brazilian private company to close a strategic partnership that enables a complete management of solid wastes throughout its supply chain. This initiative will allow the Company to anticipate its compliance with the National Policy on Solid Waste (PNRS).

In 2013, 634,000 tons of waste were generated that were sent to certified companies to carry out the proper discarding, disposal, or recycling of the materials. Over 4,500 tons of scrap were sold for recycling, which included materials such as copper, aluminum, and iron, fiber optic cables, batteries, telephone cables, computer scrap, fiberglass, parts and accessories of public telephones, scraps of furniture, among others.

In order to reduce the environmental impacts of its operations, Oi manages the materials disposed of (scrap) by its service providers and sales them to recycling companies approved by the environmental agencies. In 2012, 4,234.48 tons of scrap were sold for recycling, which included materials such as copper, aluminum, and iron, fiber optic cables, batteries, telephone cables, computer scrap, fiberglass, parts and accessories of vandalized public telephones, scraps of furniture, among others. All these materials were sent for recycling.

GRI EN22

| NON-HAZARDOUS WASTE BY TYPE AND DISPOSAL METHOD	2011	2012	2013
Landfill (tons)	356,689	724,362	590,137
Recycling by selective collection in the administrative buildings (in tons)	2,059.00	131.15	38,339.06
Recycling for the sale of scrap	77.094.100	43.583.388	16.950.290
(in tons)	3,010.14	4,234.48	5,406.49
Recycling of phones, batteries, and accessories (in items)	43,000	43,782	5,834
Recycling of light bulbs (in items)	n.d.	14,981.00	22,680.00
Various waste sold to auction	n.d.	269.752	57.770
(in items)	n.d.	269,752	57,770

Oi's hazardous waste are stationary batteries that are sent for recycling. In 2013, 1,882,900 tons of stationary batteries were recycled compared to 2,149,400 tons in 2012 and 1,366,500 tons in 2011. Other 430 tons of stationary batteries (used in antennas) were sent to repurchase by a vendor certified in handling, storing, collecting, transporting, and recycling them. The supplier must comply with existing environmental standards, as well as carry out the monitoring and adoption of any corrective actions necessary. Since 2011, the selection of companies for transportation prioritizes those that hold an ISO 14001 environmental accreditation and vehicles powered by biodiesel or ethanol. GRI EN22 | EN24 | EN29

At the Company's administrative buildings, 38,339.06 tons of recyclable materials were collected by means of the selective waste program. In 2013, the Company also eliminated the individual trash cans for each employee and created ecopoints, which considerably reduced the consumption of plastic trash bags. The Company also uses auctions to sell furniture, computer equipment, telephone equipment, outdated or defective cell phones, generators, and forklifts. In 2013, 57,770 items were auctioned.

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. These initiatives aim to encourage consumers and employees to dispose of this waste correctly, avoiding pollution of the soil, streams, and other natural environments. The Company carries out communication campaigns through advertisements in newspapers, magazines, internet, and radio spots, as well as publishes on its website the list of collection points across the country. In 2013, 5,834 items were collected. The collections in the stores began now to be on demand, meaning that the store should wait until the bin's capacity is 80% full before requesting a collection. GRI EN22 | PR1

GRI EN24

Hazardous waste transported (t)*

Year	Value
2011	430
2012	2,204
2013	1,373
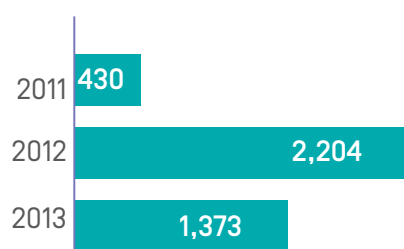
* Almost all the hazardous waste refers to stationary batteries.

OI PARTNERSHIP - DESCARTE CERTO PROMOTES THE COLLECTION OF ELECTRONIC TRASH

In 2013, Oi continued with its recycling program in partnership with the company Descarte Certo, setting up bins to collect cell phones, batteries, and chargers in its 61 administrative buildings and in its stores across the country. About 29,300 items were collected and sent for recycling. The Company also ran the campaign on social networks, encouraging proper disposal of recyclable waste.

The material discarded is sent to factories of take-back logistics of Descarte Certo in Americana (SP) and Novo Hamburgo (RS) to be separated, processed, and reintegrated into the production chain. Descarte Certo is a company belonging to the Ambipar Group specialized in collecting and managing waste and in recycling electric and electronic products.

4.1.3. ENERGY EFFICIENCY

`GRI EN7`

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. The Company uses generators as contingency and biofuels in energy acquired from the free market. `GRI EN4`

`GRI EN4`

3,776.88 MWh
WAS THE REDUCTION OF ENERGY CONSUMPTION IN THE 44 BUILDINGS THAT WERE PART OF THE RATIONING PLAN

INDIRECT ENERGY PURCHASED AND CONSUMED (GJ)	2012	2013
NETWORK OF LOCAL SUPPLY1	4,794,355	5,142,694
Free market2	1,017,420	1,040,097
Total electric energy purchased (Gj)	5,811,775	6,182,791

1. The Brazilian energy matrix is made up of predominantly hydro sources, despite the gradual increase in the use of thermal power plants in recent years due to low rainfall rates.
2. The Free Market of energy allows the purchase of 100% renewable energy produced in SHP (small hydro) and biomass cogeneration plants.

The Company initiated an energy rationing plan by monitoring the top 200 energy users in the regional offices. In the 44 buildings that use energy purchased from the Free Market and where remote monitoring and telemetry is done, there was a reduction in consumption of 3,776.88 MWh, corresponding to 13,593.6 GJ. `GRI EN5`

The rationing plan for 2014 already has its financial targets set and disclosed by branch and it includes implementing energy efficiency projects and promoting actions of rational use of energy along with the analysis of technical and financial feasibility of migrating more units to the Free Market. GRI EN5

The Company conducts studies to assess the actual energy consumption in each unit and how to improve its efficiency. The Energy Efficiency Project deals with replacing fluorescent light bulbs with LED lamps and air conditioning equipment with more efficient units.

Oi uses generators as contingency and biofuels in energy acquired from the Free Market. Direct energy consumed in 2013 was not quantified. In order to reduce costs and achieve environmental gains, some initiatives are being studied such as the migration of more units from the captive market to the Free Market of energy, which sells the energy from SHP (Small Hydro Power), renewable sources, and those encouraged the government with a low environmental impact, and biomass. Also under study is the implementation of a self-supply project of low voltage units with solar or wind power. Another study is the implementation of a carbon credit project based on these projects. GRI EN3

Actions aimed at energy efficiency include reductions in the energy budget, dissemination of best practices in the company's communication media, continuous improvement projects for energy efficiency, and the rational use of energy promoted among the regional offices. The Company also studies the best opportunities to adjust the demand contracts and change the tariff groups of all consumer units, as well as being attentive to the changes of the plant, the contracts associated with them, and the seasonality of each region so that each contract is in accordance with the consumption of each consumer unit.

Fuel consumption has increased considerably due to the accounting of fuel consumed in the engines of the Generator Sets as well as in vehicles used by internal maintenance of the plant. The two sources were not recorded before the process of internalization of the internal plant.

SOCIAL-ENVIRONMENTAL PERFORMANCE

GRI EN3

FUEL CONSUMPTION	2012	2013
Type		
Diesel (l)	153,896.96	1,151,845.52
Ethanol (l)	93,149.71	308,738.12
Natural Gas (m³)	1,155.58	0
Gasoline (l)	1,543,289.83	4,823,005.49
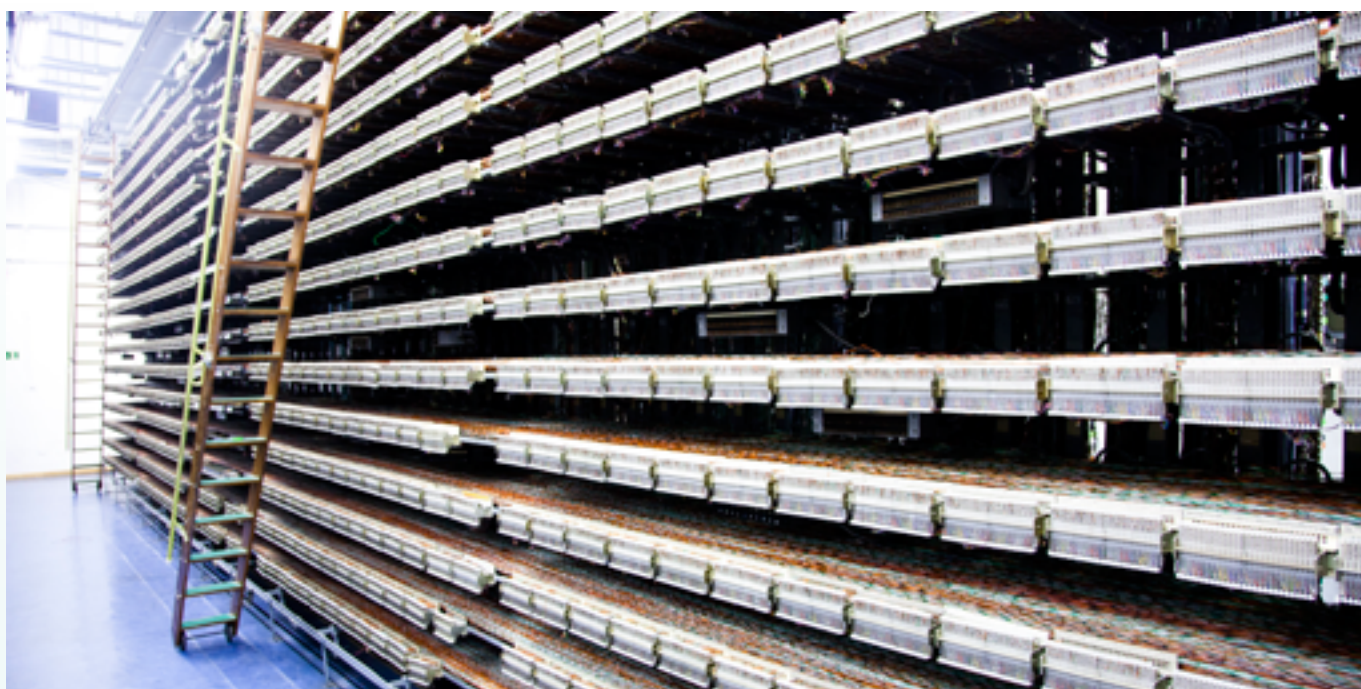
4.1.4. EMISSIONS OF GREENHOUSE GASES

GRI EN16 | EN17 | EN26

Oi has identified and recorded the direct and indirect emissions resulting from its activities every year since 2009. The inventory of GHG (greenhouse gas) 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 WRI (World Resources Institute). 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 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 EPC (Companies for Climate) 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.

In 2013, Oi was selected to be a part of BM&FBovespa's ICO2 (Carbon Efficient Index) portfolio for the fourth 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.

Although actions have been taken in order to reduce the Company's emissions, in 2013 the numbers were higher compared to previous years. This year, after the process of internalizing the third parties working on internal plant operations, many processes that were controlled by suppliers began to be managed by Oi employees. This initiative reflected in the significant increase of Scope 1 emissions due to the high use of vehicles for maintenance of operations, a service that was previously done by suppliers (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.

Scope 3 emissions configure mostly in the use of third party services. With the expansion of Oi's activities and its natural organic growth, it is common that the emissions increase gradually. However, 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 impacts emissions of that scope.

GRI EN16

DIRECT AND INDIRECT EMISSIONS - SCOPES 1 AND 2 (TCO2E)	2011	2012	2013
Scope 1 (generators, own fleet of cars and refrigerants gases)	5,166.59	9,516.37	24,413.22
Scope 2 (electricity purchased and consumed)	44,403.50	109,629.30	174,855.14
Total	49,570.09	119,145.67	199,268.37

GRI EN17

INDIRECT EMISSIONS - SCOPE 3 (TCO2E)	2011	2012	2013
Goods and services purchased	88,712.48	124,297.04	122,627.30
Transportation and distribution (upstream)	7,543.01	10,643.32	9,733.61
Business travel	7,586.26	8,656.09	12,016.78
Commuting of employees	6,292.23	9,202.55	9,550.46
Total	110,133.98	152,799.00	153,928.16

4.1.4.1. INITIATIVES TO REDUCE GHG EMISSIONS

GRI EN18

Among the initiatives to reduce GHG emissions are looking for energy efficiency projects, reducing energy consumption, and carrying out a feasibility study for a project of distributed generation using solar and wind energy and that can be a carbon credit pilot project. The energy rationing plan adopted by the Company included the campaign to disseminate best practices in the rational use of energy in internal communication media. The monitoring of the reduction indicator was done by subsidiary and reported quarterly on the intranet.

In order to reduce environmental impacts and costs from air travel, Oi has invested since 2011 in expanding the use of videoconferencing for meetings. Thirteen new telepresence rooms were created for directors at the subsidiaries, which also contributed to reinforce the integration between teams from several states. In addition, air travel and taxi trips are categories in the Do More with Less Program, and the evolution of the cost with these resources is monitored monthly to ensure that the Company doesn't have unnecessary expenses or higher than expected, generating even more greenhouse gas greenhouse.

With a Fleet Renewal Project, the Company is looking to reduce its fuel consumption and thus emit less polluting gases. In 2012, Oi replaced its cars that were five or more years old with new vehicles after studies in the market identified specifications for savings and suitability to the job. The substitution also reduced the need for maintenance, which resulted in less volume of parts and components discarded every trip to the mechanic shop.

For 2014, the Company is also studying the massive migration of captive market units (power supplied by distribution concession holders) to the Free Market, which sells energy from renewable sources.

4.1.4.2. OTHER EMISSIONS

After the internalization of the internal plant in May 2013, the maintenance activities on the air conditioners, which used to be done by third-party service providers, was transferred to the internal management team. This fact significantly reflected on the consumption of refrigeration maintenance gases, both due to a better management of the maintenance of the units as well as reducing the risks of over invoicing and purchases of gases in the absence of a real need to change it. GRI EN19

GRI EN19

EMISSIONS OF SUBSTANCES DESTROYING THE OZONE LAYER (TCFC11E)	2012	2013
HCFC 22[1]	2.9326	1.7590
HCFC 141b[2]	0.4499	0.3827
Total	3.3825	2.1417

1. Considers an ODP (Ozone Depletion Potential) of 0.055, and the absolute consumption in tons was 31.98 (2013) and 53.32 (2012).
2. Considers an ODP (Ozone Depletion Potential) of 0.11, and the absolute consumption in tons was 3.48 (2013) and 4.09 (2012).

Click to see more pictures

4.1.5. WATER CONSUMPTION

GRI EN8

To reduce water consumption, Oi develops actions such as monthly monitoring of water meters via a telemetry system installed in 22 administrative and operational buildings in the Region of RJ, and the use of aerators and consumption reducers on water taps, showers, and toilets in all administrative buildings. The measures include a retrofit of unsuitable sites and orientation of the cleaning crews regarding washing patios.

A project of reusing rainwater to supply the cooling towers of an administrative building in Rio de Janeiro was implemented in 2012 and began to be monitored in 2013. A pilot project was initiated for self-filtering of the water used in the cooling towers in this same administrative building.

WATER CONSUMPTION BY SOURCE (M³)	2011	2012	2013
Underground water	n.d.	80,960	2,376
Rainwater collected	n.d.	n.d.	527
Municipal supply or other water supply companies	1,820,624	1,562,026	1,716,325
Total	**1,820,624**	**1,642,986**	**491,578**

4.1.6. IMPACT OF OPERATIONS ON THE COMMUNITY

GRI SO1

When necessary, the Company develops social media plans to clarify to the surrounding community about the impact of their operations, disseminating this information in major newspapers and distributing informational brochures about their equipment and their relation to human health. Sometimes, by determination of the government, public hearings are held to give information to the community.

The communication plan is executed by companies whose teams are contracted to operate beginning from the licensing stage all the way to deployment and are composed of architects, engineers, and technicians working together in compliance with the legislation related to the operations of the various authorities (Departments of Public Works, City Planning, the Environment, Fire Department, among others) and after a feasibility study is done on its deployment.

All measures are taken as for safety and to disseminate information to the community, respecting the parameters mentioned previously. The information is collected by the companies contracted and the stages contemplated include the legal obligations of licensing along with safety aspects and those of a technical nature. In the specific case of installations on property belonging to third-parties, an extraordinary meeting is called in order to present the project and give general explanations.

During the deployment of the Broadband Project in Amapá, there was the need for passing optical fiber cables through the lands of the Uaçá indigenous community. To do so an analysis of the impact of the undertaking was done by FUNAI (National Indian Foundation), based on which the Company closed a Term of Agreement with measures that include subprograms of environmental education, social communication, digital inclusion program, donation of equipment, and provision of telecommunications services. The project benefited 85% of the community.

In 2013, vendors were not contracted for carrying out backbone services or any similar service in an area protected or restored, and we also did not have the need for habitat restoration (in 2012 we had only one case). The goal for 2014 is to resume the conditions of the backbone project, calling on the supplier to inspect the sites that were affected in the implementation of the Manaus Backbone and make any necessary repairs or restorations at the site. GRI EN13

GRI EN30

INVESTMENTS AND EXPENDITURES WITH ENVIRONMENTAL PROTECTION (R$)	2012	2013
Treatment and disposal of waste (regular collecting of garbage + dumpsters)	n.d.	836,755.26
Disposal of batteries, appliances, and accessories collected from Oi shops (Descarte Certo)	n.d.	52,751.61
Total cleanup costs, including costs for remediation of spills	n.d.	78,366,009.20
Expenses with environmental licensing	4,855,000.00	4,855,000.00
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
Costs with transportation and storage of solid waste	572,632.72	708,124.35
Hiring of consulting company for external verification of GHG inventory	29,990.45	30,885.00
Costs of prevention and environmental management	69,570.45	299,910.21

4.1.6.1. RADIO BASE STATIONS

GRI 4.11 | PR1 | PR2

Oi's Sustainability Policy directs the continuous process of improvements and preventive measures in relation to the RBSs (Radio Base Stations, 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 ICNIRP (International Commission of Protection Against Non Ionizing Radiation) recommended by the World Health Organization (WHO) and by Anatel (National Telecommunications Agency). Anatel has already made itself clear through technical notes as for 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. Oi's RBSs have a coverage radius ranging from dozens of meters to about 5 kilometers. 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.

Oi prefers not to make public in this report the amounts of fines related to 2013 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. GRI EN28

Oi received 12 sentences of failure to meet declarations, conventions, international treaties, and national, sub-national, regional, and local regulations, and six suits have not yet reached a court decision and are on appeal. The others led to the regularization of the RBSs.

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.

4.2. INSTITUTIONAL RELATIONS

`GRI SO5`

Oi has a structured Institutional Relations area responsible for maintaining an ongoing dialogue with the executive, legislative, and judicial branches at the federal, state, and municipal levels, as well as with the regulatory agencies, industry forums, and bodies representing sectors of civil society. 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. 9,504/97, Oi does not make financial contributions and in cash to political parties, politicians, or related institutions. `GRI SO6`

Beginning in 2012 with the launch of the Oi Policy of Institutional Relations, the area received specialized training called IR Academy. With over 400 hours in length and a methodology of distance learning, the course was conducted between 2012 and 2013 and featured subjects in the areas of communication, administration, political science, and law.

The specialization was given in partnership with ESPM (Escola Superior de Propaganda e Marketing), IAG-PUC (Instituto de Administração e Gerência da PUC-RJ), UFMG (Universidade Federal de Minas Gerais), and the General Coordination of Specialization Courses of PUC-SP.

AREAS OF OPERATION OF THE OI POLICY OF INSTITUTIONAL RELATIONS

- Government Relations
- Relationship with entities (participation in multi-sector forums)
- Internal mobilization (sharing knowledge within the Company and relationship with stakeholders)
- Corporate sustainability
- Corporate relationships (focus on the operation policies and achievement of business goals)
- Political, strategic, and institutional scenario (analysis of scenarios)
- Institutional tools
- Support for the Company's business strategy (analysis of possibilities of partnerships and opportunities)

4.2.1. PUBLIC POLICIES

GRI EC8

At the end of 2013, the Company was already offering the Oi Velox broadband service according to the PNBL (National Broadband Plan) in 3,821 cities covered by this offer, which corresponds to 79% of all municipalities in the area covered by Oi. About 43% of the locations served are in the North and Northeast of Brazil. The Company follows the Term of Agreement of adherence to the PNBL signed with the Ministry of Communications and Anatel (National Telecommunications Agency), whose goal is to expand broadband access, promote digital inclusion, and reduce social and regional inequalities in Brazil.

Oi also participates in the Broadband in Schools Program (PBLE) that aims to ensure free of charge internet connection to all elementary and high schools as well as in Urban Public Schools for training elementary and high-school teachers at all levels of the Federation (Union, State, Federal District, and Municipalities) located in Oi's concession area, by the year 2025. The PBLE was launched on April 4, 2008 by the Federal Government through Addendum No. 001/2008/SPVANATEL to the Statement of Authorization for the Exploitation of Multimedia Communication Services.

Throughout 2013, Oi invested R$ 7,253,349.00 in the PBLE, totaling 51,668 schools benefited.

Oi is implementing the Border Project, which aims to bring neighboring countries closer and foster communication in border localities 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 promote the development of these locations and it is in line with the company's spirit to offer innovative local solutions to meet the different demands of customers. The cities to be included are as follows: Oiapoque [AP], Bonfim [RR], Tabatinga and Benjamin Constant [AM], Brasiléia and Assis Brasil [AC], Guajará-Mirim [RO], Corumbá, Bela Vista, Porto Murtinho and Ponta Porã [MS], Guaíra, Foz do Iguaçu and Barracão [PR], Dionísio Cerqueira [SC], Uruguaiana, Itaqui, São Borja, Sant'Ana do Livramento, Aceguá, Quaraí, Barra do Quaraí, Jaguarão, and Chuí [RS].

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 of Amapá and continue into French Guiana until Fortaleza with the aim of increasing the availability of Internet access with more affordable prices for the population in the state. This project is part of the obligations that the company has with Anatel with the installation of optical fiber connecting the city of Calçoene to the city of Oyapock on the border with French Guiana. This fiber is designed to be deployed along the highway BR-156 in order to cause the least impact as possible on the existing environment in the region. The arrival of broadband will allow the installation of 12,000 Oi Velox ports in the first 12 months of operation alone. The project covers the cities whose urban population corresponds to 85% of the urban population of the state.

51,668
SCHOOLS WERE BENEFITTED FROM THE BROADBAND IN SCHOOLS PROGRAM

To finish off the list of initiatives that impact the local infrastructure are compliance with PGMU, the low-cost phone, and the Backhaul. More than R$ 25,000 was invested with PGMU in 2013 covering 1,369 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 89,018 subscribers. And finally, the backhaul consists in installing broadband in municipalities not covered without passing on costs to the customer.

With this program, authorized operators swap the requirement to install telephone service stations in the municipalities for installing a network infrastructure to support the high speed internet connection in the municipalities. The project involved investments of around R$ 669,000 and approximately 3,000 municipalities.

4.2.2. RELATIONSHIP WITH LOCAL GOVERNMENTS

Based on the principle of transparency and openness to dialogue, Oi is always looking out, for example, for opportunities to strengthen its relationship with the new governments in the city halls in the more or less 4,800 Brazilian municipalities where it operates. The Company has an obligation every year to inform the municipalities about its compliance with regulatory obligations relating to the universalization targets and installation of public telephones depending on the number of inhabitants in the city and distance between households. To do this, Oi participates in events and meetings in which it has the opportunity to show how it operates in the municipalities in which it holds a license or authorization and it can even explain the technical or regulatory reasons why any certain locality may not be covered. This relationship should also consider the different laws applicable in each city and state.

The year 2013 began with the mayors and city councilors taking office who won the municipal elections held in 2012. The area of Institutional Relations concentrated efforts throughout the country in order to start a dialogue with these new leaders and reinforce it with the re-elected representatives.

4.2.3. RELATIONSHIP WITH THE LEGISLATIVE POWER

In 2013, the area of Institutional Relations represented the Company in about 25 Parliamentary Inquiry Commissions and more than 60 public hearings to answer questions about regulations, the General Law of Telecommunications Services, and other issues related to the sector.

The Board of Federal Executive Institutional Relations coordinates the Committee for Monitoring the Legislative Proposals (Caple) for analyzing

bills together with the following Departments: Legal, Regulatory and Sector Policy, Regulatory, Federal Executive Institutional Relations, Planning Management, and Institutional Performance. In 2013, ten meetings were held and 123 legislative proposals were selected for analysis and monitoring from a monitoring base with 2,297 projects.

The area of Institutional Relations also participates in the Institutional Legal Financial Regulatory Committee through which it guides the Company in the treatment of institutional issues and themes related to the telecommunications sector in several states where Oi is present.

4.2.3.1. STATE AND LOCAL LAWS IN THE TELECOMMUNICATIONS SECTOR

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

- Laws restricting the expansion of mobile telephony

- Environmental licensing process for telecommunications infrastructure

- 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 Agreement 56/12 from CONFAZ (National Council for Financial Policy)

- Obligation to provide information about the coverage area

- Establishment of rules for terminating services due to nonpayment

- Prank Law (stated that the terminals generating prank calls to Public Safety organs would be fined)

- Change the validity period of the CND (State Negative Certificate)

- Creation of Laws to Foster Investment in Culture and Sports

- Permission to Use Agreement of the space for installation of mobility for the Confederations Cup and other events

- Zoning change, now considering a "public utility for purposes of expropriation". Removed from the scope of the bill areas owned by telecommunications and broadcasting companies.

- Law of fiscal incentives (exemption from property tax and reduction of ISS tax) contributing to setting up call center companies

Click to see more pictures

4.2.3.2. FEDERAL LEGISLATION IN THE TELECOMMUNICATIONS SECTOR

Important discussions about the federal legislation for the telecommunications industry took place in 2013.

- Oi, in partnership with Sinditelebrasil (National Union of Telephone Companies and of Mobile and Personal Service), participated in the discussion of the federal bill – PLS 293/12 – already approved in the Senate and pending before the House of Representatives under No. 5,013/2013, which discusses aspects of urban, environmental, and health policies associated with the installation of telecommunication infrastructure in the country

- PL 2,126/2011, which deals with the civil rights framework for internet

- PL 5,476/2001 about the end of the Basic Subscription

- PL 6,025/2010, already approved in the Senate, amending the Code of Civil Procedure

- PL 4,330/2004 establishing standards for outsourcing services

- Several Provisional Measures, especially MP 615/13, enacted by Law No. 1,2865/13, which set global standards for payment arrangements, and dividing up tax debts into payments

4.2.4. PARTNER FOR MAJOR EVENTS

4.2.4.1. CONFEDERATIONS CUP

The Confederations Cup was an opportunity to strengthen the relationship with federal, state, and municipal executives, which was held in six cities in Brazil. The area of Institutional Relations also worked hard to ensure the integrity of the Company's installations and avoid the risk of disruption of services during the competition.

To broadcast the games, for example, Oi studied the routes of optical cables and backbone and of the building projects that are being carried out in the locality that may interfere in their facilities. The same efforts are made because of the World Cup, which is to be held in 12 Brazilian cities in 2014.

As the official sponsor of the FIFA Confederations Cup in Brazil in 2013, Oi was responsible for delivering services of internet, voice, Wi-Fi, and mobile network as hired by FIFA in 42 locations in the six cities hosting the event. Activities were carried out in six states, seven airports, six stadiums, nine hotels, 12 ticket centers, six support areas next to the stadiums, one FIFA Information Technology Command Centre (ITCC), and one FIFA Data Center. Besides providing the communication infrastructure, Oi also offered consumers experiences with their products during the events of the Confederations Cup. In 2014, this experience will be offered to the public at the FIFA World Cup™.

Oi also won the bid to host the online training platform for nearly 100,000 people registered as volunteers at the 2013 Confederations Cup and for the World Cup. The platform, accessed by FIFA's website, offers training courses for volunteers who will participate in the FIFA events.

OI IN THE CONFEDERATIONS CUP

- Operation of 14 HD videoconferencing rooms running uninterrupted for 20 days
- Installation of more than 300 kilometers of structured cabling—equivalent to laying a network cable from the city of Rio de Janeiro to São José dos Campos/SP
- Assembly of 144 racks and environments for installation of computer equipment—equivalent to setting up a data center with 500 square meters with a support area
- Installing 187 UPSs—equivalent to supply 4,300 incandescent 60-watt light bulbs for 30 minutes
- Installation and configuration of 1,028 switches to provide 24,300 network points—equivalent to installing computer data cabling in five buildings the size of Oi's headquarters
- Bilingual customer help desk
- Institutional tools
- Support for the Company's business strategy (analysis of possibilities of partnerships and opportunities

4.2.4.2. ROCK IN RIO

Just as in the Confederations Cup, Oi offered to its users opportunities of brand experience at Rock in Rio, another major event sponsored by the Company. Rock in Rio was used as a communication platform so that customers could take advantage of technologies and products focused on young people, such as the Wi-Fi network and Oi Galera plan.

4.2.4.3. WORLD YOUTH DAY

The Company was mobilized to ensure telecommunication coverage of the WYD (World Youth Day), the Catholic Church event that attracted more than 3.7 million of its members from various countries to Rio de Janeiro and Aparecida (SP) in July 2013. The work began with the mapping and planning of the telecommunications network at all points where Pope Francisco would pass and where there would be a high concentration of pilgrims.

Oi's role involved other initiatives such as the acquisition of exclusive infrastructure and upgrading of existing infrastructure. To provide quality coverage, the Company brought to the locations mobile radio base stations from other states and set up the Special Operations Room at Oi's Network Management Center in Rio de Janeiro.

MENU

4.3. SOCIAL BALANCE SHEET

GRI EC1

1 - Basis of Calculation	2013 Value [R$ thousands]	2012 Value [R$ thousands]
Net Revenue [NR]	28.422.147	25.161.031
EBITDA*	9.582.698	7.988.233
Gross Payroll [GP]	2.025.448	1.997.184

2 - Internal Social Indicators	Value [thousands]	% of GP	% of NR	Value [thousands]	% of GP	% of NR
Food	164.542	8.12%	0.58%	124.004	6.21%	0.49%
Compulsory social levies	480.285	23.71%	1.69%	367.600	18.41%	1.46%
Private insurance	54.234	2.68%	0.19%	47.581	2.38%	0.19%
Health	117.077	5.78%	0.41%	79.977	4.00%	0.32%
Occupational safety and medicine	13.047	0.64%	0.05%	8.262	0.41%	0.03%
Education	0	0.00%	0.00%	0	0.00%	0.00%
Culture	0	0.00%	0.00%	0	0.00%	0.00%
Professional Training and Professional Development	11.683	0.58%	0.04%	24.082	1.21%	0.10%
Day care or childcare assistance	11.078	0.55%	0.04%	8.866	0.44%	0.04%
Profit Sharing - Provisioned	-112.448	-5.55%	-0.40%	387.380	19.40%	1.54%
Others	26.023	1.28%	0.09%	33.347	1.67%	0.13%
Total - Internal Social Indicators	**765.521**	**37.80%**	**2.69%**	**1,081,099**	**54.13%**	**4.30%**

3 - External Social Indicators	Value [thousands]	% of EBITDA	% of NR	Value [thousands]	% of EBITDA	% of NR
Education	14.829	0.15%	0.05%	17.083	0.21%	0.07%
Sustainability	4.796	0.05%	0.02%	6.947	0.09%	0.03%
Culture	50.727	0.53%	0.18%	50.154	0.63%	0.20%
Sports	7.981	0.08%	0.03%	17.439	0.22%	0.07%
Total contributions to society*	**78.332**	**0.82%**	**0.28%**	**91.624**	**1.15%**	**0.36%**
Taxes [including social levies]	10,283,283	107.31%	36.18%	9,556,394	119.63%	37.98%
Total - External Social Indicators	**10,361,615**	**108.13%**	**108.13%**	**9,648,018**	**120.78%**	**120.78%**

4 - Indicators Related to Employees	2013	2012
Number of employees at end of year	18.947	15.146
Number of admissions during the year	8.454	5.742
Number of outsorced personnel	148.298	166.253
Number of interns/trainees	419	721
Number of women working in the company	6.442	6.329
% of leadership positions held by women	25%	25%
Number of disabled or with special needs	319	268

5 - Other Information	2013	2012

Responsible for accounting information: Marcelo Antônio Leal Gomes (CRC-RJ 083.182)

* EBITDA was used for this calculation due to the Corporate Restructuring. Further information on this process can be found in the chapter About the Report.

**These values include tax incentives and donations to the Fund for Childhood and Adolescence - FIA

*** In this total - External social indicators are considered direct investments in the areas of Education, Culture, Sustainability, and Sports and via tax incentives through the Laws to Foster Investment in Culture and Sports. Expenses with the Administrative Structure of Oi Futuro were not considered [R$ 4,503].

4.4. EMPLOYEES

The year 2013 marked a period of transition for Oi to a new model of management and operation with a focus on operational efficiency, enhancing the quality and agility of processes and on customer satisfaction. This process was also reflected in policies, programs, and actions related to managing the Company's employees. The Human Resources area was called upon to have an even greater alignment with the business strategy by investing in training, development, and technical skills.

One of the objectives is the training of the multi-skilled technician who is prepared to do the installation and maintenance of all products requested by the customer. This movement also involves the challenge of training the approximately 40,000 technicians of the Company's service providers.

In the process of building a new stage in Oi's history and the synergy with Portugal Telecom, some topics also gained more relevance such as career development and internal mobility programs, redesigning of the structure, and process optimization. Oi's recruitment and selection policy values mobility with the internal offer of job openings.

4.4.1. PROFILE OF EMPLOYEES

GRI LA1

Oi ended the year 2013 with 18,947 employees hired for an indefinite term and full-time. The number represents an increase of 25% in the labor force compared to 2012 and reflects the process of internalization of the internal plant and hiring sales people to sell to business customers. In 2013 the Company also took on 116 apprentices, 419 interns, and 148,298 outsourced staff. Of the total employees present in all regions of the country, 77 worked abroad (United States, Colombia, Bermuda, and Venezuela).

About 50% of the employees had finished High School while another 40% had a college degree. Slightly less than 10% of the workforce had graduate studies, MBA, master's, doctorate, or post-doctorate degrees.

NUMBER OF EMPLOYEES BY FUNCTIONAL LEVEL	2011	2012	2013
Top Management	114	126	118
Management	770	904	960
Supervision/Coordination	240	596	907
Functional Staff	12,100	13,520	16,962
Total Employees	**13,224**	**15,146**	**18,947**
Outsourced	141,384	166,253	148,298
Technical Apprentices	82	61	116
Interns	549	721	419
Total	**155,239**	**182,181**	**167,780**

NUMBER OF EMPLOYEES BY REGION	2011	2012	2013
South	1,293	1,576	2,398
Southeast	8,869	9,436	10,807
Mid-West	1,079	1,332	1,666
Northeast	1,406	2,015	2,970
North	508	713	1,029
United States	55	60	62
Colombia	6	5	6
Bermuda Islands	2	2	2
Venezuela	6	7	7
Total	**13,224**	**15,146**	**18,947**

In 2013, 4,704 people voluntarily left the company, were dismissed, retired, or died. GRI LA2

GRI LA2

TURNOVER RATE (%)	2011	2012	2013
By gender			
Men	9.50	17.64	25.67
Women	9.40	16.19	12.33
By age group			
Under 30 years	9.50	18.56	14.74
Between 30 and 50 years	8.90	14.36	19.60
Over 50 years	0.50	0.92	3.65
By region			
South	1.83	3.47	5.50
Southeast	13.60	22.46	20.22
Mid-West	1.80	2.86	3.76
Northeast	0.92	3.76	6.33
North	0.64	1.16	2.11
United States	0.09	0.09	0.06
Colombia	0.01	0.01	0.00
Bermuda Islands	0.00	0.01	0.00
Venezuela	0.00	0.02	0.00

NUMBER OF TERMINATIONS	2011	2012	2013
By gender			
Men	1,019	2,033	2,599
Women	657	1,758	2,105
By age group			
Under 30 years	563	1,761	2,181
Between 30 and 50 years	1,007	1,826	2,277
Over 50 years	106	204	246
By region			
South	139	347	541
Southeast	1,185	2,835	2,852
Mid-West	176	282	488
Northeast	94	227	615
North	77	85	198
United States	4	10	10
Colombia	0	2	0
Bermuda Islands	1	1	0
Venezuela	0	2	0

4.4.1.1. DIVERSITY

GRI LA13

Of Oi's total employees, 66% are male and 34% female. The executive positions have been filled over the last three years by 75% men and 25% women. The average age of employees is 37 years old with an average of 6 years in the company.

GENDER DIVERSITY BY FUNCTIONAL LEVEL	WOMEN		MEN	
	Total	%	Total	%
Top Management	11	0.1	107	0.6
Management	247	1.3	713	3.8
Supervision/Coordination	287	1.5	620	3.3
Functional Staff	5,872	31.0	11,090	58.5
Total	**6,417**	**33.9**	**12,530**	**66.1**

DIVERSITY OF AGE GROUP BY FUNCTIONAL LEVEL [%]	UNDER 30 YEARS	BETWEEN 30 AND 50 YEARS	OVER 50 YEARS	TOTAL
Top Management	0	75	25	100
Management	2	88	10	100
Supervision/Coordination	19	72	9	100
Functional Staff	26	60	14	100
Total	**25**	**62**	**13**	**100**

Click to see more pictures

INCLUSION OF EMPLOYEES WITH DISABILITIES

Since 2012, Oi has formed specific training groups for people with disabilities with the aim to train them to work in the Company. In these two years, Oi has trained five groups with 51 professionals that were trained. The training lasts four months with a class load of four hours per day. So far, 100% of those who completed the training were hired by the Company.

Aiming to promote the inclusion of these employees, Oi offers online training (e-learning) on Brazilian Sign Language for all employees. The Company has partnered with a company that does the translation into sign language when there are events, trainings, or meetings involving Oi employees with hearing disabilities. In addition, Oi participates in actions and events for these professionals in partnership with the Idea Warehouse, which is an agency specialized in recruitment, to sponsor booths set up in places with a lot of circulation and promote opportunities and receive résumés from people with disabilities.

The insourcing process of the internal plant carried out in 2013 and the consequent increase of the company's own staff from over 15,000 employees to almost 19,000 people also raised the requirement of the number of job openings to be reserved for people with disabilities, according to current legislation. The filling of these job openings for people with special needs is a challenge for most Brazilian companies because of the difficulty of finding people with appropriate professional qualification, especially for the technical areas. To mitigate this difficulty, Oi launched in 2013, the Young Apprentice program for training people with disabilities.

In 2013, the Company had 319 people with special needs on its staff, which represented 1.7% of its total employees. Considering the difficulty in meeting the quota of 5% of people with deficiencies, the Company signed a Term of Conduct Adjustment with the Ministry of Labor. This number was lower because of the internalization of the internal plant.

4.4.2.COMPENSATION AND BENEFITS

GRI EC3 | LA3 | LA14

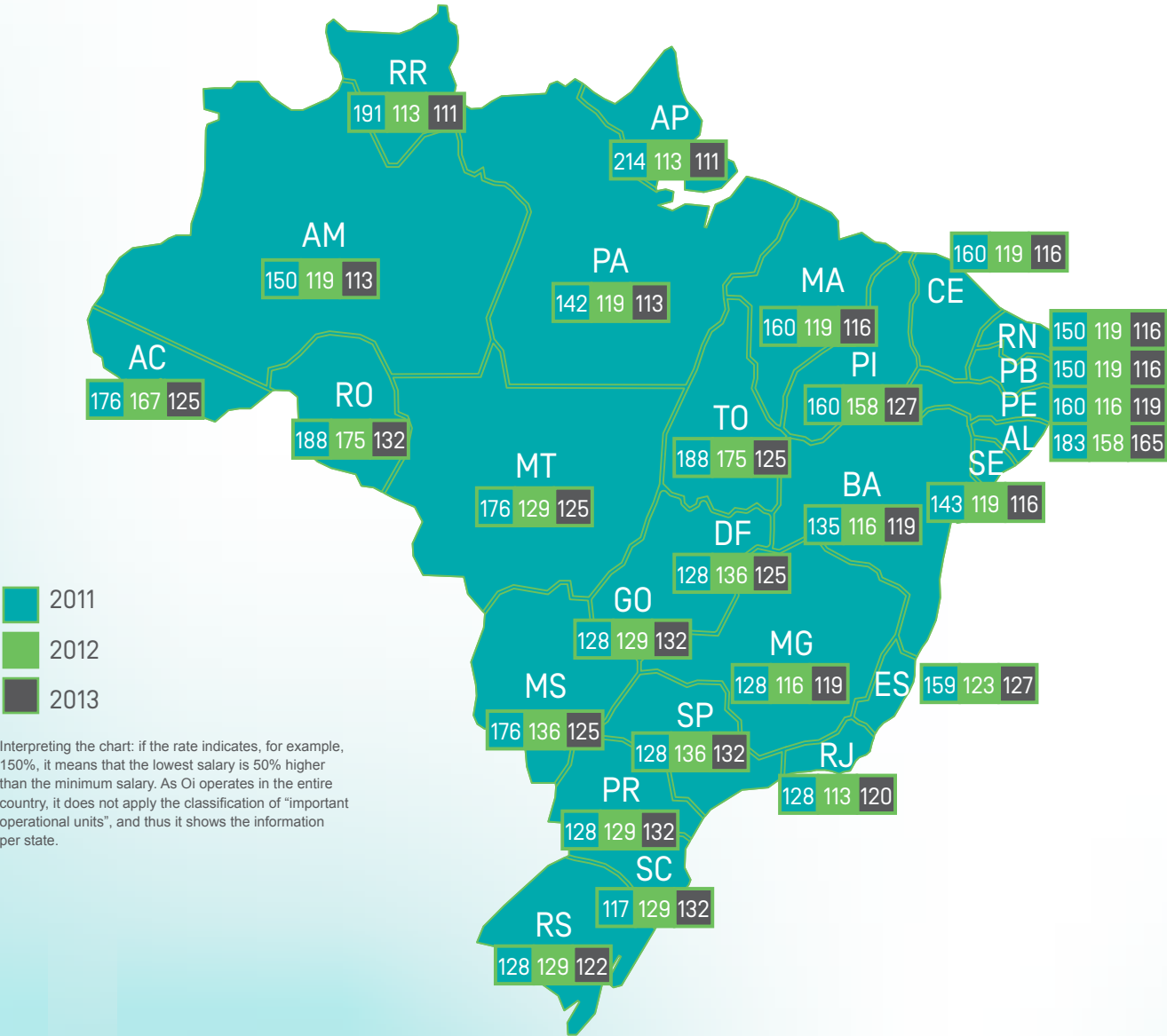At Oi, position and salary policy is not associated with gender discrimination. The differences in average salaries by job category are justified by the level of development and career time of the professionals. In 2013, the differences increased in some categories because new employees were hired and there was an increase in the number of men starting out their careers or those newly promoted.

AVERAGE COMPENSATION PER FUNCTIONAL CATEGORY (R $)	2011			2012			2013		
	MEN	WOMEN	RATIO W/M (%)	MEN	WOMEN	RATIO W/M (%)	MEN	WOMEN	RATIO W/M (%)
Top Management	23,000.00	17,000.00	74	37,476.64	26,203.33	70	35,877.82	28,023.64	78
Management	6,615.00	6,162.00	93	13,944.48	13,018.17	93	13,824.56	13,360.65	97
Supervision/ Coordination	1,050.00	1,050.00	100	5,510.26	4,404.50	80	5,538.03	4,272.33	77
Functional Staff	700.00	639.00	91	4,124.02	3,177.16	77	3,556.34	3,165.19	89

* 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.

In 2013, the lowest salary paid by Oi was 11% higher than the national minimum. Oi does not use the national minimum wage as the basis its employees remuneration, but instead R$ 724.00.

2011
2012
2013

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.

RR 191 113 111
AP 214 113 111
AM 150 119 113
PA 142 119 113
MA 160 119 116
CE 160 119 116
RN 150 119 116
PB 150 119 116
PE 160 116 119
AL 183 158 165
AC 176 167 125
RO 188 175 132
PI 160 158 127
TO 188 175 125
SE 143 119 116
MT 176 129 125
BA 135 116 119
DF 128 136 125
GO 128 129 132
MG 128 116 119
ES 159 123 127
MS 176 136 125
SP 128 136 132
RJ 128 113 120
PR 128 129 132
SC 117 129 132
RS 128 129 122

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. The basic contribution is equivalent to 2% of the salary for participation and the standard contribution is 3% of the difference between the base salary and social security contribution. The Company's contribution is of the same amount deposited by the employee in these modalities, in addition to integrating the administrative costs of the plan, and over the year it put R$ 64,977,564.34 toward the plan.

Participants may opt to make additional extraordinary contributions in percentage multiples of 0.5% of their participation salary for a time period no less than six months, or opt for a single extraordinary contribution that cannot be less than 5% of their participation salary. Oi is not obligated to monitor any extraordinary contributions.
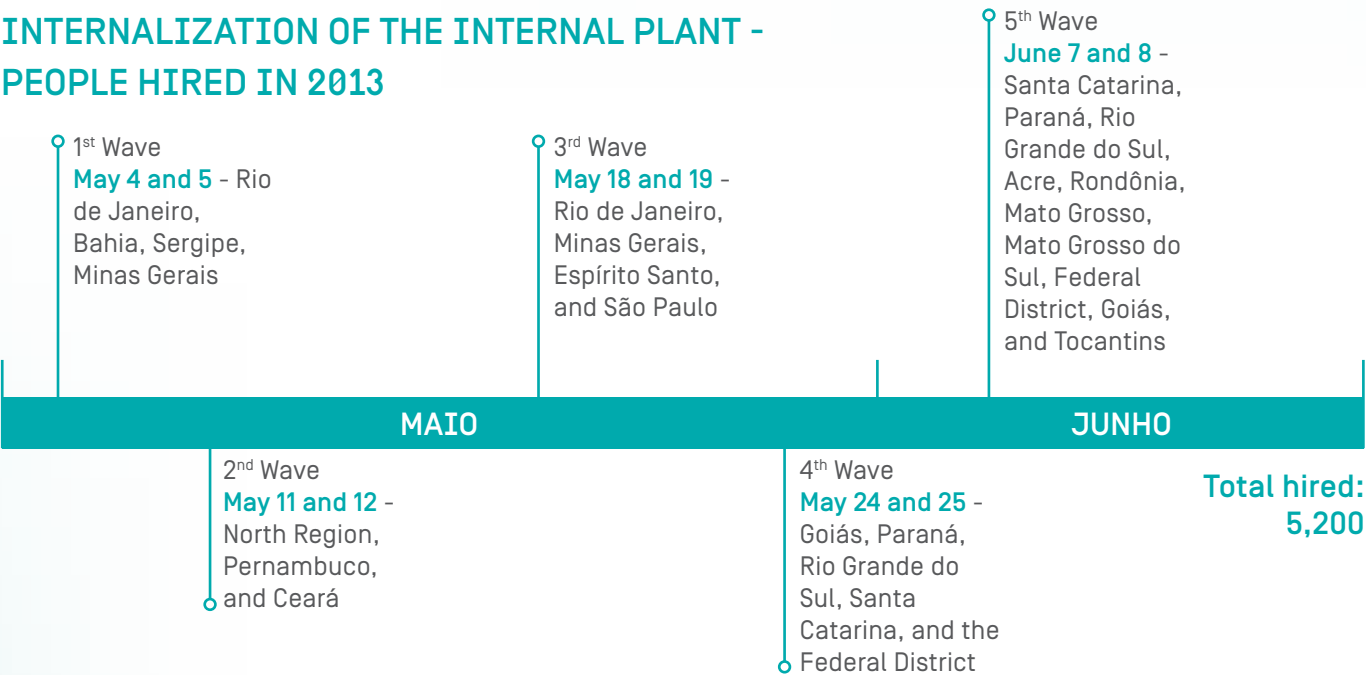
4.4.3. INSOURCING OF THE INTERNAL PLANT

One of the major highlights of 2013 in the area of Human Resources was the project of internalization of the internal plant with hiring more than 4,000 technicians who were employees of service providers. The internal network includes the operation and maintenance of all the Telecommunications Network (Fixed telephony switches, Mobile telephony switches, Data network equipment, satellite network equipment, Transportation network equipment, Infrastructure equipment) in the Company's telephone exchange systems and its towers.

Planned six months in advance, the internalization process to hire 4,415 people in the space of five weeks mobilized selection and hiring routines and created multi-functional teams to meet all demands, involving areas of operations, human resources, information technology, property, supplies, processes & quality, financial, risks, internal control, among others.

4,000
TECHNICIANS WHO WERE EMPLOYEES OF SERVICE PROVIDERS WERE CONTRACTED BY OI

With the internalization of these employees, the operations in the field, equipment maintenance, and management of fixed and mobile networks began to be managed directly by Oi with a focus on quality, increased operational efficiency, agility in internal and external customer services, increase in the productivity and safety of the activities.

INTERNALIZATION OF THE INTERNAL PLANT - PEOPLE HIRED IN 2013

5th Wave
June 7 and 8 - Santa Catarina, Paraná, Rio Grande do Sul, Acre, Rondônia, Mato Grosso, Mato Grosso do Sul, Federal District, Goiás, and Tocantins

1st Wave
May 4 and 5 - Rio de Janeiro, Bahia, Sergipe, Minas Gerais

3rd Wave
May 18 and 19 - Rio de Janeiro, Minas Gerais, Espírito Santo, and São Paulo

MAIO

JUNHO

2nd Wave
May 11 and 12 - North Region, Pernambuco, and Ceará

4th Wave
May 24 and 25 - Goiás, Paraná, Rio Grande do Sul, Santa Catarina, and the Federal District

Total hired: 5,200

4.4.4. CAMPAIGN TO REDUCE COSTS

The engagement of the internal public around the Company's guidelines is supported by a consistent work of internal communication that reinforces the key messages from senior management related to operational efficiency, increased productivity, cost reduction, and customer satisfaction, and within the context of cultural change driven by the arrival of Portugal Telecom.

The main campaign developed in 2013 aimed to invest in a culture of cost reduction relating opportunities for savings with concrete actions. The Program Do More With Less seeks to align operational efficiency with quality of the services and more productivity. With video messages from the President and executives, the campaign focused on the three questions that employees would have to keep in mind before spending: why?, what for? and does it bring improvements for customers?

With the aim of encouraging best practices, Oi created working groups to identify opportunities to reduce administrative, institutional, and operational costs, and to exchange experiences that could be deployed between regional offices and generate significant cost savings for the Company. Oi also encourages the responsible use of resources such as energy, water, taxi and plane rides, printouts, paper towels, and plastic cups, providing for the reduction of financial impacts and on the environment.

BRAZIL QUALITY COMPETITION

Between October and December 2013, the Company promoted the Brazil Quality Competition, a campaign aimed at encouraging employees to improve key operational indicators with the aim of working to reach results, raise the quality of customer service, and achieve strategic objectives in the area of Operations.

The competition is based on nine indicators and broken down into weekly rounds with an announcement of the champion every month. The regional office with the highest cumulative result wins the Brazil Quality Competition. In 2013, 6,200 field technicians took part in the competition in the Company's nine regional offices in the country. To enter in the contest, each region chose an emblem to identify their team in the competition.

4.4.5.COLLECTIVE BARGAINING

Oi guarantees the right of employees to join unions. There are no operations in which the employees' rights to exercise freedom of association or collective bargaining are at risk. All employees are covered by collective bargaining agreements that combine clauses related to working hours, health, occupational safety, benefits, and profit sharing. GRI LA4 | HR5

The fact that Oi is country-wide brings the additional challenge in negotiating symmetrical collective agreements with 28 unions and two federations that represent telecommunications workers. Oi keeps its employees well informed during the entire negotiation processes, using its internal communication tools. The Company maintains a good relationship with the unions.

Collective agreements do not stipulate minimum period for advance notice, but if significant operational changes occur, the employees and their representatives with the union are properly informed. The agreements take place twice a year cover themes related to health and safety such as health insurance, hospital, dental, and medical care, forecast of existence of a plan, eligibility criteria for co-participation, Internal Commission for Accident Prevention (CIPA), and participation of worker representatives in health and safety inspections, audits, and accident investigations, along with other relevant themes. GRI LA5 | LA9

Oi periodically meets with unions to discuss relevant topics outside the normal agenda of collective bargaining. The Company maintains an area specifically for dialoging with the union and for the daily issues that arise, as well as service channels to answer questions about the company's internal processes.

4.4.6. EMPLOYEE ENGAGEMENT

Oi encourages its employees to do volunteer work. Among the major initiatives in 2013 were the Confederations Cup, Collecting donations for victims of environmental accidents, and Santa Claus Campaign with Correios.

Confederations Cup: the internal stakeholders participated in the Volunteer Program of the Confederations Cup, being given the experience of working at the stadiums on game days, and supporting the staff who worked providing telecom services. The selection process included the participation of 570 employees and 80 participants were selected in the six host cities of the games.

Collection for victims of accidents: The Company promotes the collection of donations for victims of environmental accidents. In January, the Bahia Regional Office sponsored the action Carnival Without Hunger for receiving food, and the South Regional Office received 295 items for the victims of the fire in Rio Grande do Sul. In December, employees from Rio de Janeiro mobilized themselves to receive the donation of more than 250 items such as water, food, personal hygiene products, and toiletries for the homeless due to the rain that hit some cities in that state.

Santa Claus Campaign with Correios: a tradition in the Company, in 2013 Oi encouraged the participation of the employees in the Santa Claus campaign with Correios and repeated the successful partnership with the Brazilian Postal System in 26 states in Brazil plus the Federal District, and 2,293 gifts were given to children at social risk.

4.4.7. TRAINING AND DEVELOPMENT

GRI LA10 | LA11

Oi maintains structured programs at different functional levels with a view to developing and improving the skills of its employees.

Oi has a Corporate Education Program that aims 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. R$ 10.2 million was invested in development programs when considering the investment in the Academy of Leadership, in the Generation Program, and other classroom and online courses.

The Company invests in the training and professional growth of its employees. Among the programs for all employees, there are the Tracks for Development of Technical Skills, spot training, development of leadership, e-learning programs, contract training, on-demand training, and online English courses. The training sessions focused on technical skills and continued education actions amounted to 253,061 hours in 2013.

All the new managers participated in the Welcome to Managers program, a personalized admission process for those being hired. The Leadership Program for New Managers aims to educate new leaders about their role, as well as develop behavioral aspects of people management and clarify them about the processes of people at Oi. In 2013, 179 new managers were trained.

253,061
WAS THE TOTAL TRAINING HOURS AIMED AT TECHNICAL SKILLS AND CONTINUED EDUCATION ACTIONS

As a tool for career management of employees, Oi has a performance analysis process to evaluate professionals with a focus on development.

A total of 14,322 employees participated in at least one classroom or online training. In addition, 620 employees participated in non-behavioral training, workshops, lectures, congresses, or events. One employee was given an undergraduate scholarship, five were presented with graduate study scholarships, and one with a language scholarship.

PROGRAMS	2012			2013		
	EMPLOYEES	AMOUNT (R$)	SCHOLARSHIPS	EMPLOYEES	AMOUNT (R$)	SCHOLARSHIPS
Internal courses	6,235	10,214,065	n/a	8,592	22,157,289	n/a
Financial support for external training	629	753,710	6.0	680	812,826	19.0
Placement services in the job market	3	40,000	n/a	13	172,500	n/a

TRAINING IN PROCESSES FOR LEADERS

In August 2013, the Processes and Quality Department had certified 179 leaders in the Training in Processes Program, which is equivalent to 70% of the Company's total leaders. The training aimed to support the transformation of the Company, making leaders into agents of change and mobilization in search of results, quality of delivery, and generation of perceived value for the customer.

The next step after the training was the review of current processes and designing of new ones with the support of Process & Quality Management in the application of the methodology and in identifying critical processes. Also presented to the leaders was the model of integrated management of processes, risks, and controls to be implemented in the Company.

The Training Program in Processes has the following objectives:

• Train and develop the skills of the leaders over processes.
• Improve performance in management and optimization of the processes under their responsibility.
• Have a cross-sectional view of the processes, specifying the interfaces between the areas.
• Consolidate the management culture of processes at Oi.

The training included content such as the roles and responsibilities of the leaders in the Model of Process Governance, the four life cycle stages of the management of processes (design, implement, monitor, and analyze), and the use of the iBPMS tool for managing processes at Oi.

4.4.7.1. AVERAGE TRAINING HOURS

In 2013, there was a reduction of 19% in the total class load in training because in the previous year a strategic focus was given on the development of senior leadership and management of the Company with specific actions and within an individual development plan. In 2013, the focus for these positions was the consolidation of learning in daily tasks.

There was also a reduction of 35% in the individual hours due to the considerable amount of people entering from the internal plant in the middle of the year. The training of these employees started at the end of the year and will be continued in 2014.

HOURS OF TRAINING PER EMPLOYEE CATEGORY	2011			2012			2013		
	HOURS	EMPLOYEES	HOURS PER EMPLOYEE	HOURS	EMPLOYEES	HOURS PER EMPLOYEE	HOURS	EMPLOYEES	HOURS PER EMPLOYEE
Top Management	2,949	100	29	3,668	121	30	263	114	2
Management	30,501	770	40	51,482	903	57	13,838	945	15
Supervision/ Coordination	-	-	-	14,481	426	57	8,147	907	9
Functional Staff	247,117	12,285	20	354,776	16,722	21	220,425	16,904	13
Trainees	nd	nd	nd	591	104	6	481	116	4
Interns	nd	nd	nd	10,552	721	15	9,907	419	24
Total	280,567	13,155	21	424,407	18,172	23	242,673	18,870	13

Annual Sustainability Report 2013

4.4.7.2. SIX SIGMA PROGRAM

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 can suggest projects focused on revenue gains, cost reduction, quality improvement, or risk mitigation. These projects are analyzed by a central team and by the managers responsible for the processes in question and, once approved, the employees who suggested are trained as Green or Black Belts.

Thus, the Company offers a special training to its employees who have the opportunity to develop professionally while implementing relevant projects for the organization, attacking mainly the root cause of the problems in processes.

The program grew from 24 projects in 2011 to 174 in 2012, and in 2013 there were 179. In addition to the internal projects, the program doubled the number of projects with service providers, evolving from 20 initiatives in 2012 to 40 in 2013, which resulted in significant cost savings.

In addition to the advanced training (Green and Black Belts), Oi promotes a strong training of its employees in the methodology. The E-Learning White Belt was created in 2013, which has trained more than 1,700 employees and the Yellow Belt where employees learn in practice to develop structured diagnostics. In 2013, 403 Yellow Belts were trained and the expectation for 2014 is to reach 10% of the employees.

1,700
EMPLOYEES
WERE TRAINED
IN E-LEARNING
OF THE WHITE
BELT METHODOLOGY

4.4.8. ATTRACTING TALENTS

Oi's human resources management is also focused on seeking and retaining the best professionals in its different areas of activity. In order to hire young people and position itself as an employer brand, the Company participated in six university fairs in three Brazilian states, always using high-quality and attractive booths.

Oi also offers the Generation Program, which is aimed at meeting the need of professionals in key positions in the organization by recruiting, identifying, developing, and retaining talents that stand out for their high potential. The Generation Program is divided into three different groups: Internship Generation (College and Technical Courses), Trainee Generation, and PDA Generation (Program for Accelerated Development).

In 2013, the Tracks for Online Development was launched of the Internship Generation that includes educational activities such as e-learning , infographics, Games, among others, developed especially for the group and organized into three cycles that will help the participants to reflect on issues important to their career. Moreover, the Technical Internship Generation was expanded to nine Regional Offices to a total of 100 people selected.

The Executive Trainee and Expert Generation Programs started in 2011 were finalized in November 2013. Of the 12 participants approved in the Executive Trainee Program, which focuses on developing young talents with a multi-functional profile to work on various business fronts, 92% still work in the Company.

The expert Trainee Program, focusing on the development of young talents with technical skills to support the technological evolution and innovation of the business, was led by the Centralized Operations and Field Departments and approved 20 candidates in 2011. Of these, 85% continue working at Oi.

The 2012 edition of the Executive Trainee and Expert Trainee Programs (with a focus on the Engineering and IT Departments), which is still in progress, selected a total of 32 people and 90% of them continue working at Oi. This edition will end in 2014.

OPENING OPPORTUNITIES FOR COLLEGE STUDENTS

The Company participates in college fairs in search of professionals for the different fields. In August, Oi was present at the XVI Mostra PUC, one of the largest fairs for recruitment and selection of interns in Rio de Janeiro with the theme Innovations for a Better Life.

In this event, Oi presented its Innovation Program, the Inova, with the participation of former trainees who put on exhibit innovative projects implemented in the Company, such as Wi-Fi Internet on public telephones and Integrated Apps. Students were able to pre-register for the Company's Internship Generation Program at the event.

Also in August, Oi gave a lecture at the Integration Week of the IME [Military Engineering Institute] in Rio de Janeiro and participated in EIFE 2013 [Meeting of College-Enterprise Integration] at ITA [Aeronautic Technological Institute] in São José dos Campos [SP]. In September, it participated in the Fair of Employment and Internship of CEFET [Federal Center of Technological Education Celso Suckow da Fonseca] in Rio de Janeiro. In October it was present at the Internship Fair of IFSP [Federal Institute of São Paulo] in São Paulo.

4.4.8.1. INTERNAL RECRUITMENT

Internal recruitment is a priority for the Company. In 2013, 80% of the openings for executives were filled by internal applicants through assessment. Overall, 58.8% of the positions opened were filled by employees except for openings of projects of stores, retail door-to-door, and corporate door-to-door, primarily targeted at the general public in addition to the migration of the Internal Plant and IPTV.

The number of people who showed interest in working at Oi by submitting their résumés in the system used by the Company (Vagas.com) has currently reached 772,075. Furthermore, 128 interns were hired during the year as employees, averaging 10.7 per month. In 2013, 1,214 employees were promoted in position and salary.

80%
OF THE OPENINGS FOR EXECUTIVES WERE FILLED BY INTERNAL APPLICANTS THROUGH ASSESSMENT.

4.4.8.2. OUTPLACEMENT

GRI LA11

To support the relocation of 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. In 2013, three managers and directors were given this benefit, totaling an investment of R$ 40,000.

Oi considers that all training offered (internal courses and financial support for training or external training), including for Interns and Apprentices, are a way to support the continuity of employability of the employees. The Company does not have programs to manage the end of the career.

4.4.9. HEALTH AND SAFETY

GRI LA8

Oi promotes a comprehensive management of the health and safety of its employees, which includes occupational tests as well as those required by law, and a focus on preventive health with similar periodic examinations and mini check-ups and control of the gynecological exams. The health insurance plan extended to dependents based on a participation system includes medical and dental care as well as medication.

Oi maintains education programs for the prevention and control of chronic diseases. Since 2012, the Healthy Living program continuously monitors employees or their dependents with chronic illnesses and sets targets for reducing risk factors and improving quality of life such as quitting smoking, physical exercise, and weight loss. In some cases the program provides home care without additional costs and subsidy for the purchase of specific medications. Those assisted by the program are given access to a 24-hours health service system to answer questions in an emergency situation.

The Company promotes a series of initiatives aimed at valuing, caring for, and recognizing their human capital. It has several programs such as gymnastics, shiatsu, RPG, solo pilates, lymphatic drainage and nutritional counseling, programs for pregnant women, among others. The Program for Pregnant Women gives guidance by telephone to the collaborators.

A blood donation drive was held in the middle of the year in partnership with several blood banks in several states in Brazil. The action mobilized about 731 employees, resulting in the donation of 419 units of blood collected. Oi's vaccination campaign was carried out between April and July having vaccinated 6,172 employees in 27 states.

6,172
EMPLOYEES
WERE VACCINATED
IN 2013

GRI LA7

HEALTH AND SAFETY INDICATORS OF THE EMPLOYEES BY REGION	NORTH	MID-WEST	NORTHEAST	SOUTH	SOUTHEAST	GENERAL 2013	GENERAL 2012
Rate of lessions[1]	0.28	0.06	0.23	0.13	0.12	0.14	0.14
Rate of occupational diseases	0.00	0.00	0.00	0.00	0.00	0.00	0.01
Total days lost[2]	3.28	0.59	7.22	1.01	56.28	34.25	88.77
Total absenteeism	251.41	298.75	240.84	231.82	297.99	278.57	nd
Total deaths in the period	0	0	0	0	1	1	2

1. Does not include minor injuries (first aid).
2. Considers working days (250 days in 2013).

GRI LA7

HEALTH AND SAFETY INDICATORS OF OUTSOURCED STAFF ONLY	NORTH	MID-WEST	NORTHEAST	SOUTH	SOUTHEAST	GENERAL 2013
Rate of lessions[1]	1.41	1.01	1.16	0.91	1.09	1.08
Rate of occupational diseases	0.00	0.00	0.00	0.01	0.00	0.00
Total days lost[2]	20.83	11.78	207.51	54.29	73.48	80.52
Total deaths in the period	0	0	4	1	5	10

1. Não inclui pequenas lesões (primeiros socorros).
2. Considera dias de trabalho (250 dias em 2013).

4.4.9.1. SAFETY TRAINING

Oi organized a specialized area of health and safety to deal with the need to train thousands of new employees who were hired into the Company in record time in the internalization process of the internal plant. The number of employees grew by 30% in areas of risk due to the processes of the Internal Plant such as technicians working on the maintenance of towers.

Among the actions of occupational safety, Oi trained 3,884 employees in Basic Notions of Work Safety. Besides this, another 4,511 employees also took the course of Conscientious and Preventive Driving. The course on Notions of Preventing and Fighting Fires had 3,912 participants. Furthermore, 892 employees participated in the practical course Work at Heights, making them authorized to work safely on the Company's towers.

The Company has 38 Internal Commissions for Accident Prevention (CIPAs) throughout all of Brazil for the buildings with more than 50 employees. These Commissions are composed of directly elected professionals trained to work in accident prevention. The percentage of employees represented fell from 82.01% in 2012 to 65.95% due to the internalization of outsourced workers in 2013, representing an increase of 45% in the workforce. This situation will be balanced out in 2014. GRI LA6

GRI LA6

PERCENTAGE OF EMPLOYEES REPRESENTED IN HEALTH AND SAFETY COMMITTEES	2012	2013
CIPA	82.01	65.95
Volunteer Brigade	34.78	28.08

The Work Accident Prevention Week (SIPAT) is held annually and focuses issues of health and safety as well as building evacuation simulation exercises. The Volunteer Brigade for Preventing and Fighting Fires is used in buildings with more than 100 employees.

4.5. CUSTOMERS

For Oi, customer relations involves two major missions. The first is to support the demands effectively and with a large capacity for resolution. The second is to bring the experience and voice of the customer into the Company, taking advantage of this contact as an opportunity for continuous improvement of processes, products, and services.

The process of listening to the customer is coordinated by the tactical center, which monitors consumer and client contacts and at the end of each day prepares a list of these requests, which are sent to the areas responsible for their resolution. Every morning on Good Morning Oi, a teleconference is held where those involved in the topics of the previous day discuss the corrective actions to be adopted.

4.5.1. RESPECT FOR CONSUMERS

GRI PR3

All telecommunications services provided by Oi comply with Law 9,472/97 (LGT - General Telecommunications Law) as well as with the specific regulations of each service as issued by Anatel (National Telecommunications Agency). In the specific case of SeAC (Conditional Access Service), the standards of Ancine (National Motion Pictures Agency) are also followed.

The regulation of each service provides definitions and rules as to what are the elements necessary to provide them, their characteristics, as well as the rights and obligations of the users and operator. 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 Oi by its own stores or through its internet site.

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.

4.5.2. USER RIGHTS

In 2013, there was a significant reduction in the volume of customer disputes in relation to 2012. They involve unsolicited products, services not met, offers which were not clear to the customer, and complaints relating to delay in repairing the network. This evolution is the result of the Company's efforts to resolve aspects of the operation that can harm the guarantees and rights of users and to seek agreements with ANATEL.

Also in 2013, R$ 133 million were charged in fines related to problems with billing and incorrect collection, violation of user rights, and obligation of indemnification to users for amounts charged incorrectly. Of the total of 18 processes, 14 were derived from fixed telephony, 3 from mobile telephony, and 1 from pay TV. GRI PR4 | PR9

COMPLAINTS REGARDING BREACHES OF CUSTOMER PRIVACY AND LOSS OF CUSTOMER DATA (ANATEL)	PERSONAL MOBILE	FIXED TELEPHONY	PAY TV	TOTAL
Unauthorized disclosure	44	878	1	923
Misuse by third parties	846	880	33	1,759
Confidentiality of information	15	9	0	24
Total	905	1,767	34	2,706

4.5.3. COMMUNICATION AND PUBLICITY

GRI PR6

Oi is a company whose advertising and communication give a lot of importance to respecting all their stakeholders and society in general. The advertising actions have increasingly focused on humanizing the relationship between company and consumer, and work not only to sell products, but also for clarification and sharing of important topics for all of society, such as low-cost broadband access, services for people with hearing impairment, solid waste collection, education with the aid of telecommunication services, and the encouragement of sports and culture.

The communication messages are simple, without jargon or embellishments, and seek to comply with the regulations of Conar [Self-Regulation Advertising Council] regarding advertising. There were eight cases of penalties imposed by Conar based on its articles, four of which were changes of advertisements for lack of complementary information to the offer (one resulted in a warning) and four ad suspensions. GRI PR7

4.5.4. CUSTOMER SATISFACTION

GRI PR5

Oi performs active electronic survey to measure the level of satisfaction of the customer receiving support from the Customer Service Center. The survey is at the most one day after the service is given (except for service occurring on Saturdays when the interview will take place on Mondays). It is done by voice message whereby the client is invited to evaluate the last customer service by giving a score of 0 to 10.

MENU

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 action whenever any change is identified in the behavior of the indicator.

In 2013, the electronic surveys of the Call Center saw an increase in the satisfaction index. The survey that evaluated Oi as a whole reached a satisfaction level of 6.4 (a 19% increase compared to 2012). They survey conducted by partner Contax reached 6.3 (a 21% increase) and the subsidiary BTCC reached 6.7 (a 6% increase). The Company works with the target of reaching a satisfaction rate of 7.0.

4.5.5. FOCUS ON PREPAID

Oi gives special attention to clients of prepaid products, which accounts for 85.9% of the Personal Mobility segment and has a strategic importance due to its profitability and the low cost of the service. Oi seeks to leverage the use of voice and of the data base of prepaid customers, which amounted to 41,019,000 from the total of 47,727 Revenue Generating Units of the segment.

One of the highlights of the year was the increase of 6% in gross recharge. The Company launched in the second quarter a platform for managing recharge campaigns, which creates, executes, and generates individualized campaigns for prepaid customers and control clients. The tool allows you to send messages in real time to encourage customers to make purchase of recharges and of additional packages according to the user's profile and context.

To strengthen its strategic positioning to maintain the growth of prepaid base and the profitability of the service, Oi launched in 2013 the Everything By day offer with a daily charge for use of voice, data, and SMS services. Within this strategy, Oi still maintains the offer of low-cost products and services in retail, such as the launch of the plan Oi Galera for young people.

The relaunch of pay TV in 2014 with the SES-6 satellite technology and interactive functions is aligned with the strategy of convergence to expand the customer base.

To increase its participation in the high-value segment, the operator launched in 2013 its second store concept at the Leblon Mall in the city of Rio de Janeiro. This flagship store makes it possible for clients to experience and interact with the most innovative technologies and simulate the carrier's best offers. The first concept store was opened in 2012 at the Iguatemi Mall in the city of São Paulo.

4.5.6. SALES FORCE AUTOMATION

In 2013 the Company began to implement its new SFA (Sales Force Automation) system in order to optimize the sales process (from pre to post-sales) in the business, corporate, and retail segments (door-to-door) with greater assertiveness in the proposals made and better management of products and the commercial terms negotiated. The system includes monitoring orders and activities of partners that are part of Oi's external sales force, among other functions.

ACCESSIBILITY FOR CUSTOMERS

For the visually impaired customers, Oi offers contracts and invoices in Braille, and the users of postpaid services receive bonus information via audio.

People with hearing and speech impairments can use the Alternative Plan of Service with a monthly package of one thousand text messages (SMS), contributing to their communication and social integration. This initiative complies with Resolution 477 of Anatel.

In the Oi Atende stores, the salespersons are trained in the Brazilian Sign Language and there are terminals adapted to be used by deaf people. In most stores, the physical structure was also adapted to accommodate people with walking difficulties, in accordance with Resolution 426 of Anatel.

This Annual Sustainability Report is also accessible to visually impaired customers, following the recommendations of the World Wide Web Consortium (W3C), which is the leading global benchmark for internet accessibility.

4.5.7. INNOVATIONS IN CUSTOMER CARE

The Company has invested in new technologies and new processes to increase the digital relationship with its customers. Today Oi is a benchmark in customer self-service, thus reducing complaints and increasing the level of customer satisfaction:

- **Minha Oi application:** in 2013, the number of customers registered in Minha Oi, the area of online relationship, represented 7% of all customer interactions. Minha Oi reached 6 million registered customers, managing more than 15 million terminals online.

- **Online Account:** the Online Account reached 1.1 million invoices registered, which is a 180% growth in the Company's customer base in comparison with 2012. The Online Account cuts costs with printing and postage and prevents the misplacement of the invoice. In one year, the Company launched several initiatives to encourage joining the Online Account option. The Conta On-line Premia Você campaign began its promotion in September 2013 where it gives away ten tablets per month and a car every three months until August 2014 for customers active in this service.

6million
CUSTOMERS
REGISTERED
WITH MY OI

- **Simplified offers:** based on the complaint indicators and a survey with customers, the proposal was introduced to simplify offers of products focused on attributes valued by the customer and with less chance of error at the time of contracting the plans.

- **Sales simulator:** this action was taken in order to prevent failures and reduce the acquisition time and the change of plans at Oi Stores and Franchises. Using the simulator, salespeople can see all the name of all the campaigns and offers, as well as all the plans and additional packages that they need to activate the client, along with the price per plan and the total of the user's choice, making the sales process more intuitive, safe, and agile.

- **Oi's New Invoice:** Oi's invoice was given a new layout in order to facilitate the understanding of customers about their spending and reducing calls to the Customer Service Desk for lack of understanding the items described in the account.

- **Virtual Attendant:** this tool, which is accessed through the Oi website, answers questions about Oi TV as if it were talking with the user through chat. The user asks the question and the tool checks a knowledge base and provides the best answer.

OI ON THE SOCIAL NETWORKS

The Company maintains a strong presence on the social networks. In May, Oi's fanpage on Facebook reached the mark of one million fans. An online customer service is done through the interaction tool Oi Responde using the fanpage and, if necessary, the user is directed to a cell of Oi specialists. Currently, more than one thousand client contacts are made per month on Facebook. The fanpage also offers the Oi FM application in which Internet users can listen to music while surfing the web as well as the Nossas Vagas sections where they can check the job opportunities in the Company.

Oi's strategy of increasing the use of Internet and social networks aims to establish new channels of dialogue with the public, distribute qualified and relevant content, as well as increase the scope of communication with the market. Besides Facebook, Oi is also present on Twitter, Google+, and on Orkut, and it repositioned its site (www.oi.com.br) with a focus on the user's perspective.

4.5.8. NEW SOLUTIONS FOR THE CLIENT

Oi is investing in a multiproduct project with a single, integrated view of the customer, which includes converged offers based on innovative and more efficient technologies. One example is the migration from ADSL (Asymmetric Digital Subscriber Line) with copper cables for broadband to IPTV (Internet Protocol Television) technology whose minimum speed is 100 Mbps.

These investments converge to the goal of broadening the company's focus from telecommunications to becoming an entertainment company with content delivery and value-added services in broadband, mobile telephony, and pay TV in HD for all the packages, and Wi-Fi.

4.5.8.1. NEW SATELLITE FOR HD TRANSMISSION

Oi is the main user of the geostationary satellite SES-6, which went into orbit in June 2013 after its launching from the Baikonur Cosmodrome in Kazakhstan. The satellite will expand and enhance the services offered by Oi TV, which already operated the service by satellite. The SES-6 has the highest transmission capacity of DTH (Direct To Home) channels operating in Brazil and dispenses the need for optical fiber to reach the homes of Oi customers. Moreover, DTH is ideal platform for providing TV service across Brazil. The Company, which already operated TV by satellite, delivers a signal with more power and that is less susceptible to adverse weather conditions such as rain.

With the SES-6, Oi reaches a new level in the pay TV market, consolidating its position as the only telecom operator in Brazil to offer quadruple play (voice, data, internet, and TV) to its customers with cutting-edge technology. The system supports on-demand TV (pay-per-view) via satellite in addition to interactivity via broadband. The useful life of the satellite is about 15 years.

Oi also develops the IPTV project with FTTH (fiber-to-the-home) technology available in some neighborhoods of Rio de Janeiro. The offer in this operation consists of ultra-broadband connections up to 200 Mbps and IPTV plans.

4.5.8.2. OTHER PRODUCTS

Oi has also invested in new solutions to increase the offer of products and customer satisfaction. Some of these actions are as follows:

4G: the Company was already operating its 4G network (fourth generation mobile phone service) in 24 Brazilian cities at the end of 2013. Its arrival in these cities has strengthened its position as a convergent operator, offering a more complete experience in mobile internet for the customer with 4G, 3G, and Wi-Fi. Oi's 4G customers have free access to more than 520,000 hotspots on Oi's Wi-Fi network, and the 4G handsets sold by the Company carry the Oi Wi-Fi and Mundo Oi Application.

The first locations to receive this technology were the six cities to hose the FIFA Confederations Cup 2013 (Rio de Janeiro, Belo Horizonte, Brasília, Salvador, Recife, and Fortaleza). The offer of the service took place within the timeframe established by Anatel, estimating 4G coverage of at least 50% in the six cities by the end of April 2013.

Oi's 4G smartphones come with the applications Minha Oi and Oi Spot (collaborative application to capture the perceptions of customers about the performance of the services) in addition to a free 30 days of the service Rdio (streaming music). Customers can rely on specialized after-sales service to give support to the configuration of the applications and to answer questions from consumers.

Oi SmartCloud: in 2013, Oi introduced the second phase of launches of cloud services, reinforcing the strategy of helping customers increase their revenues and reduce their costs through the innovative use of technology. The new solutions operate on the international network of data centers belonging to Oi and Portugal Telecom.

As the services operate in the cloud, companies can request more resources quickly and easily by using Oi's SmartCloud portal and pay only for usage, especially in periods of high demand. In addition, Oi guarantees 99.9% availability of these services, which eliminates possible risks to business customers.

Oi Galera: a plan targeted to the youth, it provides voice services, data, SMS, music, and access to the largest Wi-Fi network in Brazil, paying R$ 0.99 per day of use. To publicize the plan and gain new customers, Oi made several field actions with the distribution of chips. Besides the actions in the field, Oi created an application on Facebook that allows customers to send invitations to their friends to participate. The third way of entering into the plan is through the Galera list, an online list where people can sign up and request the chip, even if they do not know any member of Oi Galera.

The new plan covers services, relationship channels, identity, and communication specific for young audiences with a huge potential for consumption of data and technology. The plan's customer service cell is formed exclusively formed with professionals with the same profile as the young people that are part of the plan, making communication between customers and the company more natural and easy.

The product was also launched in an internal event that brought together 1,500 young people from Oi at the Casa Grande Oi Theater in Rio de Janeiro (RJ), along with students from the educational programs Oi Kabum! and Nave aiming at a greater integration between the Company's strategies and the social institute Oi Futuro focused on the development of Brazilian society through education and technology.

Oi Carteira: the second product of a partnership of Oi with Banco do Brasil, this rechargeable prepaid card works on both the cell phone as well as on the traditional Visa card and makes it possible to make purchases at stores affiliated with Cielo, withdrawals at ATMs of Banco do Brasil, plus recharge minutes to Oi's prepaid plan and transfer money to other customers of the product.

Oi Carteira allows customers without a checking account to conduct financial transactions with their mobile or with the traditional card and they can receive cash charges even from those who are not clients of this service. Membership is not conditioned on proof of income and credit approval. Launched in May 2013, Oi Carteira uses the same technology as in the transactions of Oi Credit Card, a product launched in 2011, also in partnership with Banco do Brasil.

Payphone with Wi-Fi: Oi offers free Wi-Fi connection on 30 public telephones located in the cities of Florianópolis (SC), which was the first city in the country to receive this technology. Anatel has plans to revitalize public telephones by installing a Wi-Fi connection in 300,000 of the nearly 1 million public telephones that exist in the country. Another 400,000 payphones will be disabled.

GRI EC8

GOOD OLD PAYPHONE

Oi is bringing the payphone back into people's lives and has conducted campaigns to encourage them to take better care of the payphone. In 2013, the Company aired a video on YouTube called Revelações no Orelhão (Revelations in the Phone Booth) to celebrate Mother's Day where children use a customized payphone to make confessions to their mothers. It received more than 4 million views.

In October, the Company implemented an interactive game in which the children had to call from a payphone to a superheroes center and choose a character to save the Children's Day.

The Company also invests in deals in offers related to payphones and initiatives to reduce its costs and vandalism. In Rio de Janeiro and another 12 states, clients of Oi fixed phones receive free local calls from payphones.

In Manaus and Recife, the Company launched a pilot project of rechargeable cards that offer lower rates. At Rock in Rio 2013, Oi installed six thematic payphone booths with a design inspired in elements related to Rock such as the guitar and spikes (sharp tacks used on clothing and accessories) and also in the Rock in Rio brand.

OI IN THE ANTARCTIC

In February, Oi inaugurated, together with the Ministry of Communications and the Brazilian Navy, the operation of telecommunication services at the Comandante Ferraz Antarctic Station (EACF). Preparations for building the new telecommunications infrastructure at EACF began in December 2012 after formalizing a cooperation agreement with the Navy.

Oi technicians traveled to Antarctica on January 23 and in less than one month deployed a telecommunication infrastructure especially adapted to withstand the adverse climatic conditions of the place such as wind, which can reach up to 200 km/h, and low temperatures. The presence of Oi in Antarctica ensures the delivery of integrated services of voice, data, internet, mobile telephony, and a solution for receiving TV signal, services that were already provided to EACF since 2006.

The Company rebuilt a ground satellite station to connect to the EACF with the Navy's corporate network, which guarantees the connectivity of the military personnel and researchers installed at the base and agility in communicating with their families, the Navy network, and other research centers and universities in Brazil.

Some of the new equipment supplied to the Brazilian base by Oi are as follows: antennas with antifreeze system, modems with switching system, routers, terminals for managing the station, pressurizer, and transmission and reception antennas of mobile phone signals, plus 20 mobile phone handsets made available to the Navy technicians and researchers.

The agreement between Oi and the Navy also includes training and annual qualification of military personnel for operating the system and maintaining the telecommunications equipment. In addition, the Company will check and do preventive maintenance on the equipment installed at the Antarctic base.

4.5.9. CALL CENTER

Oi invests in technology and training in order to continuously improve the customer service provided by the call centers, increase customer satisfaction, and reduce the number of complaints to Anatel and Procons. For example, incentive campaigns and intense training are conducted with the 50,000 operators of the subsidiary BBTC and partner Contax in order to increase the rate of solving the problem at the first contact and reducing the rate of the second call.

Another relevant indicator is the customer satisfaction survey taken 24 hours after the customer service is provided, so that the client has time to see if his/her demand was solved.

In 2013, Oi completed the migration of the structures at the call centers to an Internet Protocol (IP) platform, which reduces the risk of a call being interrupted before the service is finished, prevents the attendant to intentionally terminate the call and still gives the option of returning the call in case of interruption. The IP platform makes it possible to transfer calls to attendants who can answer specific questions.

In the beginning of 2013, the Company held the first convention for attendants, which was held in Buzios (RJ), which brought together for the first time teams from Oi, Contax, and the BTCC to discuss joint solutions to improve quality. These solutions include reducing repeat calls by 15%, the decline in internal transfers, and increase in customer satisfaction by 10 percentage points. By the end of 2013 an increase of 19% could already be observed in Oi's final scores of its Customer Satisfaction Survey.

Currently, half of the calls made by customers with doubts and demands are resolved through the IVR (Interactive Voice Response) system, which has a series of standard options that guarantee agility in customer care.

The Company also promotes award campaigns (in the form of bonuses, SMS, and data package on an Oi Card) among call center operators to raise the customer care quality targets (reduction of complaints to Anatel, repeated or transferred calls, satisfaction surveys, etc.).

GRI 2.10

The quality of customer service offered by BTCC has been recognized by a number of awards received in 2013:

- **SMART Award:** it received the gold and silver trophies, which are awards in recognition and appreciation of best practices in customer service made in the Utilities and Telecom sector.

- **XIII ABT Award from Garrido Marketing:** won four awards with Technical Support cases: Practicality and Solution for Customers in the category Technical Customer Services; Endomarketing 2.0: A New Way to Talk with Internal Stakeholders in the category Multichannel; LideraRH: Training the Next Leaders in the category of Human Resources; Mr. Olímpio Motivational Campaign in the category Communication Campaigns.

MENU

- **6th National Teleservices Award (PNT) from ABT (Brazilian Association of Teleservices):** recognized in four categories with LideraRH cases – Develop to Grow, Endomarketing 2.0: A New Way to Talk with Internal Stakeholders, GIP: Integrated Management of Personnel, and Mr. Olímpio Motivational Campaign.

- **Goiás Human Being Award:** sponsored by the Brazilian Association of Human Resources with the Oi cases of from Agent to Manager and LideraRH – Develop to Grow.

4.6. SUPPLIERS

GRI EC6

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. Oi promotes an annual workshop with its network companies to reinforce the issues related to health and safety that are stated in the contracts. All contracts are closed using standard clauses on the preservation of human rights and reinforcing its concern with preventing the exploitation of slave labor.

Every year the company conducts audits on health and safety of its operations in various parts of the country, as well as with some suppliers considered critical depending on the type of service provided. These audits, in addition to their health and safety aspect, also assess issues related to compliance with labor laws, including the risk of the occurrence of forced or compulsory labor and child labor in Oi's operations or of its suppliers. GRI HR6 | HR7

In addition, Oi gives priority to contracting domestic suppliers in all of its processes of purchasing equipment and systems of a high monetary value or of strategic importance as stated in the Anatel regulation relating to item 9.5 of the Annex to Act No. 7,828/2008 and Annex IV – Methodology for Monitoring the Conditioning 9.5 of the Terms of Reference for Monitoring Investments in Research and Development (R&D), which cover the commitment of acquiring equipment and systems with nationalization standards or indexes.

Local suppliers accounted for 99.8% of the purchases made in 2013. The contracting of suppliers to purchase goods and services seek quality and lower costs, but still emphasizing ethical behavior, with a view to full satisfaction of Oi's customers.

All outsourced professionals providing security services to Oi are trained in the Company's procedures concerning human rights, such as that given in the courses "Profile of a Differentiated Professional", "Excellence in Customer Service," and "Basic Notions of Private Asset Protection". The Company's Security Policy, focused on life protection and non-use of force, hires unarmed guard services. The exception is the buildings where the contractual requirements of the clients require armed guards. GRI HR8

The training programs set up with the contracted companies in 2013 reached 98% of the people trained. The pragmatic content 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; Demonstrate patience and politeness when dealing with people, Behavior and attitudes on Human Rights. GRI HR8

Satisfaction surveys conducted on Oi's web sites showed a growth in satisfaction rate from 77% in January to 96% in December. GRI HR8

99.8%
ARE LOCAL SUPPLIERS WHO HAVE MADE PURCHASES IN 2013

4.6.1. SUPPLIER QUALIFICATION INDEX

GRI HR2

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 2013, 58 reviews were conducted of the IQF, of which 26 of them were on the pillar of human resources management. The Company goes to the field to inspect the service providers periodically.

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 being done by the supplier with the objective of increasing operational efficiency and reducing labor contingencies. Suppliers who have good scores receive bonuses or penalties as stated in the contract. Of the 56 items assessed, about 17 are related to health and safety at work.

In 2013, the Company continued to work with diagnosing its supply chain, which was started in 2012. Voluntary assessments were made against suppliers considered critical because of the values of contracts and types of activities conducted, as well as the suppliers considered as strategic by the Business Continuity Committee. These evaluations considered practices and aspects of the environment, human rights, health, and safety.

The results of this diagnosis were used to leverage initiatives to improve the process of supplier management such as selection and hiring, which is expected to be implemented in 2014.

4.6.2. TRAINING

Oi does not directly train employees of third-parties, but prepares and distributes the training materials for the service providers for them to give the training courses. The adoption of Click, which is a tool to manage productivity in the field, will also contribute to the development of suppliers and for the qualification of outsourced technicians.

In 2013, the Company realigned the material used for training its service providers with a focus more on functions and practical issues so that the new model of certification can be implemented in all of Brazil in 2014. The certification of network service technicians is to ensure the quality of the work. The aim of this training is to reduce the rate of repair and increase the productivity per technician through operational excellence.

Since 2000, over 20,000 professionals have been certified who are strategic suppliers in the field working with installation, maintenance, and repair of the customer's network in the segments of Voice, Velox, and Data. With the implementation of the new model, the goal is to certify another 20,000 technicians by the end of 2015. Certification is carried out in one of Oi's 25 CEQUAL labs (Professional Qualification Test Centers) set up in all regions of Brazil. Besides practical tests, the knowledge and skills of Oi's outsourced labor is also evaluated.

The Company does not have a strategy to internalize the external plant, especially due to the complexity of such an operation considering its scope and coverage. Even so, the incentive to improve the performance of these processes is made present by Oi's constant dialogue with its suppliers, encouraging the adoption of best practices and by offering training. The employees of the service providers are also trained through the Telecom Pronatec (National Program for Access to Technical Education) of the Federal Government, which offers technical courses with funds from the National Fund for Development of Education (FNDE).

4.7. OI FUTURO

GRI EC9

Oi Futuro if the brand name of Instituto Telemar, Oi's corporate social responsibility institute that supports projects in education, culture, sports and the environment that reflect the Company's mission to democratize access to knowledge and promote human development. Oi's process of change in 2013 also brought reflexes to the institute, which got closer to the initiatives of the Company's business.

GRI EC4

PRIVATE SOCIAL INVESTMENT (R$ THOUSANDS)*	2011	2012	2013
Education	20,567	17,083	14,829
Culture	75,704	50,154	50,727
Sustainability	7,473	6,947	4,796
Sports	15,432	17,439	7,981
Administrative structure of Oi Futuro	3,958	4,918	4,503
Total	123,134	96,542	82,835
Direct investment	54,364	39,547	37,565
Through tax incentives	68,770	56,995	45,270

* The table has three adjustments in relation to the standard adopted in previous years: (i) inclusion of expenses with personnel related to the lines of Education, Culture, Sustainability, and Sports; (ii) inclusion of the line of Oi Futuro's administrative structure (supporting areas: Communication, Financial, Planning, Property, and HR); (iii) allocation of expenses with counterparts of tax benefits defined in state laws to encourage culture and sports through direct investment

4.7.1. EDUCATION

In the area of education, to which most of the resources from Oi Futuro went to, the objective is to qualify the vocational training of college in the field of creative economy and develop and disseminate innovative educational methodologies. To do this, the programs Nave (Advanced Education Center) and Oi Kabum! are kept, which use communication and information technologies at the same time as a tool and as part of its training processes, preparing students for careers in the digital area.

4.7.1.1. NAVE

Developed in two public schools in partnership with the Departments of Education of Rio de Janeiro and Pernambuco, 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, research and innovation activities, as well as dissemination of the methodologies and practices. Currently the initiative has about 900 students and 80 teachers involved. Nave Rio is integrated with Microsoft's Innovative

Schools Program since 2009 and was elected the Mentor School in 2012 was invited in the same year to participate in the World Tour program in which selected schools around the world have the opportunity to be visited by other ones. Already in 2013, the Recife Nave was also selected as one of the 80 most innovative schools around the world in the category "Mentor". In 2014, the two schools will be attending the World Global Forum organized by Microsoft in Barcelona.

The Enem (National High School Exam) score is one of the indicators of the program's positive outcomes. In the last two editions of the exam, the State School José Leite Lopes (Nave Rio) placed first among the schools connected to the Department of Education of the State of Rio de Janeiro. The Nave Rio surpassed the level of 600 points, which is the target of the Ministry of Education for 2025, a score considered as proficient and the same as those in developed countries. And the Technical School Cícero Dias (Nave Recife) also won first place among the schools linked to the Pernambuco State Department of Education (SEEP).

The Nave Rio is the only school in Brazil invited by Qatar Foundation to appear on Wise Book (World Innovation Summit for Education), one of the world's most important publications in the field of innovation in education.

Students from the schools Nave Rio and Recife produced 24 games entered into the Windows Phone Market Place platform. Up until October 2013, more than 460,000 downloads were performed worldwide.

4.7.1.2. 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, web design, 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.

In 2013, the school Oi Kabum! Belo Horizonte received accreditation from the Ministry of Education as a high school of professional technical education in courses of Audio and Video Production, Visual Arts, and Multimedia.

4.7.2. CCULTURE

Cultural initiatives are supported through public bids and totaled 103 projects in 12 Brazilian states in 2013, mainly in the areas of visual arts, performing arts, technology, and transmedia. Part of the projects was conducted in three cultural centers held in Rio de Janeiro (RJ) with two units and in Belo Horizonte (MG). The activities were also intense at the Telecommunications Museum, which completed seven years of existence, being present during important events in the field of museology, and strengthened national and international partnerships. In 2013, the museum in Rio received 31,000 visitors and the museum in Belo Horizonte another 20,000.

4.7.3. FUND FOR CHILDREN AND ADOLESCENTS:

The Oi Futuro Institute also supports initiatives for the development of young people living in social risk through the FIA [Fund for Children and Adolescents]. In 2013, Oi supported 13 projects certified by ten Boards for the Rights of Children and Adolescents distributed throughout the states of Alagoas, Minas Gerais, Paraíba, Pernambuco, Paraná, Rio Grande do Sul, Santa Catarina, Sergipe, and São Paulo. Through grants to state and municipal FIAs, Oi contributes to the effectiveness of the public policies for ensuring the human rights of children and adolescents throughout the country

4.7.4. OI NOVOS BRASIS

Another way to financially support social-environmental projects is through the Oi Novos Brasis program. Through annual public bids, initiatives are selected of nonprofit organizations that use information and communication technologies to improve the quality of life of communities and promote diversity, accessibility, and social inclusion. During 2013, 40 projects were supported with more than 10,000 direct beneficiaries across the country. In 2013, the Oi Novos Brasis received two important awards: Top Sustainability Award from ADVB [Brazilian Association of Sales & Marketing Managers] and honorable mention for the ACRJ Sustainability Award from the Commercial Association of Rio de Janeiro.

4.7.5. SPONSORSHIP OF SPORTS

Viewed as an instrument of social transformation, sports is also a focus of development for Oi Futuro, which supports sports and parasports projects that promote improved quality of life and health of the individual and value accessibility and diversity. For the fourth year running, Oi was granted the seal of "Business Friend of Sports" from the Ministry of Sports as an important sponsor of Brazilian sports.

Oi has sponsored the judo team of Sogipa (Gymnastics Society of Porto Alegre) since 2003, which contributes to the development and consolidation of the sport in Brazil and bringing national and international titles. In 2013, the athletes of this team brought home important wins such as the African Open of Judo in Mauritius, the seven gold and three silver medals in the Intercity Games in Rio Grande do Sul, and other medals in regional championships in Pará and Santa Catarina. The Oi Sogipa team also participated in the World Judo Championships held in the city of Rio de Janeiro with six athletes: five are members of the team of 18 judo athletes who defend Brazil in the World Championship. Among these athletes is Mayra Aguiar, bronze medal at the London Olympics.

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GRI REMISSIVE INDEX

PROFILE INDICATORS

		Pages RA	Global Compact
1. STRATEGY AND ANALYSIS			
1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy.	5 to 7	
1.2	Description of key impacts, risks, and opportunities.	5 to 7 and 36 to 40	
2. PERFIL ORGANIZACIONAL			
2.1	Name of the organization.	11	
2.2	Primary brands, products, and/or services.	11 to 13	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	11 to 13	
2.4	Location of organization's headquarters.	11	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Oi does not have operations outside of Brazil.	
2.6	Nature of ownership and legal form.	11	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	11 to 13	
2.8	Scale of the organization.	8 and 11 to 13	
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Because of a significant change in scope and limit there was an internalization of the internal plant of a third-party, which was explained in detail throughout the report.	
2.10	Awards received in the reporting period.	13	
3. REPORT PARAMETERS			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	2	
3.2	Date of most recent previous report (if any).	2	
3.3	Reporting cycle (annual, biannual, etc.).	2	
3.4	Contact point for questions regarding the report or its contents	4	
3.5	Process for defining content of report, including: a) determination of materiality, b) prioritization of issues on the report, and c) identifying which stakeholders the organization expects to use the report.	2 to 4	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	2 to 4	

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PROFILE INDICATORS

		Pages RA	Global Compact
3.7	State any specific limitations on the scope or boundary of the report.	Any limitations as to scope and limits defined for this report are identified throughout the document.	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	2 to 4	
3.9	Data measurement techniques and the basis of calculations, including assumptions and techniques that sustain the estimates applied to compilation of the indicators and other information in the report.	2	
3.10	Explanation of the effects of any information re-statements provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	3 and 4	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	2 to 4	
3.12	Table identifying the location of the information in the report.	142 to 152	
3.13	Policy and current practice with regard to seeking external assurance for the report.	4	

4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENT

		Pages RA	Global Compact
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	27 to 35	
4.2	Indicate whether the Chairman of the highest governance body is also an executive officer (and, if so, their function in the organization's management and the reasons for this arrangement).	18	
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	31	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	29	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and other executives (including departure arrangements) and the organization's performance (including social and environmental performance).	15 to 45	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	15 and 30	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	30	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performances and the status of their implementation.	22 to 24 and 26	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performances, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	35	

PROFILE INDICATORS

		Pages RA	Global Compact
4.10	Processes for self-assessing the performance of the highest governance body especially with respect to the economic, environmental, and social performances.	There are no mechanisms for evaluation of Board performance, but the internal regulations provide for annual self-assessment.	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	85 to 87	7
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	68 to 141	
4.13	Memberships in associations (such as industry associations) and/or national/international organisms that defend the organizations: a) has positions in groups responsible for corporate governance, b) participates in projects or committees, c) contributes with funding beyond the basic rate as a member organization, and d) considers its role as a member strategic.	68 to 141	
4.14	List of stakeholder groups engaged by the organization	2	
4.15	Basis for the identification and selection of stakeholders with whom to engage	2 and 68 to 141	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and stakeholder group.	68 to 141	
4.17	Main themes and concerns that were brought up through stakeholder engagement and what measures the organization has adopted to deal with them.	68 to 141	

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ECONOMIC PERFORMANCE INDICATORS

Management Approach: Pages 46 to 67

Aspect: Economic Performance			**Pages RA**	**Global Compact**
Essential	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	55 and 96	
Essential	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	39 and 40	7
Essential	EC3	Coverage of the organization's defined benefit plan obligations.	101 to 103	
Essential	EC4	Significant financial assistance received from government	136	
Aspect: Market Presence			**Pages RA**	**Global Compact**
Additional	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	102	1
Essential	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	132 to 135	
Essential	EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Not Material	
Aspect: Indirect Economic Impacts			**Pages RA**	Global Compact
Essential	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	88 to 90 and 128	
Additional	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	136 to 141	

ENVIRONMENT PERFORMANCE INDICATORS

Management Approach: Pages 68 to 141

Aspect: Materials			Pages RA	Global Compact
Essential	EN1	Materials used by weight or volume.	73	8
Essential	EN2	Percentage of materials used from recycling	74	8 and 9
Aspect: Energy			**Pages RA**	**Global Compact**
Essential	EN3	Direct energy consumption by primary energy source	78 and 79	8
Essential	EN4	Indirect energy consumption by primary source	77	8 and 9
Additional	EN5	Energy saved due to conservation and efficiency improvements	77 and 78	8
Additional	EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	Not Material	
Additional	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	77 to 79	
Aspect: Water			**Pages RA**	**Global Compact**
Essential	EN8	Total water withdrawal by source.	83	8 and 9
Additional	EN9	Water sources significantly affected by withdrawal of water.	Not Material	
Additional	EN10	Percentage and total volume of water recycled and reused.	Not Material	
Aspect: Biodiversity			**Pages RA**	**Global Compact**
Essential	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Not Material	
Essential	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Not Material	
Additional	EN13	Habitats protected or restored.	Not Material	
Additional	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Not Material	
Additional	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not Material	
Aspect: Emissions, Effluents, and Waste			**Pages RA**	**Global Compact**
Essential	EN16	Total direct and indirect greenhouse gas emissions by weight.	79 to 82	8
Essential	EN17	Other relevant indirect greenhouse gas emissions by weight.	79 to 82	8

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ENVIRONMENT PERFORMANCE INDICATORS

Additional	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	81 and 82	7, 8, and 9
Essential	EN19	Emissions of ozone-depleting substances by weight.	82	8
Essential	EN20	NOx, SOx, and other significant air emissions by type and weight.	Not Material	
Essential	EN21	Total water discharge by quality and destination.	Not Material	
Essential	EN22	Total weight of waste by type and disposal method	75 and 76	8
Essential	EN23	Total number and volume of significant spills.		
Additional	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	76	
Additional	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not Material	
Aspect: Products & Services			**Pages RA**	**Global Compact**
Essential	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	74 to 77 and 79 to 82	7, 8, and 9
Essential	EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	72	
Aspect: Compliance			**Pages RA**	**Global Compact**
Essential	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	86	8
Aspect: Transport			**Pages RA**	**Global Compact**
Additional	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	76	8
Aspect: General			**Pages RA**	**Global Compact**
Additional	EN30	Total environmental protection expenditures and investments by type.	85	7, 8, and 9

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PERFORMANCE INDICATORS REGARDING LABOR PRACTICES AND DECENT WORK

Management Approach: Pages 87 to 141

Aspect: Employment			Pages RA	Global Compact
Essential	LA1	Total workforce by employment type, employment contract, and region.	97 and 98	
Essential	LA2	Total number and rate of employee turnover by age group, gender, and region.	99	6
Additional	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	101 to 103	
Aspect: Labor / Management Relations			**Pages RA**	**Global Compact**
Essential	LA4	Percentage of employees covered by collective bargaining agreements	105	1, 2, and 3
Essential	LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	106	
Aspect: Occupational Health and Safety			**Pages RA**	**Global Compact**
Additional	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	117	1, 2, and 3
Essential	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region.	116	
Essential	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	115 to 117	1
Additional	LA9	Health and safety topics covered in formal agreements with trade unions	106	1
Aspect: Training and Education			**Pages RA**	**Global Compact**
Essential	LA10	Average hours of training per year per employee by employee category.	108 to 114	6
Additional	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	108 to 114	
Additional	LA12	Percentage of employees receiving regular performance and career development reviews.	Not Material	
Aspect: Diversity and Equal Opportunities			**Pages RA**	**Global Compact**
Essential	LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	100 and 101	1 and 3
Essential	LA14	Ratio of basic salary and remuneration of women to men by employee category.	101 to 103	1, 2, and 3

PERFORMANCE INDICATORS REGARDING HUMAN RIGHTS

Management Approach: Pages 87 to 141

Aspect: Investment and Procurement Practices			**Pages RA**	**Global Compact**
Essential	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Oi does this type of evaluation with its investment contracts.	
Essential	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	134	1, 2, 3, and 4.
Additional	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	23	
Aspect: Non-Discrimination			**Pages RA**	**Global Compact**
Essential	HR4	Total number of incidents of discrimination and actions taken.	24	1, 2, and 3
Aspect: Freedom of Association and Collective Bargaining			**Pages RA**	**Global Compact**
Essential	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	105	1, 2, and 3
Aspect: Child Labor			**Pages RA**	**Global Compact**
Essential	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	132	5
Aspect: Forced and Compulsory Labor			**Pages RA**	**Global Compact**
Essential	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor.	132	2 and 4
Aspect: Security Practices			**Pages RA**	**Global Compact**
Additional	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	133	1
Aspect: Indigenous Rights			**Pages RA**	**Global Compact**
Additional	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	There were none.	

Annual Sustainability Report 2013

SOCIAL PERFORMANCE INDICATORS RELATED TO SOCIETY

Management Approach: Pages 87 to 141

Aspect: Local Community			Pages RA	Global Compact
Essential	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	84 to 87	
Aspect: Corruption			**Pages RA**	**Global Compact**
Essential	SO2	Percentage and total number of business units analyzed for risks related to corruption.	38	10
Essential	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	23	10
Essential	SO4	Actions taken in response to incidents of corruption	24	10
Aspect: Public Policies			**Pages RA**	**Global Compact**
Essential	SO5	Public policy positions and participation in public policy development and lobbying.	87 to 95	10
Additional	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	87	10
Aspect: Anti-Competitive Behavior			**Pages RA**	**Global Compact**
Additional	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	24	
Aspect: Compliance			**Pages RA**	**Global Compact**
Essential	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Oi had at the end of 2013, 42,387 labor lawsuits with a provision of R$ 1.142 billion. The Company was not fined for non-compliance with corporate law or regulatory obligations.	

MENU

PERFORMANCE INDICATORS REGARDING PRODUCT RESPONSIBILITY

Management Approach: Pages 87 to 141

Aspect: Customer Health and Safety			Pages RA	Global Compact
Essential	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	40 to 76 and 85 to 87	1
Additional	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes.	85 to 87	
Aspect: Product and Service Labeling			**Pages RA**	**Global Compact**
Essential	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	118 to 119	8
Additional	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	119	
Additional	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	120 to 121	
Aspect: Marketing Communications			**Pages RA**	**Global Compact**
Essential	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	120	
Additional	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	120	
Aspect: Compliance			**Pages RA**	**Global Compact**
Additional	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	120	
Aspect: Compliance			**Pages RA**	**Global Compact**
Essential	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	119	

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **OI S.A** has presented its report "ANNUAL SUSTAINABILITY REPORT 2013" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 8 May 2014

Ásthildur Hjaltadóttir
Director Services
Global Reporting Initiative

GB GRI REPORT GRI CHECKED

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 29 April 2014. GRI explicitly excludes the statement being applied to any later changes to such material.

ACKNOWLEDGMENTS

We wish to express our appreciation for the support, efforts and commitment of employees from various areas of the Company who helped us put this Report together, and also for our stakeholders who are a constant motivation to improve this elaboration process.

CVM INSTRUCTION NO. 358, ARTICLE 12: Direct or indirect controlling shareholders and shareholders who elect members of the Board of Directors or the Fiscal Council, and any other individual or legal entity, or group of persons, acting as a group or representing the same interests, that holds a direct or indirect interest equivalent to five percent (5%) or more of any type or class of shares of the capital of a publicly-held company, must notify the Securities Commission (CVM) and the Company of the fact, in accordance with the above article.

Oi recommends that its shareholders comply with the terms of Article 12 of CVM Instruction No. 358, but it takes no responsibility for the disclosure or otherwise of acquisitions or disposals by third parties of interests equivalent to 5% or more of any type or class of its shares or of rights over those shares or other securities that it has issued.

OWNERSHIP STRUCTURE

	CAPITAL	IN TREASURE	CONTROLLING SHARES	DIRECT CONTROLLERS[1]	FREE-FLOAT
Common	599,008,629	84,250,695	290,549,788	62,293,273	161,914,873
Preferred	1,198,077,775	72,808,066	18,289,917	422,760,870	684,218,922
Total	**1,797,086,404**	**157,058,761**	**308,839,705**	**485,054,143**	**846,133,795**

Note: Quote as of December 31, 2013.
[1] AG Telecom, Andrade Gutierrez, BNDES, Bratel, Funcef, La Fonte Telecom, LF TEL, Petros, and Previ.

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[[On 12/31/2013]

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São Paulo)

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Oi S/A – OIBR3 and OIBR4

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Code of ADRs: OIBR.C and OIBR

(Position on 12/31/2013)

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