



oi

2016

ANNUAL SUSTAINABILITY
REPORT

SUMMARY

Introduction	03
Message from management	06

Value creation model 12

Strategic priorities	13
Risk management	19

High-value relationships 24

Ethical and responsible relationships	25
Customer satisfaction	26
Employee engagement	30
Supply chain responsibility	34
Social development	35
Shareholder and investor relations	40
Relationship with the industry	41

About Oi 08

Purpose, values and attitudes	09
Core business	11

Results 21

Economic and financial results	22
--------------------------------	----

Environmental management 43

Impact mitigation	44
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Social report	46
Financial statements	
GRI content index	53
Corporate information and credits	69
Annex I – additional indicators	70

INTRODUCTION

This publication contains information about our operations, policies, practices, performance and management in 2016. It describes the main points that served as guidelines for our relationships and initiatives during the year to create value for our stakeholders and the environment and to foster long-term sustainability.

This report covers all our operations in Brazil – Oi S.A. and its subsidiaries – between January 1 and December 31, 2016 and follows the Global Reporting Initiative (GRI) guidelines, thus allowing its users to compare our profile and economic, social and environmental performance over the last six years in which we have adopted those guidelines. **G4-3, G4-7, G4-28**

We also present data from previous years throughout the report to contextualize this year's information, as well as future prospects and goals to provide readers with an overview of the path and business model we are planning to follow.

Material topics

G4-2, G4-18, G4-25, G4-26

In line with the GRI guidelines, in 2014, we consulted our stakeholders to find out what issues they considered material to the sustainability of our business – as far as their relationship with Oi is concerned – and ultimately prepare a strategic, objective report. This consultation process, as well as the findings outlining the material topics presented in the report, is described below. We intend to implement a new process to reassess materiality by 2019.

This report has been prepared in accordance with GRI's G4 Guidelines' Core option. It also considers the Abrasca (Associação Brasileira das Companhias Abertas, or Brazilian Association of Public Companies) Criteria for Preparing Annual Reports, the Ibase Social Report, NBCT 15 (Norma Brasileira de Contabilidade Técnica 15, or Brazilian Accounting Standard 15), CPC (Comitê de Pronunciamentos Contábeis, or Brazilian Accounting Standards Committee) and Codim (Comitê de Orientação para Divulgação de Informações ao Mercado, or Guidance Committee for the Disclosure of Information to the Market). Accounting data follow the IFRS (International Financial Reporting Standards), as recommended by the CVM (Comissão de Valores Mobiliários, or Brazilian Securities Commission). **G4-15, G4-32**

LEARN MORE AT THE END OF THIS PUBLICATION

- The GRI Index sets out the indicators reported and their locations in this document, thus making it easier to find information.
- The Progress Achieved box describes our initiatives in line with the commitments we took on by subscribing to the UN Global Compact to achieve the Sustainable Development Goals.

Consultation with stakeholders

INDUSTRY SURVEY

Rating the issues considered material to sustainability according to:

Our 2014
Sustainability
Report

Three peers
from the
Brazilian
market

Key industry performance
indicators of the European Federation
of Financial Analysts Societies
[EFFAS]

The Governance & Accountability
Institute's global study
"Sustainability - What Matters for the
Telecommunications Industry"

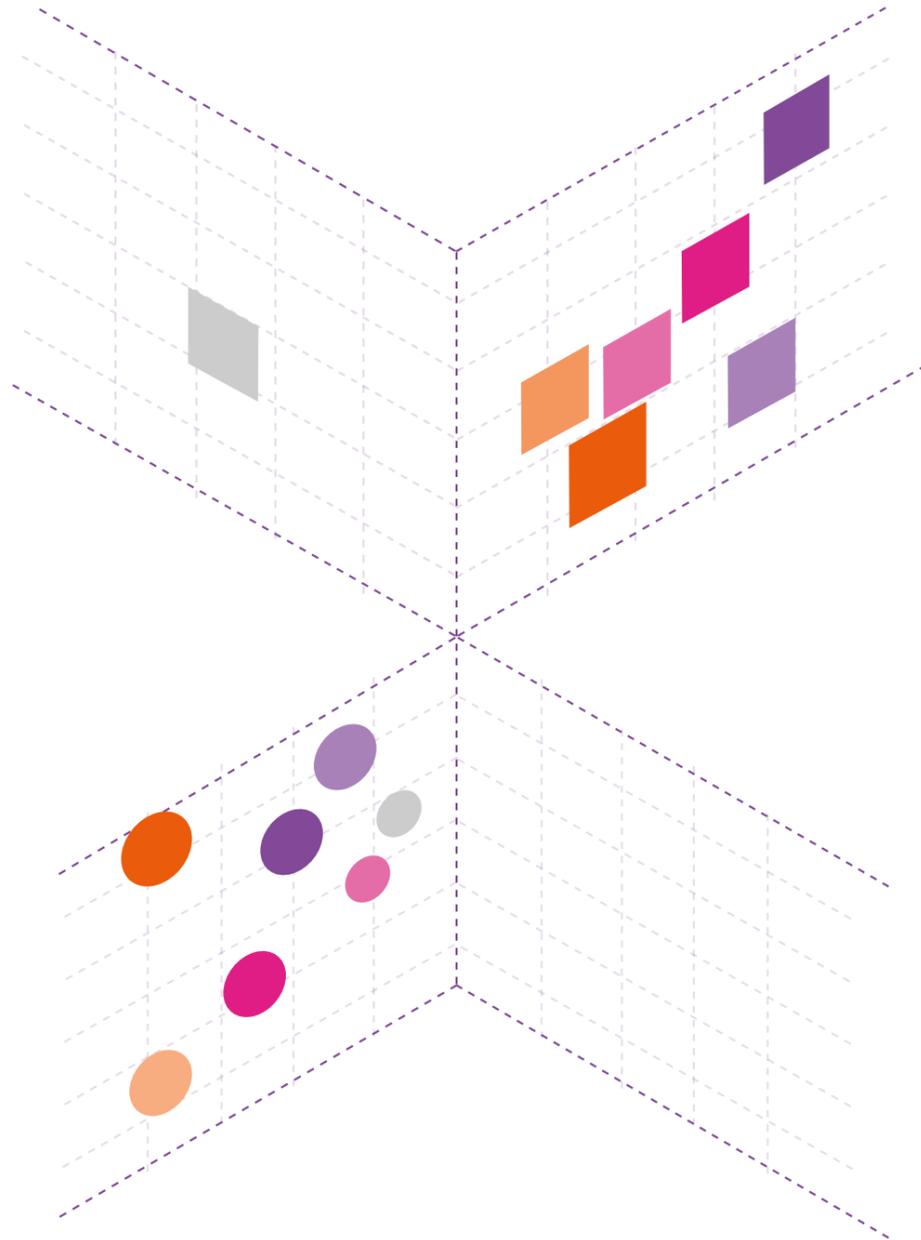
Online consultation With stakeholders

G4-24

We conducted an online opinion survey with our stakeholders to find out which of the topics determined in the previous step they considered material to Oi's sustainability. We obtained 333 responses from the following stakeholders:

- Customers from all segments;
- Administrative service providers;
- Operational service providers;
- Direct employees;
- Independent contractors;
- Financial agents;
- Shareholders, investors or market analysts;
- Members of the Legislative and Executive Branches;
- Representatives of social entities;
- Representatives of environmental entities;
- Representatives of other telcos; and
- Representatives of universities.





About the matrix: the topics in the upper fields are considered material since our stakeholders believe they are more relevant to Oi's sustainability at present. As such, they are addressed in greater detail throughout this report.

Senior management's priorities

We interviewed 20 members of Oi's senior management, including the CEO and the Chairman of the Board of Directors, and conducted a prioritization test, based on the topics determined in the first step, to find those material to our sustainability strategy in the short term.

Material topics

G4-19, G4-20, G4-21, G4-27

Consolidation of findings and matrix of material topics:

- Customers Satisfaction Assurance
- High Governance Standards
- Customer's Data Privacy and Safety
- Health and Safety of employees
- Clear and transparent communication with customers and stakeholders
- Compliance with laws and regulations related to its operations, services and product offerings
- Well defined business strategy and solid economic performance
- Social and economic development through infrastructure and offered services
- Digital inclusion in Brazil
- Consumption management of natural resources in the company's operation
- Creation of jobs
- Product lifecycle management
- Promotion of sustainability in the value chain, especially suppliers
- Innovation for social development and improved environmental management

Open channel

Our Corporate Financial Officer can be contacted at: pp-sustentabilidade@oi.net.br or invest@oi.net.br, for questions or suggestions.

G4-31



Marco Norci Schroeder | Chief Executive Officer

MESSAGE FROM MANAGEMENT

G4-1

In 2016, Oi concentrated its efforts on the transformation of its business in order to ensure a sustainable future and consolidate its prominent position in the Brazilian telecommunications market. This change, based on the strategy of convergence, digitalization, customer experience and austerity in costs, has been leading to greater operational efficiency, higher customer profitability and improved service quality. From the macroeconomic point of view, 2016 was a challenging year with a direct impact on our revenues, mainly in the Personal Mobility (especially in prepaid) and B2B (business-to-business) segments. The prepaid segment is directly influenced by Brazil's unemployment rate. In the B2B segment, the economic downturn had a strong impact on both companies and the government, which are seeking alternatives to reduce costs. As a result, consolidated net revenues from the Company's Brazilian operations totaled R\$ 25,996 million in 2016, down 5.0% from 2015, mainly impacted by the deterioration of the macro environment and the annual cut in regulated interconnection tariffs.

Despite this less dynamic economic scenario, Oi obtained important results in 2016, including annual revenue growth of 23.6% in pay TV, 6.9% in broadband and 9.4% in postpaid. In the pay-TV segment, Oi recorded the best performance in the period, being the only operator to post growth among the major economic groups on the market. These results partially offset the macroeconomic effects and the reduction in regulatory tariffs. The service convergence strategy has been extremely important to reduce the macroeconomic impact, especially in the Residential segment.

As a result of the strategy of digital transformation, Oi has been spearheading innovation in a highly dynamic market and positioning itself as a benchmark in the telecommunications sector, enabling the creation of new digital services and products. We have established partnerships to create innovative telecom solutions with Brazilian startups and research institutes, such as the first reference lab in Latin America for the development of Internet of Things (IoT) projects and solutions focused on the digital transformation of cities, which will contribute to issues such as urban mobility, quality of life and climate change.

At the same time, the Company continued to prioritize the pursuit of higher operational efficiency. Despite inflationary pressure, costs and expenses in Brazilian operations fell 2.0% in 2016 compared with 2015, a reduction of approximately 8% in real terms in the period. The result was chiefly due to our efforts during the year on several fronts to control costs, optimize operations, increase productivity and improve the quality of services provided.

One of the highlights of our operational efficiency fronts in 2016 was the absorption of the activities of network service providers, outsourced companies responsible for network maintenance, installation and repair. This move was designed to improve our customers' experience and reduce the cost of field operations. The direct management of field operations enabled the Company to improve the efficiency of network preventive maintenance activities, thus reducing the number of repairs and increasing productivity. At the same time, the Company invested heavily in the training of field technicians, as well as in enhancing their quality of life.

As a result of this strategy, Oi improved in several operational indicators, including the average waiting time for problem resolution, which fell more than 30% in the year, and the average time until installation, which dropped almost 60%. These results had a direct impact on the improvement of the quality of services, evidenced by the 28% reduction in complaints to ANATEL for technical reasons.

As part of another relevant cost reduction front, the Company implemented several actions to reduce energy consumption, promoting a culture of conscious consumption through efficient energy use processes, automation and replacement of inefficient equipment. We have also made some changes related to lighting, air-conditioning, co-generation and telecom equipment. Oi also increased the amount of energy contracted in the free market, encouraging the expansion of renewable source generation companies, such as small hydroelectric power plants, biomass power plants, wind farms and solar power plants.

Oi invested R\$ 4.8 billion in Brazil in 2016, 17.6% more than in 2015, demonstrating its long-term commitment to transformation and the sustainability of our business. Investments in infrastructure ensured a more efficient operational performance and improved both service quality and the user experience, underlined by the continuous improvement of several network quality indicators, directly reflected in the creation of value for the business.

In the regulatory sphere, it is important to highlight the evolution of discussions about the country's regulatory framework and the concession model, especially in terms of enabling the reduction of concessionaires' obligations and their migration to an authorization environment. Anatel has been studying the best way to estimate the gains resulting from the migration and the reduction of obligations related to services that the population does not need as a way to offset higher investments in broadband.

As widely disclosed to the market, in June 2016, Oi and some of its subsidiaries filed a request for judicial reorganization. The purpose of this legal instrument is to enable – through approval of a judicial reorganization plan by the creditors – the settlement of the companies' debt and to equip them to continue investing in the improvement of the services provided to their customers, carrying out their operational activities on a business-as-usual basis and preserving jobs.

While it has been increasing investments in infrastructure and consistently improving quality indicators, since the beginning of the judicial reorganization process, the Company has been recording strong cash generation, showing that it has a healthy operation and great value creation potential. Between June and December 2016, Oi's operational cash generation totaled over R\$ 2.7 billion, closing the year with a cash position of R\$ 7.8 billion.

Oi has been working to conclude the negotiations with its creditors in order to secure approval for the judicial reorganization plan and thus ensure the Company's future sustainability. It is important to mention that the Oi Group plays an important role in the domestic market and invests heavily in the country, supporting almost 130,000 direct and indirect jobs. We have reinforced our commitment to our public pledges, including the Global Compact, reflected in our corporate policies, and to social responsibility, through several actions focusing on the Sustainable Development Goals.

Due to regulations of market sustainability indexes, which prevent the participation of companies undergoing judicial reorganization, we have been excluded from portfolios and ratings in which we used to be included until then, such as the Corporate Sustainability Index (ISE) and the Efficient Carbon Index (ICO2) of the BM&FBovespa (now B3), the Euronext Vigeo Emerging 70 index of this European stock exchange, and the Dow Jones Sustainability Index (DJSI) of the New York Stock Exchange (NYSE), in the Emerging Markets category. However, as indicated above, the Company is maintaining its strategy of incorporating sustainable principles and actions into all its business fronts.

In sum, although the Oi Group is under judicial reorganization, it remains committed to continuing its operational transformation and investing in infrastructure in order to increase efficiency and improve the quality of services provided to over 63 million customers throughout the country in a sustainable manner.

Enjoy your reading!

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

Marco Norci Schroeder
Chief Executive Officer



A man with a beard and curly hair, wearing a plaid shirt, is sitting on a bicycle. He is looking down at a smartphone in his hands. A black helmet is hanging from the handlebars, and a black basket is attached to the front of the bike. The background shows a street with trees and cars, suggesting an urban setting.

ABOUT OI

CHAPTER. 1

PURPOSE, VALUES AND ATTITUDES

Strategic Opportunities

“Being an organization recognized for outdoing itself constantly to offer remarkable experiences and connection solutions. Accordingly, we improve people’s everyday lives, thus promoting stakeholders’ sustainable growth driven by true connections.”

Purpose

“Boosting connections that drive people.”

Being connected allows people to reach further, be more relevant, access more information, find satisfaction and happiness. We believe our role is to develop any and all solutions to bring together people, objects and institutions – solutions that create new possibilities and make everyday life better. That means fostering a prosperous environment for Brazilians to develop themselves, realize their dreams and conquer the world.

Values

Customers first

We know we must be constantly aware of our customers’ trends and demands to create connections that promote change in a world evolving faster than ever.

We anticipate customers’ needs and think about others before thinking of us. Our customers guide everything we do.

Commitment to evolution

We seek to promote collaborative environments, encourage an entrepreneurial spirit, innovation and curiosity in everything we do.

We know that, by contributing to people’s development, we are moving society forward and fulfilling our purpose of maximizing connections that drive people.

Focus leads to results

Having a focus means looking straight at a goal, knowing where we want to get, making choices and setting priorities.

It allows us to do everything more effectively, managing the Company’s resources as if they were ours.

Credibility must be earned

We believe we must be honest in everything we do – from the connections we create to the way in which we execute our processes.

That is how we have gained trust and built sound, lasting and serious relationships and business with all our partners.

Oi is each one of us

Oi is the pulse and vibe of each one of us, whether or not we are at work. We walk and we grow together in the same direction.

We know our every gesture, action or decision represents the entire organization. Therefore, we act as part of the whole, always in search of the best path.

Oi Attitudes

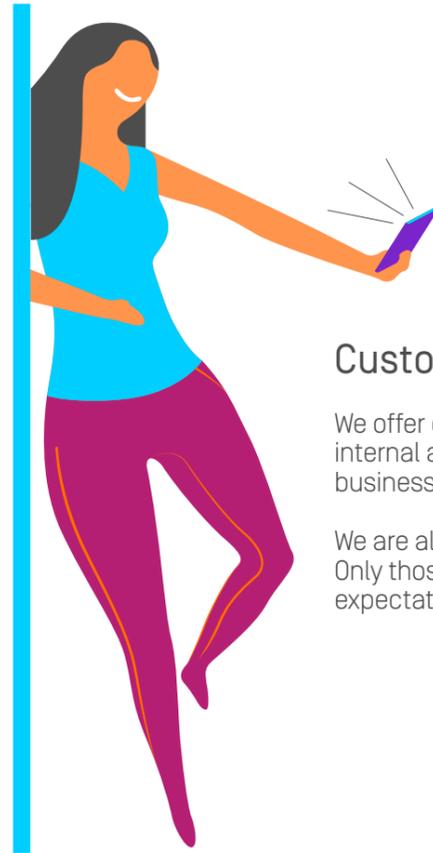
Attitude of ownership

We act and make decisions as if the Company were ours. We are fully committed. We go beyond our obligation: we prioritize what is best for the business and we are aligned with the Company's ethical principles. This is how we evolve, overcome challenges and produce sustainable results.



Focus on results

Our actions are driven towards reaching established goals. We are tireless; we never give up. With attention to detail, we answer all questions and prioritize what is most important. We solve problems in a rapid and assertive manner. We like to celebrate good results!



Customer vision

We offer efficient solutions that are suitable to both internal and external customers, in line with the business strategy.

We are always attentive. We listen to your needs. Only those who know customers well can meet their expectations and gain their trust.

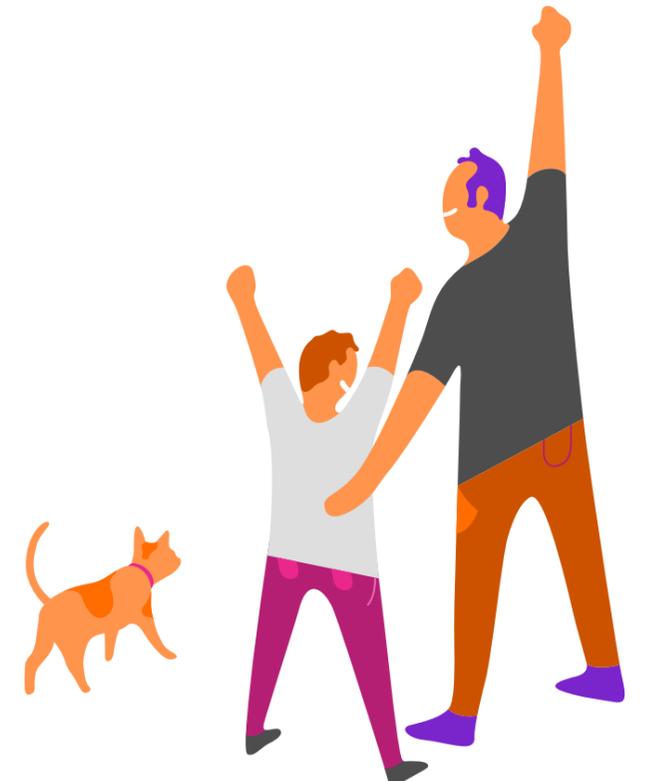
Cost control

We control costs in our activities and are responsible for the use of the Company's resources.

We always act with awareness. We do not tolerate waste and think about how to best use the Company's resources at all times. We plan our activities in advance and we are always seeking new ways to increase productivity.

Collaborative spirit

We work collaboratively in order to ensure the delivery of results. We share knowledge and experience. We help one another. We want everyone to grow. Together, we are stronger. Together, we can do more.



CORE BUSINESS

G4-4, G4-8, G4-9

We are a telecommunications utility and offer mobile phone, fixed line, broadband, pay TV, public telephone services and network usage (interconnection), as well as Information and Communication Technology (ICT) solutions.

Headquartered in Rio de Janeiro, we offer services throughout Brazil by means of a structure of 14,431 direct employees and 116,460 contractors who serve approximately 63.6 million Revenue Generating Units (RGUs). We have approximately 363,000 kilometers of fiber optic installed and own Brazil's largest backbone. Our mobile coverage reaches approximately 88.9% of Brazil's population. G4-5, G4-6



RGUs per segment

Residential – TV, fixed line
and broadband services

16.4 million
RGUs

Personal Mobility

39.9 million
RGUs

B2B¹ – Fixed line, broadband, TV, mobile
phone, data network and *Oi Soluções*

6.6 million
RGUs

¹ B2B: Business-to-Business

**VALUE
CREATION
MODEL**

CHAPTER. 2



STRATEGIC PRIORITIES

G4-13

In 2016, our strategic plan remained focused on digitalization, convergence, data, cost control and improved user experience. We achieved operational improvements in our business segments, especially in the Residential division.

Our strategy was based on operational improvements with cash accumulation, especially:

- Growing focus on execution, doing more with less and ensuring the Company's operational feasibility;
- Continuous improvement in operational efficiency and strict cost control;
- Increased investments despite the macroeconomic headwinds;
- Better service quality, with improvements in several quality and operational indicators (including Anatel², Special Civil Court (JEC)³ and Procon⁴ indicators), reflecting a better customer experience;
- Continuation of the digital transformation in order to ensure the sustainable future of the business, based on innovation and value creation;
- The judicial reorganization process is progressing as expected.

Operational improvement and new businesses

Operational quality

Focusing on the operations, we have improved network quality, increased investments and prioritized structural projects, with quality forums and processes to ensure revenue. Network modernization and expansion, combined with the launch of strategic products, supported by the direct management of field operations and the new customer service model, have increased operational efficiency, thus improving our customers' experience.

Our operational plan was based on four pillars:

1. Select investment in network offensive elements;
2. Operational model based on production control and planning (PCP);
3. Field staff automation with operational efficiency gains;
4. Absorption of network service providers, outsourced companies responsible for plant maintenance, installation and repair.

At the end of the year, 75% of field technicians performing operational activities were working at companies linked to Oi and under our management. We directly supervise these activities, providing training and guidance, as well as adjusting processes. This has led to both quality improvements and cost reductions.

Main operational indicators and their improvements

The average waiting time until the service repair fell compared with 2015;

42.9%

Compliance with the schedule of visits requested by customers increased

14.8%

The average time for service installation declined

60.3%

Oi's share of complaints to Anatel fell 9%, while complaints for technical reasons dropped

41.6%

² Agência Nacional de Telecomunicações, or Brazilian National Telecommunications Agency.

³ Special Civil Court, a Justice bureau created to process less complex cases.

⁴ Consumer protection agency.

Corporate Governance

Our Bylaws, approved in September 2015, are characterized by the adoption of the highest corporate governance standards.

New businesses

In 2016, we reaffirmed our commitment to the development of innovation initiatives. Thanks to the continuous investment in R&D and innovation projects, which totaled over R\$ 78 million in 2016, we intensified our activities in science and technology institutions and incubators in order to explore high-potential business opportunities unrelated to the core business, such as healthcare, mobile advertising – advertising on websites or mobile applications – and IoT applications.

Using the Innovation Belt, we have developed groundbreaking projects with partners, enabling the creation of pioneering offers in the telecommunications market. Solutions like *Oi Smart* and *Oi Mais Saúde* show that an open innovation strategy, which brings us closer to the startup ecosystem, enables us to explore opportunities associated with our business more rapidly and effectively.

At the same time, we have positioned ourselves as a pioneering company in the IoT segment after the launch of Latin America's first IoT laboratory equipped to work with LTE-M (Long Term Evolution for Machines, mobile phone technology for IoT) in partnership with Nokia. The technology in the laboratory, the only one in Brazil, represents next generation connectivity for the IoT segment and will allow us to support select partners in the development of solutions with high potential for disruption, making the laboratory a hub for initiatives of this kind. The laboratory will become a new source of opportunities to be explored through partnerships in one of the markets with the highest growth potential in the coming years.

Oi's Best Governance Practices

-  Simultaneous, immediate and fair disclosure of material information;
-  Adoption of International Financial Reporting Standards (IFRS);
-  Promotion of sustainable practices, such as publishing the Company's Sustainability Policy and Annual Sustainability Report;
-  Publication of the Annual Management Report;
-  Unrestricted adoption of principles of conduct;
-  Commitment to corporate social responsibility through investments in Oi Futuro;
-  Ombudsman and Grievance Mechanisms in place;
-  Adoption of Information Disclosure and Securities Trading Policies;
-  Separation between the Chairman of the Board of Directors and Chief Executive Officer positions.

For further information about Oi's governance structure, bylaws, bodies and policies, please go to:
<http://www.oi.com.br/ri> > English > The Company > Boards and Committees > Executive Board.

G4-34, G4-38



Sustainability governance

We have been a signatory to the UN Global Compact (UNGC) since 2009 and, as such, we undertook initiatives related to the UNGC principles and the Sustainable Development Goals (*learn about the connection between the information in this report and the UNGC principles on the next page*).

In this regard, we were involved in different national and international sustainability initiatives. We disclose information to the Carbon Disclosure Project (CDP) voluntarily and publish our inventory of greenhouse gas (GHG) emissions in the Public Emissions Registry of the Brazilian GHG Protocol Program every year. In addition, we undertook initiatives related to *Termo de Mútua Cooperação contra a Pedofilia* (Mutual Cooperation Agreement Against Pedophilia), which brings together telcos, the Federal Public Attorney's Office, the Brazilian Federal Police and the Safernet Brasil organization to prevent and stop crimes against children and adolescents over the internet.

G4-35, G4-42, G4-43, G4-46, G4-49, G4-50

We have a number of internal committees and committees responding directly to the Board of Directors to manage sustainability issues:

- Executive Sustainability Group: advises the Company's Management Committee in the adoption of sustainable practices;
- Management Committee (CDG): a high-level internal committee formed by L1 officers (level 1 officers report directly to the Chief Executive Officer) that monitors issues material to the Company and makes decisions related to them;
- Ethics Committee: an internal committee formed by executives appointed by the Executive Committee, it is responsible for constantly reviewing the Code of Ethics and managing issues related to it. It examines and deliberates on violations of the Code of Ethics and decides on the sanctions to be imposed, which are reported to the Executive Committee and posted on the Decisions Board;
- Anti-Fraud and Anti-Corruption Committee: an internal committee composed of executives responsible for deliberating on serious incidents of fraud and corruption;
- Corporate Governance and Finance Committee: composed of independent members appointed by the Board of Directors, to which it reports directly, this committee is responsible for ensuring the best corporate governance and business conduct practices are adopted continuously;
- Risks and Contingencies Committee: composed of independent members appointed by the Board of Directors, to which it reports directly, this committee oversees contingency management and control and ensures the Company's management and inspection bodies work in a coordinated manner;
- Quality Committee: a strategic committee, formed by L1 officers, that monitors quality indicators and material issues and makes decisions related to them, in order to improve the customer experience.



Progress Achieved – Global Compact

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Businesses should make sure that they are not complicit in human rights abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Businesses should uphold the elimination of all forms of forced and compulsory labour.
5. Businesses should uphold the effective abolition of child labour.
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.
7. Businesses should support a precautionary approach to environmental challenges.
8. Businesses should undertake initiatives to promote greater environmental responsibility.
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.
10. Businesses should work against corruption in all its forms, including extortion and bribery.

Sustainable Development Goals

1. End poverty in all its forms everywhere.
2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture.
3. Ensure healthy lives and promote well-being for all at all ages.
4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
5. Achieve gender equality and empower all women and girls.
6. Ensure availability and sustainable management of water and sanitation for all.
7. Ensure access to affordable, reliable, sustainable and modern energy for all.
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
10. Reduce inequality within and among countries.
11. Make cities and human settlements inclusive, safe, resilient and sustainable.
12. Ensure sustainable consumption and production patterns.
13. Take urgent action to combat climate change and its impacts.
14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
17. Strengthen the means of implementation and revitalize the global partnership for sustainable development.

Item	Actions/Initiatives	Correlation with the Global Compact Principles										Correlation with the Sustainable Development Goals																	Page(s)	
		1	2	3	4	5	6	7	8	9	10	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17		
1	Sustainability Policy																													25
2	Occupational Health and Safety and Environmental Policy																													25
3	Stakeholder Engagement Policy																													25
4	Code of Ethics																													25
5	Climate Change Policy																													25
6	Internal Ombudsman Channel																													25
7	Ethics Committee Operations																													15
8	Online ethics training (e-learning)																													77
9	Sustainability in the Supply Chain																													34
10	IoT Laboratory																													6 and 14
11	Supplier Training																													34
12	GHG (Greenhouse Gas) Emissions Inventory																													72
13	Annual information for the Carbon Disclosure Project (CDP)																													15 and 72
14	NAVE – Advanced Education Center																													38
15	Oi Kabum! - School of Arts and Technology																													38
16	Oi Novos Brasis																													39
17	Childhood and Adolescence Fund (FIA)																													39
18	Subsidized Sports Sponsorship																													39
19	Cultural Centers																													38
20	Telecommunications Museum																													38

RISK MANAGEMENT

G4-2, G4-45, G4-46

Our risk management and internal control processes are monitored and overseen by the Management Committee, which reports to the Fiscal Committee and the Board of Directors.

We have a Risk Management and Internal Control Policy that has been approved by senior management and published internally. This policy considers the Company's consolidated structure and its monitoring, reviewed and updated every year, in order to ensure the identification and prioritization of critical risks and the development of management strategies in order to implement actions and controls to mitigate these risks. Our policy is in line with the best market practices:

- Best Corporate Governance practices of the Brazilian Corporate Governance Institute (IBGC);
- ABNT NBR ISO 31000:2009 – Risk Management – Principles and Guidelines;
- The Committee of Sponsoring Organizations of the Treadway Commission (COSO – ERM);
- ABNT NBR ISO 22301:2013 – Company security – Business continuity management system;
- Law 12,846/13 (anti-corruption) – to assess corruption risks.

Given the need for clear mechanisms to assess and manage the risks that affect our business, we have implemented the following components in the management process:

- Risk Dictionary: ensures a clear and objective description of the risk using a common language. It can be used not only internally, but also in the various market disclosures related to this matter;
- Methodology: formalizes the processes and procedures for identifying, analyzing, mitigating and reporting relevant risks;
- Risk Repository: gathers information associated with each relevant risk, simplifying the analysis and correlation between the various recorded risk factors, supporting the hierarchy of responses and the identification of synergies between mitigation actions.

In 2016, we strengthened our risk management model by maintaining the operation of the Business Continuity Committee, implemented in 2012. The Committee operates in compliance with standard ABNT NBR ISO 22301:2013 in order to mitigate possible risks that may impact not only Oi's operations, but especially society or the environment.

Below are the main risks to which our business may be exposed. Please refer to sections 4 and 5 of our Reference Form, available on <http://www.oi.com.br/ri>, for a detailed description of each of them and the management strategies adopted.

In 2016, we launched Oi's Integrity Program to improve our corporate risk mitigation structure and anti-corruption mechanisms, and to optimize business processes in keeping with market's requirements regarding transparency of operations.

Operational risks

Connected with:

**Process
soundness**

**Energy
shortage**

**Reliability
of internal
systems**

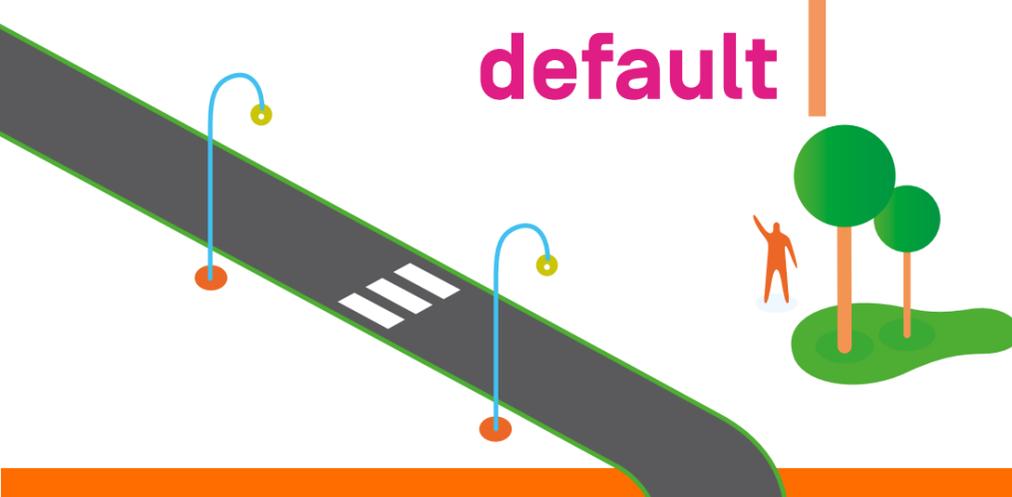
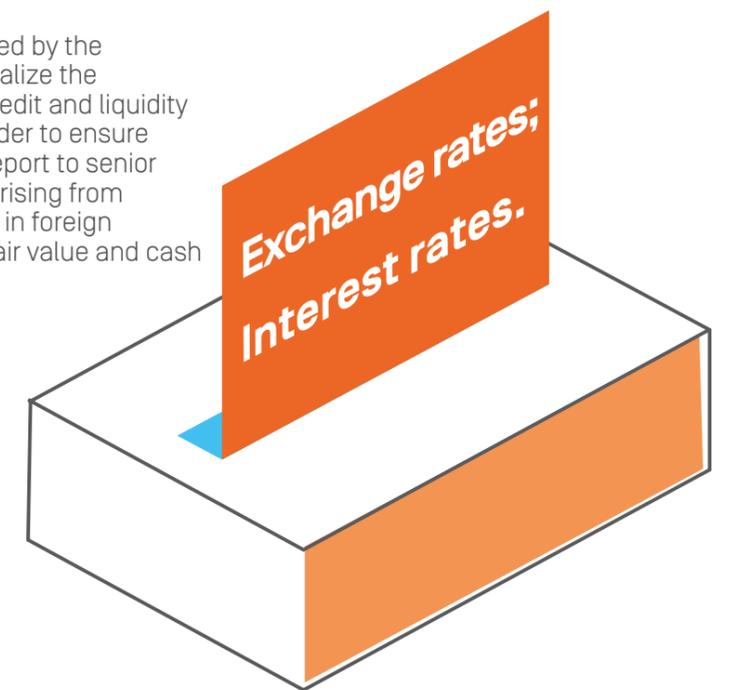
**Dependence
on strategic
suppliers**

**Customer
default**

**Network
security**

Market risks

We monitor the main financial risks through rules defined by the Financial Investment and Hedging Policies, which formalize the management of the Company's exposure to market, credit and liquidity risk factors. We monitor our financial transactions in order to ensure compliance with the limits set out in the policies and report to senior management. We are mainly exposed to market risks arising from exchange rate fluctuations, which impact our liabilities in foreign currency, and interest rate changes, which affect the fair value and cash flow of financial transactions.



RESULTS

CHAPTER. 3



Economic and financial results

ECONOMIC AND FINANCIAL RESULTS

G4-9

Consolidated net revenues amounted to R\$ 25,996 million in 2016, of which R\$ 9,376 million from the Residential segment, R\$ 7,849 million from Personal Mobility and R\$ 7,607 million from the B2B segment. Net revenues from other international operations closed the year at R\$ 833 million.

Despite the year-over-year decline in net revenues, the broadband and pay-TV products stood out in 2016, partially offsetting the drop in revenue from fixed line products and contributing to the increase in the number of households with bundled packages, thus leading to a rise in net average revenues per user and greater customer loyalty in the Residential segment.

Operating costs and expenses (not including depreciation and amortization) amounted to R\$ 19,620 million in 2016, broken down as follows: R\$ 6,399 million in third-party services, R\$ 4,330 million in rent and insurance, R\$ 2,852 million in personnel, R\$ 1,540 million in network maintenance services and R\$ 1,173 million in interconnection costs.

EBITDA came to R\$ 6,377 million, with a 24.5% margin, in 2016. The annual net loss of R\$ 7,121 million was mainly impacted by the write-off of tax credits on the accumulated tax loss in the income tax and social contribution line, reflecting the estimated tax result of the judicial reorganization plan.

Value Added Distribution (VAD)

In 2016, Oi distributed approximately R\$ 16 million in value added, to:

G4-EC1

Value Added Distribution	2014		2015		2016	
	Total (R\$,000)	(%)	Total (R\$,000)	(%)	Total (R\$,000)	(%)
Government	9,915	58.7%	8,551	38.2%	11,560	72.7%
Employees	2,540	15.0%	2,443	10.9%	2,537	16.0%
Shareholders	-	0.0%	-	0.0%	-	0.0%
Retained	(4,408)	-26.1%	(5,168)	-23.1%	(6,944)	-43.7%
Independent Contractors	8,837	52.3%	16,951	75.8%	8,928	56.1%

R\$ MM	Dec/16	Dec/15
Short-Term	48,191	13,192
Long-term		41,789
Total debt	48,191	54,981
In R\$	13,448	12,922
In foreign currency	34,638	46,935
Swap	105	-4,876
(-) Cash	-7,849	-16,826
(=) Net Debt	40,342	38,155

Debt

At the end of 2016, our consolidated gross debt totaled R\$ 48,191 million. The annual reduction in debt was due to principal and interest amortizations made before the request for judicial reorganization was filed, in June 2016, in addition to the positive impact of the appreciation of the real against the dollar (+16.5%) and the euro (+19.1%) on debt in foreign currency.

Net debt closed 4Q16 at R\$ 40,342 million, 2.0% down from 3Q16. Net debt fell for the second consecutive quarter, driven by a reduction in gross debt and an increase of 9.9%, or R\$ 708 million, in cash in the quarter, thanks to positive operational cash generation and income from financial investments. Oi's cash position came to R\$ 7,849 million on December 31, 2016.

Economic and financial results

Capital Expenditures

R\$ MM Investments in Brazil	2016	2015
Network	4,068	3,525
IT services	447	301
Others	244	222
Total	4,759	4,048

Investment in Brazilian operations totaled R\$ 4,759 million in 2016, 17.6% up on 2015.

At the end of 2016, Oi had completed all planned network capacity expansion projects in order to support increasing data traffic and the improvement in fixed, mobile and pay-TV services, as well as to continue enabling the launch of new offers better suited to current customer needs. In the mobile segment, we successfully completed actions in 3G and 4G access networks and structural actions in the network core, enabling service expansion. In fixed line, we moved forward with the structural infrastructure projects, especially those related to the expansion of the 100 Gbps Optical Transport Network (OTN) backbone, the modernization of the IP network core and the expansion of its access through the Single Edge project, in addition to other initiatives to upgrade and optimize the access network capacity.

In 2016, 85.5% of the total investment in Brazilian operations, amounting to R\$ 4.1 billion, was absorbed by the network, mainly allocated to: (I) improving the quality of the 3G mobile network, (II) improving the fixed network for broadband services, (III) optimizing the Oi TV platform, and (IV) implementing and expanding the 4G network.



HIGH-VALUE RELATIONSHIPS

CHAPTER. 4



ETHICAL AND RESPONSIBLE RELATIONSHIPS

G4-56, G4-57, G4-58

Transparency and constant dialogue are key elements of our relationship with different stakeholders. We seek to be close to society, suppliers, customers and investors at all times in order to anticipate their needs, engage in discussions about public policies and provide any clarification that may be needed.

We believe we must be ethical and responsible with the environment and our stakeholders to ensure the longevity of our business. We adopted principles and policies governing the everyday conduct of our direct and indirect employees, as representatives of Oi, considering our wide reach through thousands of employees, suppliers and millions of customers nationwide. The idea is to ensure ethical and responsible decisions and initiatives at all times.



Code of Ethics:

Our Code of Ethics sets principles and values that govern employees' conduct with peers, partners, customers and suppliers. It contains the principles of social and environmental responsibility and recommendations about respecting diversity, using assets and resources properly, handling confidential information, and dealing with government bodies, media, investors, customers and suppliers. An audio version is also available so people with visual impairment can also have access to our Code of Ethics.



Sustainability Policy:

Our Sustainability Policy consists of 27 principles governing business practices to ensure economic and financial profitability with social and environmental responsibility.



Occupational Health and Safety and Environment Policy:

This policy describes management's and employees' duty to promote the highest degree of physical, mental and social well-being for the whole staff by maintaining a healthy and safe working environment, based on health, safety and environmental risks management.



Stakeholder Engagement Policy:

This policy governs decision-making processes related to stakeholder engagement by setting guidelines for all employees in their relationship with our different stakeholders. The purpose is to build sound relationships that create sustainability value.



Anti-corruption Policy:

This policy sets out the rules and guidelines that must be observed and complied with in order to ensure that the activities conform to the anti-corruption regulatory requirements.



Institutional Policy:

This policy formalizes the concepts and establishes guidelines for interactions of our executives, employees and representatives with public agents or government officials.



Climate Change Policy:

This Policy describes our climate governance strategy to manage the risks and impacts of greenhouse gas emissions and provide a basis for developing mitigation or adaptation mechanisms that ensure the Company's longevity in a low-carbon economy.



Confidential mechanism for filing grievances about violations of the Code of Ethics:

- Interactive (internal stakeholders)
- 0800 282 2088
- On Oi's website: <http://www.canalconfidencial.com.br/oi/>

All incidents reported are examined by the Fraud Investigation Board to determine the appropriate course of action.

Please go to
<http://www.oi.com.br/ri> > English > The Company > Sustainability and
<http://www.oi.com.br/ri> > English > The Company > Codes and Policies for our policies.

CUSTOMER SATISFACTION

Convergence and digital

Our main challenge in 2016 was to transform efficiency into experience. In order to improve our customers' experience, we had to be innovative, bet on the synergies between teams, combine knowledge, be assertive in the use of resources and improve processes with impacts on internal improvements and customer service and satisfaction. We invested in the digitalization of services, maintaining our focus on the operational front; we were able to increase investments and make improvements, despite the adverse scenario throughout the year.

At the end of 2016, we repositioned ourselves in the market with the launch of the most complete product in the industry, *Oi Total*, which combines mobile, broadband, pay-TV and fixed voice. *Oi Play*, Oi's content portal (free for all customers), features movie, TV and internet content any time, anywhere.

Oi Total's launch was based on ethnographic qualitative research, designed to map consumer behavior. The research identified that customers were greatly interested in content and needed to be connected to various devices at the same time. In addition, more than 3,200 people responded to an extensive questionnaire to determine *Oi Total's* portfolio of plans and prices.

Through *Minha Oi*, via website or mobile app, our customers can securely monitor their spending on fixed voice, broadband and mobile without wasting paper. In addition to reducing the Company's costs, the online bill is more practical for customers.

Developed internally based on employee suggestions, the *Dados Fácil* (Easy Data) tool automated complex stages of the corporate data service delivery process, expediting customer service. A pioneering initiative in the telecommunications market, the solution enabled the digitalization of processes and was developed for the team supporting field technicians, reducing activation time and improving productivity, quality and safety. We have launched a pilot version for our technicians' mobile devices, which allows them to set up corporate customers' routers and data links directly on their smartphones, without needing to contact the support team. It also eliminates the need for paper documentation of the technical visit report, which may be digitally signed by customers, reducing the activation time and logistics costs, and eliminating the need for the support team to travel.

In our corporate customer segment, which focuses on small and medium enterprises, the *Oi Mais Empresas* solution offers our customers the possibility of using the app to request a series of services, such as bill copies and repairs, as well as acquire new products or services.

We activated Brazil's first fully interconnected network with 100 Gbps/second connections, extending for 30,000 km on national territory. In addition to

increasing data transmission capacity and quality, the network, which uses Optical Transport Network (OTN) equipment, was designed to further protect our customers from interruptions caused by accidents and external events, including weather conditions.

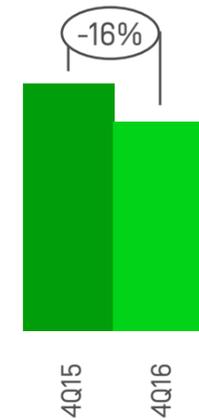
We expanded our 4G coverage, reaching over 88 municipalities in December, in compliance with the Anatel resolution that set out a minimum coverage of 80% in all the cities with more than 200,000 inhabitants. This project, carried out in partnership with two other operators (Tim and Vivo) that work with us under the ran sharing model (network sharing), built 1,575 sites, 504 of which under Oi's responsibility, distributed in 30 municipalities.

We activated Brazil's first fully interconnected network with 100 Gbps/second connections, extending for 30,000 km on national territory

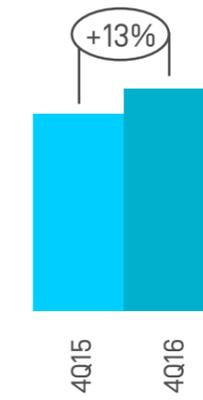
Service Improvement

We have established a new customer service quality model, improving efficiency, reducing costs, enhancing satisfaction and establishing a new competitive model for customer service partners. Our model used to be focused on two suppliers and, in 2016, we expanded it to six suppliers, dividing total traffic volume between them. Every quarter, we carry out an evaluation of our partners based on four indicators: number of repeated calls, number of complaints to Anatel per answered call, customer satisfaction levels observed in surveys and billing complaints. Based on this information, we classify partners based on their performance and then increase or reduce their traffic volume accordingly. We thus encourage healthy competition and improve service quality, rewarding the partners who obtained the best results.

Service cost indexed



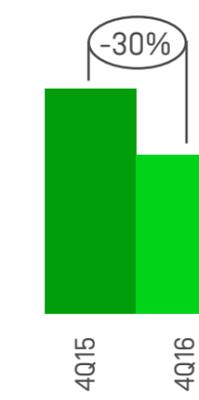
Customer satisfaction¹ indexed



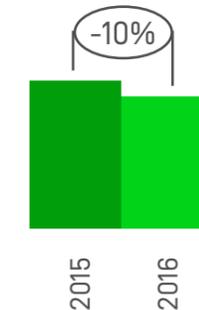
Number of repeated calls indexed



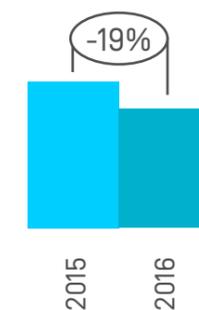
Complaints to Anatel related to customer service indexed



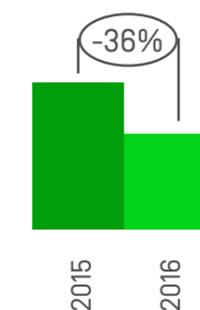
Complaints to Anatel Monthly Average. Indexed



Complaints to Procon Monthly Average. Indexed



Complaints to Special Civil Court (JEC) Monthly Average. Indexed



¹We contact customers who call the customer service center within 24 hours after the call to assess their satisfaction with the service provided by the operator. The survey's results are used as input for the calculation of the operators' variable compensation and the granting of bonuses to partners.

G4-PR5

In order to continue improving, we conduct an outbound phone survey to assess the satisfaction level of customers contacting our Customer Service Center (CSC) one business day after the contact at most. Those customers are asked by a voice message to rate their latest contact from 0 to 10.

This survey allows us to monitor satisfaction on a daily basis, use the results to make decisions related to products or partners and take corrective action whenever we detect significant problems. The phone surveys conducted by the Customer Service Center showed an overall satisfaction rate of 6.32 in 2016.

In 2016, we conducted 30 surveys on various topics in order to understand consumer problems and/or needs that can only be identified through research. The surveys are used to detect our customers' behavior related to a service or a certain functionality and are used as input in decision making related to the format of new offers, corrections, communication approaches and improvements to internal processes. This quantitative research also allows us to measure customer satisfaction.



We have a 24/7 customer service call center

States	Mobile		Residential	
	2015	2016	2015	2016
Amapá, Maranhão, Piauí, Pará and Ceará states	5.42	6.08	6.02	6.16
Federal District; Amazonas, Mato Grosso do Sul, Rondônia, Roraima, Goiás, Acre, Mato Grosso and Tocantins states	5.74	6.33	6.92	6.95
Minas Gerais and Espírito Santo states	5.31	6.06	6.35	6.33
Rio Grande do Norte, Paraíba, Bahia, Alagoas, Pernambuco and Sergipe states	5.43	6.13	6.21	6.47
Rio de Janeiro state	5.63	6.22	6.17	6.43
São Paulo state	5.26	5.76	5.96	6.17
Paraná, Rio Grande do Sul and Santa Catarina states	5.86	6.40	6.75	6.95

G4-PR3

All our telecom services comply with Law 9,472/97 (*Lei Geral de Telecomunicações*, or General Telecommunications Act); RGC (*Regulamento Geral dos Direitos do Consumidor dos Serviços de Telecomunicações*, or General Regulations on the Rights of Telecommunications Service Consumers), approved by Anatel (*Agência Nacional de Telecomunicações*, or Brazilian National Telecommunications Agency) Resolution 632/2014; and Anatel's specific regulations on each service. In the specific case of the Conditioned Access Service (SeAC), we also comply with Law 12,485/2011 and Ancine's (*Agência Nacional de Cinema*, or Brazilian National Cinema Agency) standards. Therefore, there are specific definitions and requirements for the features and provision of each service.

RGC is concerned with users' and carriers' rights and obligations. For example, users have the right to receive an invoice with a detailed description of the services used, as well as the respective charges and taxes. One of the duties of service providers is to handle users' queries, complaints, compliments, etc.

In this regard, we have a 24/7 customer service call center and contact channels at our stores or on our website. In addition, we are working to offer more and more digital channels to speed up customer service.

CUSTOMER DATA SECURITY

Our initiatives to ensure the security of customer information flowing internally comply with the applicable legal standards. They are intended to set technology standards for our network and raise staff's awareness, mainly in the fields of business, information technology and engineering.

A series of approvals will determine whether the user really needs that information. Information security management ensures the minimum security requirements are complied with in product R&D and in the testing phase, prior to production. It is also necessary whenever customer information is disclosed or stored externally.

We seek to improve our internal processes constantly to increase customer data security.

Customers' personal data and other phone communication information are only disclosed to government authorities in the cases in which the law or the Constitution provides for the disclosure of telecommunication data.

In 2016, we received 983 complaints through Anatel channels about the misuse of personal data.

G4-PR8

Complaints about misuse of personal data	2015	2016
Oi - Broadband	476	105
Oi - Fixed line	656	396
Oi - Mobile	439	438
Oi TV	46	44
Total	1,617	983

Information security management ensures the minimum security requirements are complied with in product R&D



EMPLOYEE ENGAGEMENT

Workforce profile

G4-9, G4-10

Employees by position	2016			2015			2014		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Executive Board	94	83	11	114	99	15	113	100	13
Managers	791	553	238	883	641	242	924	679	245
Supervisors/coordinators	874	547	327	923	584	339	996	633	363
Staff	12,672	7,854	4,818	14,637	9,198	5,439	16,262	10,460	5,802
Total ⁽¹⁾	14,431	9,037	5,394	16,557	10,522	6,035	18,295	11,872	6,423
Contractors ⁽²⁾	116,460			125,816	-	-	159,277	-	-
Apprentices ⁽³⁾	116	51	65	101	40	61	150	78	72
Interns ⁽⁴⁾	340	172	168	346	189	157	670	414	256
Total	131,347	9,260	5,627	142,373	10,751	6,253	177,572	12,364	6,751

1. All employees are permanent in accordance with CLT (Brazilian Labor Act) and work full time.

2. All contractors are hired in accordance with CLT. The term of their work contracts and working hours are exclusively determined by the Company. Oi does not monitor individual service providers' data; therefore, it cannot show their breakdown by gender.

3. All apprentices are on a fixed-term contract in accordance with CLT and work 4 hours a day.

4. Interns are on a fixed-term contract, governed by *Lei do Estágio* (Internship Act), and work 4 or 6 hours a day.

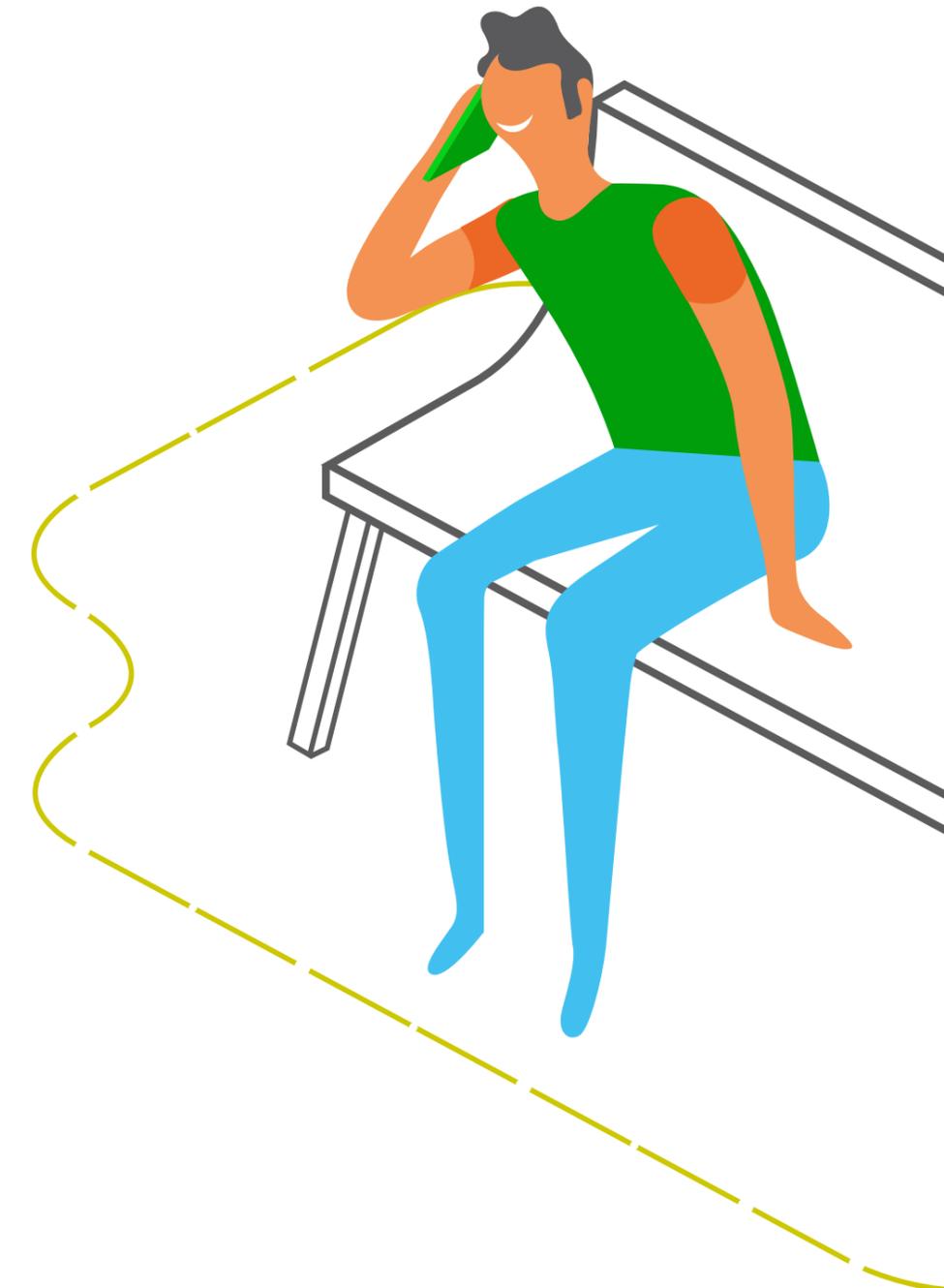
Employees by location	2016			2015			2014		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
South	1,539	1,101	438	1,817	1,342	475	2,159	1,596	563
Southeast	8,464	5,193	3,271	9,606	5,929	3,677	10,676	6,615	4,061
Midwest	1,189	858	331	1,331	954	377	1,563	1,118	445
Northeast	2,603	1,461	1,142	3,022	1,776	1,246	2,962	1,929	1,033
North	636	424	212	781	521	260	935	614	321
Total	14,431	9,037	5,394	16,557	10,522	6,035	18,295	11,872	6,423

Development

G4-LA9, G4-LA10

In 2016, we took another step to encourage the development of our employees through the improvement of the training platform. We launched *Oi Educa*, a training management tool that enables better process control and offers more learning resources and experiences. In addition to traditional e-learning, the platform offers video aids, virtual classroom, document library, chats and forums, creating an environment that fosters collaboration and interaction between employees. We have definitively entered the era of social learning, in which collaboration and knowledge sharing are key drivers of people development and, consequently, the evolution of the business.

In the period, training totaled
210,772 hours,
13% more than in 2015.



Other initiatives

Trilhas de Liderança (Leadership Trails): these are training programs for the Company’s leaders. The idea is to allow them to perform their activities in an excellent manner, based on the best management practices.

Multiplificadores de Qualidade (Quality multipliers): program for selecting and training multipliers in different areas by tapping into technical experience and expertise already available and/or acquired through training. In addition to the technical aspect, multipliers are also trained in communication techniques and knowledge replication.

Programa Geração (Generation Program): promotes the development of young talent engaged in their professional growth.

Programa Geração Estágio Técnico (Technical Internship Generation Program): focuses on the Network and System Technology and Operations areas and received 6,641 applications for the 99 places offered.

Programa Geração Estágio Superior (Higher Education Internship Generation Program): approximately 27,300 people applied for the 209 places offered.

In 2016, we offered around 23,015 hours of training to participants of the Generation Program.

Hours of training by gender

Gender	2015	2016
Male	142,368	157,313
Female	44,056	53,458
Total	186,424	210,772

Health and safety

G4-LA5, G4-LA7, G4-LA8

We greatly value our employees’ health and safety. Consequently, we seek to identify all possible risks inherent in the business and manage them in a proactive and careful manner. This concern also applies to our contractors.

The activities performed by our employees are considered to involve low risk for occupational diseases. Nevertheless, we have Internal Accident Prevention Committees and Volunteer Fire Fighting and Prevention Brigades.

We also manage occupational safety actively and carefully to maintain a culture of prevention, mainly in field activities, thus mitigating all possible risks.

We provide employees with Personal Protective Equipment (PPE) and Collective Protective Equipment (EPC), in compliance with legislation. In addition, we provide medical, hospital and dental care, and drugstore discounts for employees and their dependents, in accordance with collective bargaining agreements.

Pursuant to our National Accident Reduction and Safe Labor Plan, we trained 344 Cipa (Internal Accident Prevention Committee) members. The program also offered 462 training courses on “Conscious and Defensive Driving”, reinforcing the need to raise the awareness of employees about the appropriate use of vehicles both at work and outside it. The “Risk Perception and Safe Task Planning” course was delivered to 1,424 employees. In addition, 1,520 employees received training on how to work safely with electricity and at height in order to ensure the health and safety of workers directly and indirectly involved in these activities.

The program went beyond training, bringing the concept of prevention to the field. In 2016, our safety team conducted more than 1,600 field inspections and raised the awareness of over 9,700 employees about safety through actions including the Weekly Safety Dialog (DSS), the Internal Week for Workplace Accident Prevention (National SIPAT) and awareness campaigns.

We supported more than

610 lives among pregnant women and babies in the program for the safe management of pregnancy

Focusing on the physical and emotional well-being of our employees, we continued with the *Oi Vida em Dia* [Oi Up-to-Date with Life] program, which was launched in 2014 and promotes initiatives designed to value, care for and recognize our human capital. As part of our programs to monitor health and quality of life management, we performed 12,880 medical tests, monitored around 1,900 employees and/or dependents with chronic diseases and supported more than 610 lives among pregnant women and babies in the program for the safe management of pregnancy.

Health and Safety Indicators

G4-LA6

Injury Rate	North	Midwest	Northeast	South	Southeast	2016 Total	2015 Total	2014 Total
Male	0.81	0.44	0.14	0.18	0.12	0.19	0.19	0.08
Female	0.00	0.59	0.09	0.00	0.18	0.17	0.14	0.35
Total	0.52	0.48	0.11	0.13	0.14	0.18	0.18	0.18
Independent Contractors	1.95	1.18	1.85	1.85	1.97	1.83	1.11	1.59
Total lost workdays	North	Midwest	Northeast	South	Southeast	2016 Total	2015 Total	2014 Total
Male	20.87	13.35	1.98	2.09	3.01	4.50	4.84	3.24
Female	0.00	9.73	1.31	0.00	2.76	2.56	2.40	3.02
Total	13.41	12.37	1.68	1.50	2.91	3.78	3.94	3.16
Independent Contractors	17.88	22.42	4.82	21.11	18.00	18.75	33.48	75.63
Total absenteeism	North	Midwest	Northeast	South	Southeast	2016 Total	2015 Total	2014 Total
Total HC- Oi	574	1253	2615	1537	8452	14431	-	-
Total HDM - Oi	151536	330792	690360	405768	2231328	3809784	-	-
Days lost [absenteeism] by Oi employees	1902	3829	9543	3337	27162	45773	-	-
Total absenteeism of Oi employees	1.26	1.16	1.38	0.82	1.22	1.20	1.40	-
Total absenteeism of contractors	We do not control contractors' doctor's notes.							

Learn more about our health and safety indicators in the additional indicators annex (learn more on page 70).

SUPPLY CHAIN RESPONSIBILITY

G4-12, G4-HR10, G4-EC9

Supplier chain profile

We had a total of 1,446 suppliers in 2016. We paid them around R\$ 9.7 billion, 99.8% of which to Brazilian companies.

Our suppliers are mainly Network Service Providers (NSPs), call center companies and technology and equipment providers, which account for about 50% of total payments to suppliers. They work in key points for our operational quality and service excellence.

- **NSPs:** implementation and maintenance of the external plant, optical fiber infrastructure and specialized licensing and site acquisition services.
- **Technology and equipment companies:** mobile network equipment, equipment for customers (data, satellite and voice), switching, transmission (radios and backbones), technical support, platforms and specific equipment for the digital TV segment.
- **Call center:** handling calls from and to customers of all our segments.

Sharing good practices and job training

Good practices

In 2016, we reviewed all the regulatory documents in order to adjust the Compliance Policy in the supplier selection process.

During this process, we request all suppliers to accept our Sustainability Policy and Code of Ethics, as well as meet the requirements set out in the social and environmental annex, which addresses health, safety, environmental and human rights issues.

We used the new sustainability criteria to assess 115 (19.3%) of all the suppliers audited in 2016. Our diversified criteria to select and contract suppliers cover issues such as occupational, environmental and social impacts; compliance with legal requirements; and social and environmental responsibility.

The Third Party Management Division and the Health, Safety and Environment Division monitor supplier compliance by auditing the Supplier Qualification Index (IQF).

We conducted 21 IQF assessments of those suppliers in 2016. We focused mainly on HR and Occupational Health and Safety (OHS) management of seven previously selected suppliers. The evaluation generates a grade based on process compliance and an action plan, under the responsibility of the contract manager and the evaluated supplier in order to remedy any possible non-compliance

observed in the IQF and ultimately increase operational efficiency and reduce occupational accidents and labor claims for both the Company and the supplier.

Training

In addition, we have been assessing and monitoring the sustainable practices of suppliers critical to the longevity of our business, as well as those of suppliers considered relevant by the social and environmental criteria, such as NSPs and call center companies, actively and continuously. In addition, we check CEIS (*Cadastro Nacional de Empresas Inidôneas e Suspensas*, or Brazilian National Registry of Dishonest and Ineligible Companies), a database maintained by the Office of the Comptroller General of Brazil intended to identify companies that have suffered sanctions barring them from participating in public tenders or entering into contracts with government bodies.

All contracts are based on standard drafts, with clauses covering all the items listed above, in compliance with Brazilian anti-corruption laws or any other applicable anti-corruption laws, especially the U.S. Foreign Corrupt Practices Act (“anti-corruption regulations”), and a commitment to abstain from any acts in breach of anti-corruption regulations.



SOCIAL DEVELOPMENT

G4-15

We seek to create value through our activities to further social development by increasing access to telecom services and digital inclusion, and by focusing our corporate social investment on educational, culture and social innovation projects through Oi Futuro.

Learn more about the main initiatives we undertook in 2016 below.

G4-PR1, G4-PR2

As part of our social development goal based on access to telecommunications, we promote the responsible use of technology and telecommunications by engaging users and raising awareness of situations that may bring risks to society.

It is worth mentioning our activity does not pose risks to customers' health and safety. Electromagnetic radiation from our cell sites is within the limits prescribed by law and is much less energetic than that from radio and TV stations. The coverage of our cell sites ranges from tens of meters to around five kilometers. Noise levels are also within the limits prescribed by federal law.

We monitor those levels continuously and submit regular reports to Anatel about the intensity of those radiation fields and the adoption of measures to reduce noise levels.

Access to telecom services and digital inclusion

G4-EC7

Plano nacional de banda larga (PNBL)

We implemented PNBL (*Plano Nacional de Banda Larga*, or Brazilian National Broadband Plan) in 4,687 cities and towns, thus helping to increase access to broadband internet connection, promote digital inclusion, and reduce social and regional gaps in Brazil.

Note: On December 31, 2016, the commitment to adhere to the PNBL objectives was terminated.

Programa banda larga nas escolas (PBLE)

At the end of 2016, we provided broadband to 52,869 schools in urban areas and 3,740 schools in rural areas, including 533 new schools which began to be served in 2016. The PBLE (*Programa Banda Larga nas Escolas*, or Broadband at Schools Program) is designed to provide internet access equal to or higher than 2MB for all urban public elementary, middle and high schools and teacher training schools for elementary, middle and high school teachers, indicated by the MEC (*Ministério da Educação e Cultura*, or Ministry of Education and Culture) by 2025.

Plano geral de metas de universalização (PGMU)

We are involved in PGMU (*Plano Geral de Metas de Universalização*, or General Target Plan for Universal Access), intended to increase access to fixed line

services. We invested over R\$ 19.7 million in 2016 in 351 locations, of which R\$ 13.8 million (116 locations) related to individual access and R\$ 5.8 million (235 locations) to public access.

Backhaul

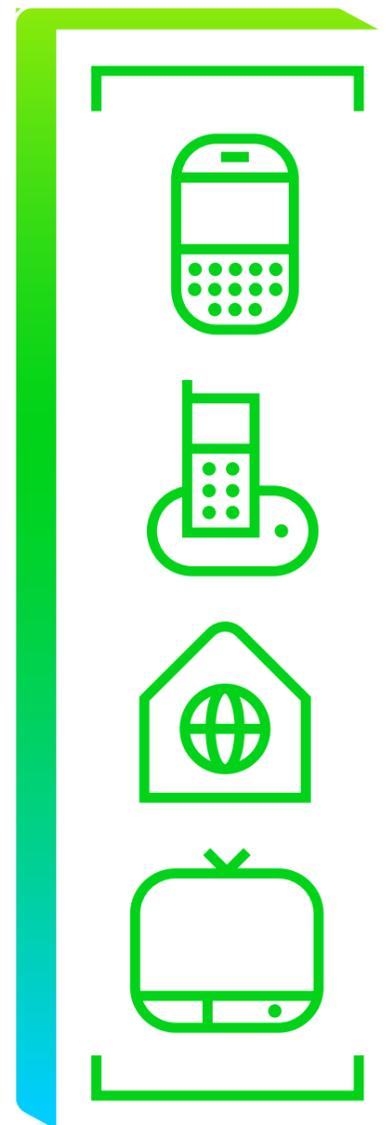
In 2016, we invested R\$ 11.6 million in the Backhaul project to expand broadband services to more cities and towns, at no cost for customers, and upgrade speeds provided. At present, the Backhaul project is present in over 3,140 Brazilian cities and towns.

Services for the Brazilian Army and Navy

We provide telecom services for the Brazilian Army to help it protect Brazilian borders, thus contributing to national security. Overall, we are present at 66 points in border regions, in ten Brazilian states.

By ensuring fixed and mobile voice, data and TV services to the Comandante Ferraz Antarctic Station, we have enabled the military and research teams that work on the base to communicate with their families, other Brazilian universities and research centers, and the outside world in general. In 2016, we carried out the preventive maintenance of the equipment installed in the station, monitoring and guiding Navy technicians.

At the end of 2016, we provided broadband to 52,869 schools in urban areas and 3,740 schools in rural areas



Social investment

G4-EC8, G4-S01

We invested our own and incentive funds in social projects through the Sponsorship and Events division and Oi Futuro, our social responsibility institute. Oi Futuro promotes, supports and develops innovative and collaborative initiatives to improve society's quality of life. With educational, cultural, social innovation and sports activities, the institute promotes initiatives that foster personal and collective development, encourage innovation experimentation and nurture connections.

In 2016, Oi Futuro developed its new strategic planning in line with Oi's positioning and the new challenges faced by society. The main investments and projects of Oi Futuro and the Sponsorship and Events division in 2016 included:

We invested our own and incentive funds in social projects through the Sponsorship and Events division and Oi Futuro, our social responsibility Institute

G4-EC4

[R\$,000]	2012	2013	2014	2015	2016
Education	17,089,255	14,828,654	17,748,406	16,478,242	8,907,144
Culture	50,209,240	50,726,996	52,507,145	57,121,725	36,071,379
Sustainability	6,982,943	4,795,575	5,326,162	4,986,839	3,283,887
Sports	17,439,070	7,980,600	23,185,711	28,983,029	21,620,514
Oi Futuro's administrative structure*	4,821,037	4,503,187	4,401,795	4,160,759	5,060,773
Total	96,541,545	82,835,012	103,169,220	111,730,593	74,943,697
Direct investment	39,546,550	37,565,407	43,861,206	43,243,120	26,492,296
Through tax benefits	56,994,996	45,269,605	59,308,014	68,487,473	48,451,402



Education

Oi Futuro invests in innovative models to inspire new forms of teaching and learning. The *Núcleo Avançado em Educação* (Nave, or Advanced Education Center) prepares young people for the digital and creative economy, focused on the production of games, apps and audiovisual products. The program is developed in partnership with the Rio de Janeiro and Pernambuco State Education Departments and offers integrated high school education. In addition to receiving vocational training, Nave students are encouraged to develop their entrepreneurial spirit and make their first professional connections through integration events and projects with the innovation market.

The two schools currently gather around 1,000 students and 70 educators of regular and technical disciplines.

In 2016, Nave Recife was recognized by the InnoveEdu platform, which gathers education institutions from several countries, and was one of the 12 schools selected to participate in the *Destino Educação – Escolas Inovadoras* (Education Destiny – Innovative Schools) documentary series, which was produced and broadcast by the Futura channel and shows new forms of teaching and learning around the world. Nave Recife also won the Aberje Award in the North and Northeast regional unit, in the “Communication and Relationship with Society” category. In addition to these recognitions, two short films created and produced by Nave students were selected to participate in Anima Mundi, Latin America’s largest animation festival.

Nave Rio participated in Festival do Rio, one of Brazil’s main film events, where it hosted several free workshops for *Mostra Geração* (segment of the festival focused on children and young people), with storytelling classes for educators and theme techniques, such as the “Hero’s Journey”, “Robotics in Movies” and “Video Game Scripts”, for the general public.

In order to bring schools closer to their surrounding communities and inspire other educational initiatives, we held another edition of the *Nave de Portas Abertas* (Nave Opens its Doors) event, receiving more than 1,000 participants in Rio and 1,400 participants in Recife to share the projects developed by students. Another relevant Nave initiative was the *Decola* (Take off) event, which was promoted by Oi in partnership with Oi Futuro in order to bring high school seniors

and graduates closer to the technology and innovation market. The event includes pitch presentations of the best projects, as well as lectures, debates and exhibits. Around 150 students, eight organizations and six companies participated in the event held by the Recife school. Groups that presented advanced-stage projects received a six-month mentorship with professionals from several areas of the creative industry, including Oi employees, in order to further develop the projects until they are ready to be launched in the market.

Learn more on: <http://www.oifuturo.org.br/en/education/nave/>



Oi Kabum! School of Arts and Technology offered creative economy courses – photography, graphic design, web design, computer graphics and video – to youth from low-income urban communities, public school students or graduates in the first half of 2016.

Learn more on: <http://www.oifuturo.org.br/en/culture/oi-kabum/>

Culture

In the cultural area, the institute acts as a creative catalyzer, encouraging people through art, stimulating collaborative production and promoting access to culture in the digital era.



Programa Oi de Patrocínios Culturais Incentivados (Oi Sponsorship Program for Cultural Projects Receiving Incentives):

This is a support program for projects in all Brazilian regions selected through calls for proposals, thus reaffirming Oi’s and Oi Futuro’s commitment to Brazilian artistic production. A total of 89 music, audiovisual, performing and visual arts, technology, new media, mobile art, dance, intermedia and popular culture projects were supported in 2016. The program also won the Aberje Award in the “Communication of Cultural Programs, Projects and Actions” category in the Espírito Santo and Rio de Janeiro regional unit.



Cultural centers: Part of the cultural projects supported were undertaken in both cultural centers sponsored by Oi in Rio de Janeiro, in the Flamengo and Ipanema neighborhoods. The Oi Futuro spaces have their own curators, and their mission is to further and disseminate new artistic languages by investing in the combination of art, technology and science. Its programme featured in three of the traditional Top-10 lists of the *O Globo* newspaper: “*Emoticom*” (Emoticon - dance), “*A Paz Perpétua*” (The Eternal Peace - Theater) and “*Espírito de Tudo*” (Spirit of Everything - visual art show by Rosângela Rennó).

Learn more on: <http://www.oifuturo.org.br/en/culture/>



Telecommunications museum: A permanent attraction of Oi Futuro Flamengo, the museum celebrated its ninth anniversary and received more than 17,000 visitors in 2016. Included in the international category of technology museums and a pioneer in the use of interactivity in Brazil, it preserves and disseminates the history of telecommunications in Brazil and has a unique collection of over 100,000 items, including handsets, phone booths, phone books, switchboards, photographs, technical catalogs and historical documents. In 2016, the Telecommunications Museum’s website was launched to publicize its activities and its Educational Program made great strides in terms of accessibility and diversity through continuous initiatives, catering to people with disabilities, as well as transgender and young people, in its social and educational initiatives. It also launched a specific publication about the topic, *Caderno Acessibilidades* (Accessibility Booklet), designed to share experiences and aspirations related to access to contemporary art, education and information in order to make cultural spaces more democratic, receptive and open to all, without exception.

Learn more on: <http://www.oifuturo.org.br/en/culture/telecommunications-museum/>

Social innovation

The *Oi Novos Brasis* (Oi New Brazils) program supported innovative entrepreneurial projects that bring forward proposals to overcome current urban challenges, thereby contributing to the development of society.

Since 2004, *Oi Novos Brasis* has selected projects of non-profit organizations from all Brazilian regions designed to promote diversity, accessibility and social inclusion through the use of technology. Through *Oi Novos Brasis*, Oi Futuro contributed to the achievement of the Sustainable Development Goals, defined in a collective and participatory manner and approved by the United Nations Sustainable Development Summit. In order to ensure the measurement of results and the monitoring of activities of supported organizations, the indicators for each project were defined and monitored by a system developed by Oi Futuro, SIGA (*Sistema Integrado de Gestão e Avaliação*, or Integrated Management and Evaluation System). Each project was also evaluated by an external specialist and an auditor. In 2016, we supported 23 projects in 17 states and benefited over 16,000 people. Among the results, it is worth noting over 10,000 hours of educational and training activities, 126 tonnes of organic waste collected, reforestation of around 20 hectares for recovery of degraded areas, 34 hectares of agroforestry systems, over 6,300 seedlings planted to create nurseries and seed banks, and around 380 partnerships established with community associations, NGOs, public authorities and schools, among others.

Learn more about the projects supported by *Oi Novos Brasis*, its goals and results on:
<http://www.oifuturo.org.br/en/sustainability/oi-novos-brasis/>



FIA (*Fundo da Infância e da Adolescência*, or Fund for Children and Adolescents)

We support local, state and national Councils for the Rights of Children and Adolescents through the FIA. In 2016, we supported eight initiatives that foster the development of children and adolescents at social risk. Through this initiative, we contributed to strengthening public policies that ensure the rights of children and adolescents from all over the country.

Learn more on: <http://www.oifuturo.org.br/en/sustainability/fia/>

Sports

We invest in sports projects that connect people and promote inclusion and citizenship through *Programa Oi de Patrocínio Esportivo Incentivado* (Oi Sponsorship Program for Sports Projects Receiving Incentives). The program sponsors sports and parasports projects intended to improve individuals' life quality and health, and promote accessibility and diversity. In 2016, we supported five sports projects.

Learn more on: <http://www.oifuturo.org.br/en/sustainability/fia/>

The *Oi Novos Brasis* (Oi New Brazils) program supported innovative entrepreneurial projects





SHAREHOLDER AND INVESTOR RELATIONS

Relationship

We have a dedicated Investor Relations (IR) team that organizes events, meetings and conference calls with Brazilian and foreign investors; Apimec (*Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais*, or Association of Capital Market Analysts and Investment Professionals) public meetings; and Oi's participation in conferences and road shows in Brazil and other countries, as well as in conferences for investment and capital markets professionals. The purpose is to ensure the Company will provide information for the market in a responsive and assertive manner.

The missions of the IR department are to develop and implement an appropriate and consistent transparency and information disclosure policy; build a close relationship with analysts and investors; and be the main communication channel with Brazilian and international capital market agents.

IR issues announcements and posts information through the official channels indicated by the regulatory bodies of the capital markets in which the Company is listed, and our IR website (which has a mobile version).

RELATIONSHIP WITH THE INDUSTRY

G4-S06, G4-EC7

We greatly value cooperation in the industry, for example, in infrastructure sharing, and participate actively in discussions about key issues for the consolidation of telecommunications in Brazil.

The Regulatory and Institutional Affairs department represents us before regulatory bodies – mainly Anatel, the Ministry of Science, Technology, Innovation and Communication, and Ancine – and the local, state and federal Legislative and Executive branches of government. The department follows the guidelines set by our Institutional Relationship Guide, Code of Ethics and Institutional Policy of Oi Companies to ensure an ethical relationship.

Our Caple (*Comitê de Acompanhamento das Proposições Legislativas*, or Legislative Monitoring Committee) monitors and examines bills floating in local, state and federal Legislatures concerned with issues related to the telecommunications industry. In 2016, it met eight times to discuss and follow up on 106 bills. Created in 2009, the Caple has examined 1,351 bills either with a direct impact on the telecommunications business or of general interests to the private sector in Brazil.

Federal legislation on the telecommunications industry

G4-14, G4-16

Some important issues related to the Brazilian federal legislation on the telecommunications industry were discussed in 2016. We participated jointly with SindiTelebrasil (*Sindicato Nacional das Empresas de Telefonia e de Serviço Móvel Celular e Pessoal*, or Brazilian National Association of Telephone and Cellular and Personal Mobile Service Companies) in discussions about different federal bills, including contributions to PL (*Projeto de Lei*, or Bill) 3,453/2015 (PLC Supplementary Bill 79/2016), which restructures the sector's legal framework, especially regarding obligations under the concession model, aligning it to the new reality of the telecommunications market.

Below are other important pending bills in the National Congress:

- PL 3,434/2015, on the Conduct Adjustment Agreement (TAC) entered into by Anatel and operators;
- PL 5,845/2016 and PL 5,846/2016, on the use of equipment resulting from theft from telecommunications infrastructure networks;
- PL 5,476/2001, on the termination of the basic subscription rate;
- PL 7,415/2012, concerned with alterations in the prepaid credit validity period for mobile phones;
- PDS (*Projeto de Decreto Legislativo*, or Legislative Decree Bill) 14/2016, which deals with the rules for the sale of data plans in fixed broadband.

We greatly value cooperation in the industry

G4-S06

In compliance with Law 9,504/1997, we do not support or contribute to political parties or related institutions because we are a public utility.

State and local legislation on the telecommunications industry

Some of the issues we discussed with local and state political leaders were:

- Laws regarding the installation and expansion of mobile phone services;
- Urban and environmental licensing for telecommunications infrastructure;
- Land use legislation;
- Right-of-way on state highways;
- Laws against the theft of cables and batteries;
- Undergrounding in urban areas;
- Confaz [*Conselho Nacional Fazendário*, or National Finance Policy Council] Agreement 56/2012;
- Confaz Agreement 102/2013 or implementation of a law that allows using ICMS credits to pay expenses on telecom services hired by the states;
- Rules for shutting off service for lack of payment;
- Rules for including/removing consumer names in/from bad credit lists;
- Laws on data packages and use information for consumers;
- Incentive laws for cultural activities and sports.

List of entities in which the institutional area operates. Not complete.

Entity Abbreviation	Entity Name
ABDTIC	Associação Brasileira de Direito da Tecnologia da Informação e das Comunicações
ABR Telecom	Associação Brasileira de Recursos em Telecomunicações
Abrafix	Associação Brasileira de Concessionárias de Serviço Telefônico Fixo Comutado
ABTA	Associação Brasileira de Televisão por Assinatura
ACEL	Associação Nacional das Operadoras Celulares
Febratel	Federação Brasileira de Telecomunicações
GSMA	Groupe Speciale Mobile Association
Ibrac	Instituto Brasileiro de Estudos de Concorrência, Consumo e Comércio Internacional
Seta	Sindicato Nacional das Empresas Operadoras de Televisão por Assinatura e de Serviço de Acesso Condicionado
Sinditelebrasil	Sindicato Nacional das Empresas de Telefonia e de Serviços Móvel Celular e Pessoal
Telcomp	Associação Brasileira das Prestadoras de Serviços de Telecomunicações Competitivas
Telebrasil	Associação Brasileira de Telecomunicações



ENVIRONMENTAL MANAGEMENT

CHAPTER. 5

IMPACT MITIGATION

G4-EN27

In 2016, we proceeded with environmental management activities, through the effective implementation of the Company's environmental governance, established in 2015, and continuing the great advances recorded in 2014, when we created our Health, Safety and Environment (HSE) department. The focus on reducing the impacts of our operations, raising the awareness of our employees and cutting costs through a more appropriate strategy for the management of natural resources evolved and produced good results.

G4-EN6

In 2016, our operational highlight was once again our energy management. In mid-2015, we created the Energy Executive Area and, since then, have managed to significantly reduce energy consumption. In 2015, our energy consumption fell 5.53% compared with 2014 and, in 2016, it declined 2.58% compared with 2015. Savings came to approximately R\$ 41.99 million, considering the 2% growth in the Company's operations. In 2017, we plan to reduce energy consumption by 3.6%.

Scope 2 greenhouse gas emissions, related to the purchase of electricity, accounted for 63% of our total emissions in 2016, considering scope 1 + scope 2. The reduction in Oi's consumption combined with the decline in the emission factor of the National Interconnected System (SIN) led to a 36% reduction in scope 2 emissions compared with 2015.

G4-PR1

In 2016, we established a partnership for the launch of the *Oi Troca Fácil* offer, which grants discounts in the purchase of mobile phones at our stores in exchange for the customer's old handset. The used handsets are collected by one of our partners, carefully revised and tested by a team of specialized technicians and subsequently sold with three months' warranty. This offer follows a conscious consumption model that strays from the traditional, being concerned about environmental impacts and moving toward circular economy. A total of 11,617 handsets were exchanged in 2016.

We also mitigate the indirect impacts of our business by placing boxes for customers to dispose of cell phones, batteries and accessories in our stores. In addition, we collect batteries in our administrative facilities.

Energy savings came to approximately R\$ 41.99 million, considering the 2% growth in the Company's operations

The strategy of our Energy area is based on the following goals:

- I. To reduce energy costs;
- II. To plan and control energy consumption;
- III. To improve and optimize processes;
- IV. To introduce management procedures for processes and results related to energy consumption;
- V. To implement energy projects;
- VI. To create a culture of energy rationalization at the Company; and
- VII. To build closer ties with utilities.



ENERGY EFFICIENCY

In 2016, the Company carried out its main energy efficiency actions and projects.

War Room

- Weekly meetings attended by executives of the Energy and Operations areas with the goal of implementing actions designed to reduce energy consumption and promote the rational use of electricity at Oi's units.
- Primary focus: shutting down equipment and sites during idle time and using natural light and ventilation more effectively.
- Secondary focus: turning on equipment automatically on a local scale by installing timers and thermostats.
- Approval of approximately R\$ 1 million in the 2016 budget for the implementation of projects focusing on energy efficiency and consumption reduction, and plan to invest R\$ 2 million in 2017.

Energy Management System

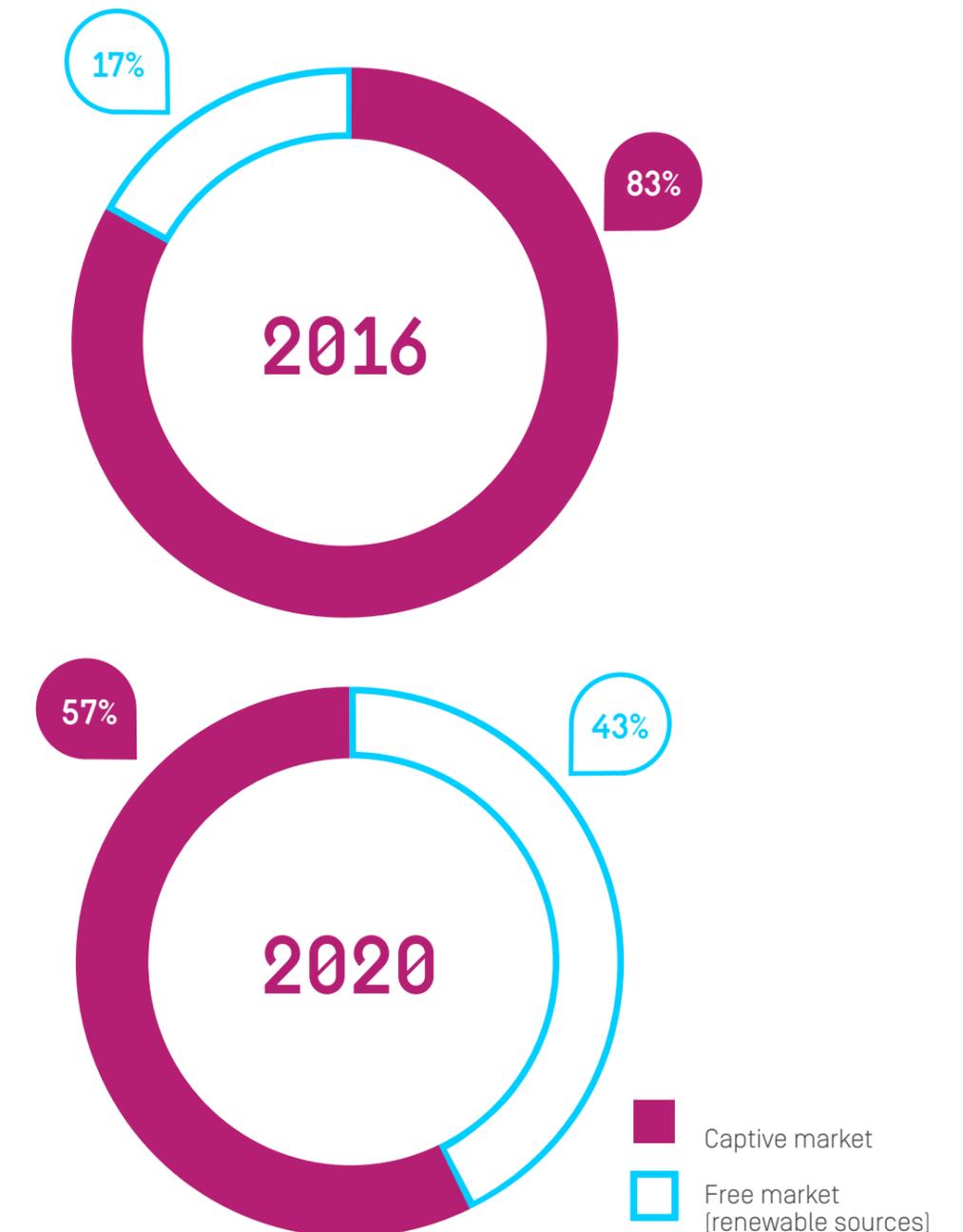
- We began the process to implement an energy management system that allows us to effectively manage energy consumption and online real-time demand at 200 sites, accounting for around 38% of the Company's energy consumption.
- Consumption savings are estimated at around R\$ 13 million/year at these sites.

Free market

- In 2016, 20 units migrated to the free market, representing more than 13,616 MWh of energy from renewable sources and another 99 units are expected to migrate in 2017, representing over 67,872 MWh in renewable energy.
- We expect 42.5% of the total energy consumed by the Company to come from renewable sources in 2020.

Learn about other environmental aspects related to our business and performance in 2016 in the annex to this publication (*learn more on page 70*).

Oi's energy consumption mix



SOCIAL REPORT

1 – Basis of calculation	2015 – R\$ thousand	2016 – R\$ thousand
Net Revenue [NR]	27,353,765	25,996,423
Operating Result [OR]	-6,054,610	-3,236,328
Gross Payroll [GP]	2,442,570	2,536,981
Total Value Added [TVA]	22,363,828	15,903,630

2 – Internal social indicators	2015				2016			
	R\$ thousand	% of	% of	% of	R\$ thousand	% of	% of	% of
		GP	NR	TVA		GP	NR	TVA
Meals	188,518	7.72%	0.69%	0.84%	201711	7.95%	0.78%	1.27%
Payroll taxes and benefits	493,396	20.20%	1.80%	2.21%	546978	21.56%	2.10%	3.44%
Private pension plan	58,286	2.39%	0.21%	0.26%	57698	2.27%	0.22%	0.36%
Health	146,424	5.99%	0.54%	0.65%	162445	6.40%	0.62%	1.02%
Occupational health and safety	13,463	0.55%	0.05%	0.06%	8437	0.33%	0.03%	0.05%
Education	0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
Culture	0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
Professional training and development	4,261	0.17%	0.02%	0.02%	9574	0.38%	0.04%	0.06%
Daycare or daycare assistance	11,723	0.48%	0.04%	0.05%	11831	0.47%	0.05%	0.07%
Sports	0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
Profit sharing	214,375	8.78%	0.78%	0.96%	84000	3.31%	0.32%	0.53%
Transport	42,506	1.74%	0.16%	0.19%	41424	1.63%	0.16%	0.26%
Other	12,172	0.50%	0.04%	0.05%	17005	0.67%	0.07%	0.11%
Total – Internal social indicators	1,185,125	48.52%	4.33%	5.30%	1141104	44.98%	4.39%	7.18%

3 – External social indicators	2015				2016			
	R\$ thousand	% of	% of	% of	R\$ thousand	% of	% of	% of
		OR	NR	TVA		OR	NR	TVA
Education	16,478	-0.27%	0.06%	0.07%	8,907	-0.28%	0.03%	0.06%
Culture	57,122	-0.94%	0.21%	0.26%	36,071	-1.11%	0.14%	0.23%
Health and sanitation	126	0.00%	0.00%	0.00%	83	0.00%	0.00%	0.00%
Sports	28,983	-0.48%	0.11%	0.13%	21,621	-0.67%	0.08%	0.14%
Combating hunger and supporting food security	486	-0.01%	0.00%	0.00%	197	-0.01%	0.00%	0.00%
Sector indicator	-	-	-	-	-	-	-	-
Other	8,536	-0.14%	0.03%	0.04%	8,345	-0.26%	0.03%	0.05%
Total contributions to society	111,731	-1.85%	0.41%	0.50%	75,225	-2.32%	0.29%	0.47%
Taxes (excluding social contributions)	8,384,978	-138.49%	30.65%	37.49%	11,230,516	-347.01%	43.20%	70.62%
Total – External social indicators	8,608,439	-142.18%	31.47%	38.49%	11,380,965	-351.66%	43.78%	71.56%

4 – Environmental indicators	2015				2016			
	R\$ thousand	% of	% of	% of	R\$ thousand	% of	% of	% of
		OR	NR	TVA		OR	NR	TVA
4.1 – Investments related to the company's production/operations								
Land expropriation	0	0.00%	0.00%	0.00%	0			
Environmental liabilities and contingencies	0	0.00%	0.00%	0.00%	0			
Technological and industrial development program	729	-0.01%	0.00%	0.00%	0	0.00%	0.00%	0.00%
Energy conservation	892	-0.01%	0.00%	0.00%	1,570	-0.05%	0.01%	0.01%
Environmental education	0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
Sector indicator	0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
Other	0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
Total investments related to the company's production/operations	1,621	-0.03%	0.01%	0.01%	1,570	-0.05%	0.01%	0.01%
4.2 – Investments in external programs and/or projects								
Community environmental education projects	738	-0.01%	0.00%	0.00%	366	-0.01%	0.00%	0.00%
Preservation and/or recovery of degraded environments	0				0	0.00%	0.00%	0.00%
Other	0				0	0.00%	0.00%	0.00%
Total investments in external programs and/or projects	738	-0.01%	0.00%	0.00%	366	-0.01%	0.00%	0.00%
Total investments in the environment [4.1 + 4.2]	2,359	-0.04%	0.01%	0.01%	1,936	-0.06%	0.01%	0.01%

Distribution of investments in the environment	2015		2016	
	R\$ thousand	% of the total	R\$ thousand	% of the total
Total investments in environmental prevention initiatives	127	0.00	0	0
Total investments in environmental maintenance initiatives	0	0.00	0	0
Total investments in environmental compensation initiatives	765	0.00	0	0
Number of environmental, administrative and court proceedings filed against the entity:	126		814	
Amount of the fines and indemnifications related to environmental issues resulting from administrative and/or court proceedings:	Not reported		Not reported	
Regarding the establishment of annual targets for minimizing waste and consumption in general during production/operations in order to increase effectiveness in the use of natural resources, the company:	<input type="checkbox"/> has no targets <input type="checkbox"/> meets from 0% to 50% <input type="checkbox"/> meets from 51% to 75% <input checked="" type="checkbox"/> meets from 76% to 100%		<input type="checkbox"/> has no targets <input type="checkbox"/> meets from 0% to 50% <input type="checkbox"/> meets from 51% to 75% <input checked="" type="checkbox"/> meets from 76% to 100%	

5 – Workforce indicators	2015	2016
	In units	In units
Number of employees at the end of the period	16,557	14,431
Number of employees hired in the period	2,497	2,154
Number of employees departed in the period	4,272	4,291
Number of outsourced employees	125,816	116,460
Number of interns	346	340
Number of employees over 45 years old	3,886	2984
Number of employees by age:		
Under 18 years old	0	0
Between 18 and 35 years old	7,095	6629
Between 36 and 45 years old	5,589	4818
Between 46 and 60 years old	3,432	2659
Over 60 years old	441	325

5 – Workforce indicators	2015	2016
	In units	In units
Number of employees by level of education:		
Illiterates	0	0
Middle school	25	67
High school/vocational education	7,564	6412
College degree	7,277	6447
Postgraduate degree	1,691	1505
Number of women working at the company	6,035	5,394
Percentage of senior positions held by women	27%	28%
Number of men working at the company	10,522	9,037
Percentage of senior positions held by men	73%	72%
Number of black people working at the company	Not reported	Not reported
Percentage of senior positions held by black people	Not reported	Not reported
Number of employees with disabilities or special needs	355	290
Gross remuneration divided by:		
Employees	Not reported	Not reported
Members of management	Not reported	Not reported
Difference between the lowest salary paid by the company and the [national or regional] minimum wage:		
Difference between the lowest salary paid by the company and the minimum wage	72	210
Source	FPW payroll	FPW payroll

6 – Relevant information regarding the exercise of corporate citizenship	2015	2016
Ratio between the company's highest and lowest compensation	Not reported	Not reported
Total number of occupational accidents	84	105
The social and environmental projects developed by the company were developed by:	<input type="checkbox"/> Senior management <input checked="" type="checkbox"/> Senior and mid-level management <input type="checkbox"/> All employees	<input type="checkbox"/> Senior management <input checked="" type="checkbox"/> Senior and mid-level management <input type="checkbox"/> All employees
The health and safety standards in the workplace were defined by:	<input type="checkbox"/> Senior management <input checked="" type="checkbox"/> Senior and mid-level management <input type="checkbox"/> All employees <input type="checkbox"/> All + CIPA (Internal Accident Prevention Committee)	<input type="checkbox"/> Senior management <input checked="" type="checkbox"/> Senior and mid-level management <input type="checkbox"/> All employees <input type="checkbox"/> All + CIPA (Internal Accident Prevention Committee)
Regarding freedom of association, the right to collective bargaining and internal representation of workers, the company:	<input checked="" type="checkbox"/> Does not get involved <input type="checkbox"/> Follows ILO standards <input type="checkbox"/> Encourages and follows ILO standards	<input checked="" type="checkbox"/> Does not get involved <input type="checkbox"/> Follows ILO standards <input type="checkbox"/> Encourages and follows ILO standards
Private pension applies to:	<input type="checkbox"/> Senior management <input type="checkbox"/> Senior and mid-level management <input checked="" type="checkbox"/> All employees	<input type="checkbox"/> Senior management <input type="checkbox"/> Senior and mid-level management <input checked="" type="checkbox"/> All employees
Profit sharing applies to:	<input type="checkbox"/> Senior management <input type="checkbox"/> Senior and mid-level management <input checked="" type="checkbox"/> All employees	<input type="checkbox"/> Senior management <input type="checkbox"/> Senior and mid-level management <input checked="" type="checkbox"/> All employees
In the selection of suppliers, the same ethics and social and environmental responsibility standards adopted by the company	<input type="checkbox"/> Are not taken into account <input type="checkbox"/> Are suggested <input checked="" type="checkbox"/> Are required	<input type="checkbox"/> Are not taken into account <input type="checkbox"/> Are suggested <input checked="" type="checkbox"/> Are required
Regarding employees' participation in volunteering programs, the company:	<input type="checkbox"/> Does not get involved <input type="checkbox"/> Supports <input checked="" type="checkbox"/> Organizes and encourages	<input type="checkbox"/> Does not get involved <input checked="" type="checkbox"/> Supports <input type="checkbox"/> Organizes and encourages

6 – Relevant information regarding the exercise of corporate citizenship	2015		2016	
Number of customer complaints and criticisms:	At the company	Not reported	At the company	Not reported
	At Procon	Not reported	At Procon	Not reported
	In court	Not reported	In court	Not reported
Percentage of resolved complaints and criticisms:	At the company	Not reported	At the company	Not reported
	At Procon	Not reported	At Procon	Not reported
	In court	Not reported	In court	Not reported
Total fines and indemnifications to clients as a result of orders by courts or consumer protection or defense agencies:	At Procon	Not reported	At Procon	Not reported
	In court	Not reported	In court	Not reported
Measures taken by the entity to solve or minimize the causes of complaints:				
Number of labor proceedings filed against the entity:		43,394		37,008
Upheld		NA*		NA*
Dismissed		NA*		NA*
Total fines and indemnifications paid as a result of court orders:		Not available		Not available
Total value added to distribute [R\$ thousand]:		22,364		15,904
Distribution of Value Added [DVA]:	R\$ thousand	% of the total	R\$ thousand	% of the total
Government	8,551	38.2	11,560	72.7
Employees	2,443	10.9	2,537	16
Shareholders	-413	0	-178	0
Third Parties	16,951	75.8	8,928	56.1
Retained	-5,168	-23.1	-6,944	-43.7

7 – Other information

In item 3 “Others”, we considered the Sustainability line (support for Community Development projects and Environment and Biodiversity). The Administrative Structure of Oi Futuro was also considered – support areas (Communication, HR, Finance, Planning, Assets and Sponsorship Processing).

In items 4.1 “Technological and industrial development program” and 4.1 “Energy conservation”, we adjusted the amounts disclosed in the last report, which were denominated in reais (R\$), contrary to what was indicated in the table’s header (R\$ thousand).

In item 4.2 “Number of environmental, administrative, and court proceedings filed against the company”, only the ADMINISTRATIVE proceedings are informed. The COURT proceedings will not be reported due to a Management/Strategic decision.

In “Number of black people and %” of item 5, Oi does not collect the information according to IBGE’s criterion (self-declaration) in the system. “Total number of accidents” – We will not disclose the numbers as a management/strategic decision.

Regarding item 6*, more specifically in relation to the number of cases considered “upheld”/“dismissed”, it is not possible to provide this information because the absolute majority of the proceedings are “partly upheld”.

The comparative Financial Statements of December 31, 2015 were retrospectively adjusted in order to reflect the effects of net assets related to the accounting treatment of the goodwill of assets recorded in TmarPart’s non-current assets, as of September 1, 2015, when TmarPart’s merger by Oi was approved. The accounting treatment of the goodwill of assets was the object of the material fact disclosed by the Company on August 1, 2016.

Pursuant to ICPC 09 (R2), items 77 and 78 and CVM Instruction 319/1999, on December 7, 2015, the Company filed a technical consultation with the CVM and, on July 29, 2016, received Official Letter 149/2016-CVM/SEP/GEA-5 from the Superintendence of Corporate Relations of the Brazilian Securities and Exchange Commission (SEP), containing the SEP’s statement with respect to the Company’s consultation concerning the treatment of goodwill. In the SEP’s understanding, “goodwill should not be lowered for TmarPart but maintained in assets to be incorporated into Oi, respecting the base valuation of the net assets acquired under the business combination between independent parties that took place at the time of the acquisition of Brasil Telecom S.A.” The Company filed an appeal with the CVM Committee challenging the decision, pursuant to CVM Resolution 463/2003 of August 15, 2016.

At the close of 2016, the Company reassessed the situation in question and, taking into account the conclusions of said official letter, restated its financial statements for the fiscal year ended December 31, 2015.

GRI CONTENT INDEX G4-32

Indicator	Information or page	Connection with the Global Compact Commitment	Omissions	Process materiality
Strategy and Analysis				
G4-1	Message from Management	6		Immaterial
G4-2	Description of key impacts, risks and opportunities	3, 19		Material
Organizational Profile				
G4-3	Name of the organization	3		Immaterial
G4-4	Primary brands, products and/or services	10, 11		Material
G4-5	Location of the organization's headquarters	69		Immaterial
G4-6	Number of countries where the organization operates	11		Immaterial
G4-7	Nature of ownership and legal form of the organization	3		Immaterial
G4-8	Markets served	10, 11		Material
G4-9	Scale of the organization	10, 11, 22, 30		Material
G4-10	Employees' profile	30		Material
G4-11	Percentage of total employees covered by collective bargaining agreements	100% of Oi's employees are covered by collective bargaining agreements.		Immaterial
G4-12	Description of the organization's supply chain	34		Material
G4-13	Significant changes during the reporting period regarding the organization's structure	13		Material
Commitments to external initiatives				
G4-14	Description of whether and how the precautionary approach or principle is addressed by the organization	41		Immaterial
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	3, 35		Immaterial
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: holds a position on the governance body; participates in projects or committees; provides substantive funding beyond routine membership dues	41		Immaterial

Indicator	Information or page	Connection with the Global Compact Commitment	Omissions	Process materiality
Material Aspects Identified and Limits				
G4-17	Entities included in the consolidated financial statements	The Report and the Financial Statements cover Oi S.A. and its subsidiaries; however, the social and environmental indicators are related only to the Parent Company since those aspects are not managed by its subsidiaries.		Immaterial
G4-18	Process for defining the report content and the aspect boundaries	3		Immaterial
G4-19	All material aspects identified in the process for defining report content	5		Immaterial
G4-20	For each material aspect, the aspect boundary within the organization	5		Immaterial
G4-21	For each material aspect, the aspect boundary outside the organization	5		Immaterial
G4-22	Effect of any restatements of information provided in previous reports	Restatements are contextualized and explained in the respective indicators.		Immaterial
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	There were no significant changes in scope and thresholds of material aspects in relation to previous years.		Immaterial
Stakeholders Engagement				
G4-24	Stakeholder groups engaged by the organization	4		Immaterial
G4-25	Basis for identification and selection of stakeholders with whom to engage	3		Immaterial
G4-26	Organization's approach to stakeholder engagement, including frequency of engagement	3		Immaterial
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to them	5		Immaterial

Indicator	Information or page	Connection with the Global Compact Commitment	Omissions	Process materiality
Report Profile				
G4-28	Reporting period	3		Immaterial
G4-29	Date of most recent previous report	2015		Immaterial
G4-30	Reporting cycle	Annual		Immaterial
G4-31	Contact point for questions regarding the report or its content	5		Immaterial
G4-32	"In accordance" option chosen (core or comprehensive), GRI Content Index and external assurance	3, 53		Immaterial
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report	The report was not externally assured.		Immaterial
Governance				
Governance Structure and Composition				
G4-34	Governance structure of the organization, including committees	14		Material
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	15		Immaterial
G4-36	Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	Compliance Executive Area		
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body	Stakeholders can access the highest governance body through the Ombudsman's Office and the whistleblower channel since the Committees that manage the contacts of those channels have access and report directly to the Board of Directors.		Material
G4-38	Composition of the highest governance body and its committees	14		Material
G4-39	Whether the Chair of the highest governance body is also an executive officer	The Chairman of the Board of Directors is not an Executive Officer.		Material

Indicator	Information or page	Connection with the Global Compact Commitment	Omissions	Process materiality
G4-40	Nomination and selection processes for the highest governance body and its committees, and whether criteria such as diversity, independence, expertise and experience and stakeholder engagement (including shareholders) are considered	The members of the Board of Directors are elected at an Annual General Meeting (AGO), and the Board elects the members of its advisory committees.		Material
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	The Company's Bylaws and the Internal Regulations of the Board of Directors establish criteria that prevent the election of members of the Board of Directors with interests in conflict with those of the Company and require members of the Board of Directors to report any perceived conflicts.		Material
Highest governance body's role in setting purpose, values, and strategy				
G4-42	Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	15		Material
Highest governance body's competencies and performance evaluation				
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	15		Material
G4-44	Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics	In 2017, the management performance evaluation forms and the schedule for the implementation of the stages of the management performance program will be evaluated by the Board of Directors of Oi S.A. - Under Judicial Reorganization.		Material
Highest governance body's role in risk management				
G4-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	19		Material
G4-46	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	15, 19		Material

Indicator	Information or page	Connection with the Global Compact Commitment	Omissions	Process materiality
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	The Company reports its earnings results to the market and the Board reviews Oi's risks and opportunities at least on a quarterly basis.		Material
Highest governance body's role in sustainability reporting				
G4-48	Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	The Report was approved by the Company's senior management		Material
Highest governance body's role in evaluating economic, environmental and social performance				
G4-49	Process for communicating critical concerns to the highest governance body	15		Material
G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	15		Material
Ethics and Integrity				
G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	25	10	Material
G4-57	Organization's internal and external mechanisms for seeking advice on ethical and lawful behavior, such as helplines or advice lines	25		Material
G4-58	Organization's internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	25		Material
Category Economic				
Aspect Economic Performance				
G4-DMA	Type of management	22		
G4-EC1	Direct economic value generated and distributed	22		Immaterial
G4-EC4	Financial assistance received from government	37		Immaterial

Indicator	Information or page	Connection with the Global Compact Commitment	Omissions	Process materiality
Aspect Market Presence				
G4-DMA	Type of management	70		
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	The purpose of all Oi's selection processes is to find and hire the best applicants regardless of the vacant position and the unit. For more information, see page 70.	6	Immaterial
Aspect Indirect Economic Impacts				
G4-DMA	Type of management	36, 37, 41		
G4-EC7	Development and impact of infrastructure investments and services supported	36, 41		Immaterial
G4-EC8	Significant indirect economic impacts, including the extent of impacts	37		Immaterial
Aspect Procurement Practices				
G4-DMA	Type of management	34		
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	34		Immaterial
Category Environmental				
Aspect Materials				
G4-DMA	Type of management	44		
G4-EN1	Materials used by weight or volume	71	7 and 8	Immaterial
G4-EN2	Percentage of materials used that are recycled input materials	71	8	Immaterial
Aspect Energy				
G4-DMA	Type of management	44, 45		
G4-EN3	Energy consumption within the organization	71	8	Immaterial
G4-EN5	Energy intensity	71	8	Immaterial

Indicator		Information or page	Connection with the Global Compact Commitment	Omissions	Process materiality
G4-EN6	Reduction of energy consumption	44	8		Immaterial
G4-EN7	Reductions in energy requirements of products and services	71	8 and 9		Immaterial
Aspect Water					
G4-DMA	Type of management	72			
G4-EN8	Total water withdrawal by source	72	7 and 8		Immaterial
Aspect Biodiversity					
G4-DMA	Type of management	72			
G4-EN13	Habitats protected or restored	72	7 and 8		Immaterial
Aspect Emissions					
G4-DMA	Type of management	44, 72, 73			
G4-EN15	Direct greenhouse gas [GHG] emissions [Scope 1]	72	7 and 8		Immaterial
G4-EN16	Energy indirect greenhouse gas [GHG] emissions [Scope 2]	72	8		Immaterial
G4-EN17	Other indirect greenhouse gas [GHG] emissions [Scope 3]	72	8		Immaterial
G4-EN18	Greenhouse gas [GHG] emissions intensity	72	8		Immaterial
G4-EN19	Reduction of greenhouse gas [GHG] emissions	73	8 and 9		Immaterial
G4-EN20	Emissions of ozone-depleting substances [ODS]	73	8		Immaterial
Aspect Effluents and Waste					
G4-DMA	Type of management	73			
G4-EN23	Total weight of waste by type and disposal method	73	8		Immaterial
G4-EN25	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	73	8		Immaterial

Indicator		Information or page	Connection with the Global Compact Commitment	Omissions	Process materiality
Aspect Products and Services					
G4-DMA	Type of management	44, 73, 74			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	73	7, 8 and 9		Immaterial
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	74	8	The percentage in relation to all the products is not presented as the only information on reclaimed products refers to Oi TV's decoders. This information is not scheduled to be disclosed.	Immaterial
Aspect Compliance					
G4-DMA	Type of management	74			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	74	8	This information was not published because it is confidential and it is not scheduled to be reported.	Immaterial
Aspect Transport					
G4-DMA	Type of management	74			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	74	7, 8 and 9		Immaterial

Indicator	Information or page	Connection with the Global Compact Commitment	Omissions	Process materiality
Aspect Overall				
G4-DMA	Type of management	74		
G4-EN31	Total environmental protection expenditures and investments by type	74	7	Immaterial
Aspect Environmental Grievance Mechanisms				
G4-DMA	Type of management	74		
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	74	8	Immaterial
Category Social: Labor Practices and Decent Work				
Aspect Employment				
G4-DMA	Type of management	75, 76		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	75	6	Immaterial
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	76		Immaterial
Aspect Labor/Management Relations				
G4-DMA	Type of management	76		
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	76	3	Immaterial
Aspect Occupational Health and Safety				
G4-DMA	Type of management	32		
G4-LA5	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	32		Material

Indicator	Information or page	Connection with the Global Compact Commitment	Omissions	Process materiality
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	33		Material
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	32		Material
G4-LA8	Health and safety topics covered in formal agreements with trade unions	32		Material
Aspect Training and Education				
G4-DMA	Type of management	31		
G4-LA9	Average hours of training per year per employee by gender, and by employee category	31	6	Immaterial
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	31	6	Immaterial

Indicator	Information or page	Connection with the Global Compact Commitment	Omissions	Process materiality
Aspect Diversity and Equal Opportunit				
G4-DMA	Type of management	76		
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	76	6	Immaterial
Aspect Equal Remuneration for Women and Men				
G4-DMA	Type of management	77		
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	77	6	Immaterial
Aspect Labor Practices Grievance Mechanisms				
G4-DMA	Type of management	77		
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	77	1, 2, 4, 5 and 6	Immaterial
Category Social: Human Rights				
Aspect Investment				
G4-DMA	Type of management	77		
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	77	1	Immaterial
Aspect Non-discrimination				
G4-DMA	Type of management	77		
G4-HR3	Total number of incidents of discrimination and corrective actions taken	77		Immaterial

Indicator	Information or page	Connection with the Global Compact Commitment	Omissions	Process materiality
Aspect Freedom of Association and Collective Bargaining				
G4-DMA	Type of management	34, 77		
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	77	3	Immaterial
Aspect Child Labor				
G4-DMA	Type of management	34, 77		
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	77	5	Immaterial
Aspect Forced or Compulsory Labor				
G4-DMA	Type of management	34, 77		
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	77	4	Immaterial
Aspect Indigenous Rights				
G4-DMA	Type of management	77		
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	77	1 and 2	Immaterial
Aspect Supplier Human Rights Assessment				
G4-DMA	Type of management	34		
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	34	1 and 2	Immaterial
Aspect Human Rights Grievance Mechanisms				
G4-DMA	Type of management	77		
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	77	1 and 2	Immaterial

Indicator	Information or page	Connection with the Global Compact Commitment	Omissions	Process materiality
Category Social: Society				
Aspect Local Communities				
G4-DMA	Type of management	37		
G4-S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs	37	1	The percentage of operations is not specifically published. The Company is considering monitoring and reporting this information, but has no scheduled date to start.
Aspect Anti-corruption				
G4-DMA	Type of management	15, 78		
G4-S04	Communication and training on anti-corruption policies and procedures	78	10	Immaterial
G4-S05	Confirmed incidents of corruption and actions taken	78	10	Immaterial
Aspect Public Policy				
G4-DMA	Type of management	41		
G4-S06	Total value of political contributions by country and recipient/beneficiary	41	10	Immaterial
Aspect Anti-competitive Behavior				
G4-DMA	Type of management	78		
G4-S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	78		Immaterial

Indicator	Information or page	Connection with the Global Compact Commitment	Omissions	Process materiality
Aspect Grievance Mechanisms for Impacts on Society				
G4-DMA	Type of management	78		
G4-S011	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	78		Immaterial
Category Social: Product Responsibility				
Aspect Customer Health and Safety				
G4-DMA	Type of management	35, 44		
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	35, 44		Immaterial
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	35		Immaterial
Aspect Product and Service Labeling				
G4-DMA	Type of management	28		
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	28		Immaterial
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	78	In 2015, the Company was fined R\$ 47,981.36 in a 2012 lawsuit, tried in 2015, related to undue billing and violation of users' rights.	Material
G4-PR5	Results of surveys measuring customer satisfaction	11		Material

Indicator	Information or page	Connection with the Global Compact Commitment	Omissions	Process materiality
Aspect Marketing Communications				
G4-DMA	Type of management	67		
G4-PR6	Sale of banned or disputed products	Oi does not sell banned products. The industry is tightly regulated, and ANATEL is strict with carriers.		Material
G4-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	Throughout 2016, the Company complied with CONAR's (<i>Conselho Nacional de Autorregulamentação Publicitária</i> , or Brazilian National Council for Advertising Self-Regulation) Code of Ethics in its promotion and advertising, as well as the principles of honesty and transparency toward consumers. Three complaints were filed against Oi, of which two were dismissed and one led to a ruling, which the Company has complied with. In the latter case, one of the Company's communications failed to state how long customers had to keep the plan for, and the Company promptly provided this information.		Material

Indicator		Information or page	Connection with the Global Compact Commitment	Omissions	Process materiality
Aspect Customer Privacy					
G4-DMA	Type of management	29			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	29			Material
Aspect Compliance					
G4-DMA	Type of management	68			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	<p>In 2016, the Company was fined R\$ 439,542.90 in a lawsuit filed in 2015 and tried in 2016 related to the undue billing of calls between mobile stations in the same Registration Area (11) within this Area as VC2 instead of VC1, in non-compliance with items III and XII of article 6 combined with article 25 of the Personal Mobile Service Regulations, approved by Resolution 477, of August 7, 2007, combined with items I and III of article 127 of Law 9472, of July 16, 1997.</p>			Material

CORPORATE INFORMATION AND CREDITS

G4-5

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Stock Exchange

B3 – Brasil, Bolsa, Balcão (BM&FBovespa)
Ticker symbols: Oi S/A | OIBR3 and OIBR4 (on December 31, 2016)
New York Stock Exchange (NYSE) in the U.S.
ADR symbol: OIBR.C (on December 31, 2016)
OTC Markets - Pink Open Market in the U.S.
ADR symbol: OIBRQ (on December 31, 2016)

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Credits

Coordination and text

Chief Financial Officer | Compliance Officer | Sustainability and Integrity Division

Graphic design

MZ GROUP”

Independent auditors [on December 31, 2016]

KPMG Auditores Independentes | SEC e CVM

External assurance of the GHG Inventory

ABNT, accredited by Inmetro

ANNEX I – ADDITIONAL INDICATORS

This document, an integral part of Oi's Annual Sustainability Report, presents indicators reported previously as complementary information to the material topics covered in the main publication.

Below are our performance indicators based on GRI's G4 guidelines. They bring information about our operations and our subsidiaries' operations from January 1, 2016 to December 31, 2016.

To learn more about Oi and the relevant aspects of our current sustainability strategy, read our Annual Sustainability Report, available on: www.oi.com.br/ri

Economic dimension

G4-EC5 – Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation

The differences in average salaries by employee category are explained by different professional development levels and length of service. We do not use the national minimum wage as the basis for our employees' compensation and our wage floor was set at R\$ 1,090.00 in 2016. The lowest salary paid by the Company in 2016 was 23.9% higher than the national minimum wage.

State	2016		
	Male	Female	Consolidated
Acre	119%	118%	118%
Alagoas	103%	128%	103%
Amapá	113%	163%	113%
Amazonas	125%	100%	100%
Bahia	100%	100%	100%
Ceará	103%	101%	101%
Federal District	114%	101%	101%
Espírito Santo	103%	112%	103%
Goiás	113%	111%	111%
Maranhão	103%	105%	103%
Mato Grosso	105%	105%	105%
Mato Grosso do Sul	109%	111%	109%
Minas Gerais	100%	100%	100%
Pará	100%	100%	100%

State	2016		
	Male	Female	Consolidated
Paraíba	112%	100%	100%
Paraná	100%	111%	100%
Pernambuco	101%	101%	101%
Piauí	112%	105%	105%
Rio de Janeiro	100%	100%	100%
Rio Grande do Norte	103%	101%	101%
Rio Grande do Sul	109%	100%	100%
Rondônia	101%	144%	101%
Roraima	101%	147%	101%
Santa Catarina	100%	105%	100%
São Paulo	107%	107%	107%
Sergipe	120%	146%	120%
Tocantins	109%	119%	109%

Note: A ratio of 150%, for example, means that the lowest wage is 50% higher than the Brazilian national minimum wage. We are present throughout Brazil; therefore, we do not use the classification "important units" and present the information by state.

Environmental dimension

G4-EN1 - Materials used by weight or volume

Materials used by type	2014	2015	2016
Packaging materials			
Bags purchased for use in store sales (in units)	467,500	112,000	300,000
Interoffice mail envelopes (in units)	60,000	0	10,000
Cardboard boxes for shipping products and coils of corrugated cardboard (in tonnes)	45.45	101.00	80.45
Materials used in operations			
Metal cables (in meters)	583,953	10,788,446	12,134,366
Optical cables (in meters)	12,065,311	11,240,147	7,865,793
Splice closure (in units)	218,051	294,437	439,114
Wires (in meters)	186,834,000	123,946,511	224,918,500
Terminals (in units)	2,024,819	1,173,535	1,947,346

G4-EN2 - Percentage of materials used that are recycled input materials

Volume of recycled materials used	2014	2015	2016
Metal cables (in meters)	3,051,336	2,127,525	13,260,079
Optical cables (in meters)	1,383,682	235,000	7,609,919
Splice closure (in units)	181,133	N.A.	531,448
Wires (in meters)	147,014,815	189,261	235,470,500
Terminals (in units)	109,841	N.A.	2,254,945

G4-EN3 - Energy consumption within the organization

Direct energy purchased and consumed [GJ]	2014	2015	2016
Local power grid	5,247,375	4,924,414	4,839,258
Free market	1,019,130	996,447	994,639
Total energy purchased	6,266,504	5,920,861	5,833,897

The energy consumed by Oi is broken down into energy purchased from utilities, which accounts for around 83% of total energy consumed, and energy purchased from the free market. We consumed 1,601.88 GWh in 2016. Our goal is to reduce energy consumption by 3.6% in 2017.

G4-EN5 - Energy intensity

The Energy Division started monitoring the energy intensity indicator in 2015, based initially on the ratio between energy consumption and the number of employees.

In 2016, the result was 10MWh consumed per employee on average per month. The analysis of energy consumption showed that it fluctuated in line with annual seasonality. Although the number of employees fell slightly during the year, consumption per employee increased in 2016, but the variation was immaterial.

Oi is an energy-intensive company, which means that equipment accounts for most of our energy consumption. As a result, the reduction in headcount does not significantly impact energy consumption. Based on this information, we conclude that we have to work on this indicator to be able to set effective goals.

G4-EN7 - Reductions in energy requirements of products and services

We do not have separate measurements of those reductions due to the difficulty in obtaining related data. We have no strategy or scheduled date to disclose tentative results yet. In fact, we are going to study energy intensity indicators used in our industry to develop an action plan.

G4-EN8 - Total water withdrawal by source

Consumption [m ³]	2014	2015	2016
Groundwater	44,477	67,967	75,585
Rainwater	85	25,088	11,355
Municipal water supplies or other	992,938	1,417,395*	1,751,707
Total	1,037,500	1,510,450	1,838,647

*2015 figure adjusted based on the assessment by the Property area.

In 2017, we will continue investing in our employees' awareness and introducing practices intended to reduce water consumption. We use groundwater and rainwater not because there is no municipal service available, but in order to allow a reduction in the use of concessionaire water to clean patios, preserve gardens and supply bathrooms, among other uses.

In 2017, we plan to reduce the consumption of water supplied by the municipal network by 5%.

G4-EN13 - Habitats protected or restored

In 2016, we launched the Prad (*Plano de Recuperação de Área Degradada*, or Damaged Land Recovery Plan), agreed upon with Ibama (*Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis*, or Brazilian Institute of Environment and Renewable Natural Resources), related to the backbone project in Amapá, Manaus and Boa Vista, meeting Ibama's requests and ensuring environmental compliance in the underwater crossing of fiber optic cable and cable grounding in Juruena and Juara, both in Mato Grosso.

In 2017, we expect to prepare and present the Prad for Oiapoque to Calçoene, in Amapá, and finalize the environmental compliance process for the fiber optic and telephone network on BR 230 highway, KM 115.87, in Várzea Alegre, in Ceará.

G4-EN15 - Direct greenhouse gas (GHG) emissions (scope 1)

G4-EN16 - Energy indirect GHG emissions (scope 2)

G4-EN17 - Other indirect GHG emissions (scope 3)

Since 2009, we have been annually mapping our direct and indirect emissions in our inventory of GHG emissions, filed voluntarily with the public registry of emissions of the Brazil GHG Protocol Program (the methodology used to prepare the inventory) and the Carbon Disclosure Project (CDP).

G4-EN15, G4-EN16

Direct and indirect emissions – scopes 1 and 2 [tCO ₂ e]	2014	2015	2016
Scope 1 (generators, own fleet and cooling gases)	41,108.47	47,040.64	77,172.78
Scope 2 (electricity purchased and consumed)	235,131.25	203,105.17	130,527.61
Total	276,239.72	250,145.82	207,700.39

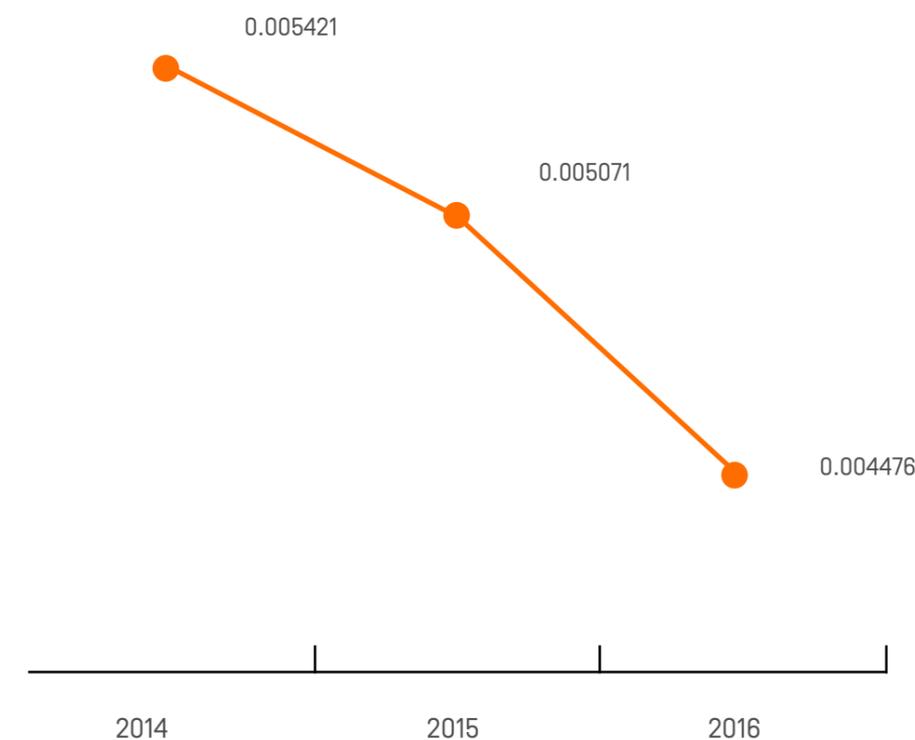
G4-EN17

Indirect emissions – scope 3 (tCO ₂ e)	2014	2015	2016
Goods and services purchased	75,066.90	79,113.46	41,605.43
Activities related to fuel and energy not included in scopes 1 and 2	-	1,887.90	1,964.76
Transportation and upstream distribution	35,789.24	4,956.80	13,803.24
Business travel	5,513.12	4,771.10	3,950.80
Commuting	11,251.72	14,375.51	15,453.36
Total	127,620.98	105,104.76	76,777.59

*Related to energy consumption from condominium apportionment.

G4-EN18 - GHG emission intensity

In 2013, we developed a specific indicator for the telecommunications industry – emissions (tonnes of CO₂e) per Revenue Generating Unit (RGU) – jointly with other telcos. In 2016, our emission intensity totaled 0.004476 tonnes of CO₂e per RGU, 12% lower than in the previous year.



G4-EN19 – Reduction of GHG emissions

The figures for our GHG emissions in 2016 show our continuous progress regarding Climate Change. Our strong commitment to reducing overall costs was crucial for the results achieved.

The 64% increase in our scope 1 emissions was caused by the 112% upturn in emissions from mobile sources. The growth recorded in this category and the consequent 47% reduction in emissions from purchased goods and services under our scope 3 inventory was due to the absorption of Rede Conecta (formerly RM), which used to be a network service provider until June 2016 and whose emissions were recorded in this category. The geographic expansion of SEREDE's operations (now an Oi company) also contributed to increasing the mobile source category in scope 1 of our GHG emission inventory.

The reduction in Oi's consumption combined with the decline in the emission factor of the National Interconnected System (SIN) led to a 36% reduction in scope 2 emissions compared with 2015.

In scope 3, in addition to the above-mentioned reduction in emissions from purchased goods and services, we also observed a substantial reduction in the business travel category. The 17% decline in the category was due to emission reductions of 14%, 12% and 14% related to the use of taxis, vans and air travel, respectively. This was the result of the Company's strong focus on cost reduction and efficient use of resources.

G4-EN20 - Emissions of ozone-depleting substances [ODS]

Emissions of ozone-depleting substances [TCFC11E]	2014	2015	2016
HCFC 22 ⁽¹⁾	2.3654	2.0295	3.916
HCFC 141b ⁽²⁾	0.8336	0.2311	0.645

⁽¹⁾Considering an Ozone Depletion Potential [ODP] of 0.055.
⁽²⁾Considering an ODP of 0.11.

G4-EN23 - Total weight of waste by type and disposal method

Non-hazardous waste by type and disposal method	2014	2015	2016
Landfill (in tonnes)	985	511	129
Recycling through selective waste collection in administrative facilities (in tonnes)	4,982	4,592	4,627
Recycling through scrap sale (in tonnes)	2,756	6,497	2,188
Recycling of handsets, accessories and batteries (in items) ⁽¹⁾	3,151	16,086	2,527
Recycling of light bulbs (in items)	21,912	67,672	41,741
Miscellaneous waste sold for auction (in items)	146,361	69,454	69,419

⁽¹⁾At the end of 2016, 229 kilos of handsets, batteries and accessories were directed to recycling and 625 kilos remained in our distribution centers.

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

Total weight of hazardous waste [t]*	2014	2015	2016
Waste shipped	987	2,546	433

*Stationary batteries account for almost all hazardous waste.

The hazardous material transported by Oi is comprised of stationary batteries, which are carried between stations, sites and the central supply center in each state.

G4-EN27 - Extent of impact mitigation of environmental impacts of products and services

In 2016, we mitigated the environmental impact of waste with the environmentally friendly disposal of 3.5 thousand tonnes of scrap material (operational) – including copper, aluminum and iron materials; batteries; telephone cables; computer waste; plastic; and parts of public telephones, among others. The implementation of the PGRS (*Plano de Gerenciamento de Resíduos*, or Waste Management Plan) led to improvements in waste treatment/recycling and traceability, helping reduce the usual environmental impacts of operational processes.

One of those impacts is emissions from our own and third parties' fleets, a total of 35,000 vehicles. We introduced in 2014 a fleet management system, which optimized the performance of those vehicles. The system puts the whole activity record of each vehicle in a user-friendly interface for the fleet manager. This allows us to improve in aspects such as aggressive driving, preventive maintenance and use of more efficient routes. Oi's *Gestão de Frotas* (Fleet Management) sprang from the innovation investment in a solution developed by an incubated company and has already aroused interest among corporate customers as an ICT solution.

In 2016, the *Oi Gestão de Frotas* solution led to more efficient driving, with a reduction of up to 15% in fuel consumption in the 5,074 vehicles of Rede Conecta's fleet that use the system. At SEREDE, we began the fuel consumption reduction project in April 2016. The solution enabled more assertive routing and more accurate mileage, offering a fair allowance compatible with the employee's needs. However, this was only one of the tools used. In order to achieve a 26% reduction in average consumption between April and December 2016, and generate savings of approximately R\$ 20 million in the period, we monitored consumption on a daily basis, imposing policies with strict rules and controls for granting allowances (weekly, extra and travel), as well as discounts for undue use, absenteeism, days off, lack of use and proportional vacation, carrying out a new monthly budget distribution for all divisions and making individual adjustments.

G4-EN28 - Percentage of products sold and their packaging materials that are reclaimed by category

We reclaimed decoders – equipment required for using Oi TV – for reuse after customers' contracts were terminated. In 2016, we collected 282,034 units and our target for 2017 is to increase reclaimed goods by 60%, reaching 450,000 reclaimed decoders. This goal is expected to generate savings of around R\$ 26 million for the Company in 2017.

G4-EN29 - Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

This is confidential, strategic information, and we would rather not disclose it in this report. In fact, disclosing the amount of the fines we received in 2016 while the legislation applicable to us is being reviewed is contrary to our responsible management policy.

G4-EN30 - Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce

We mitigate the environmental impact in question, GHG emissions from vehicles used by employees at work, through Oi's *Gestão de Frotas*.

Concerning the impacts from different means of transportation, we conduct a survey on a regular basis with employees to find out what means of transportation they use in commuting, how far they travel and what kind of fuel they use. The latest survey was taken by 1,806 employees (16% of all active employees on the date of the survey). The findings allowed us to identify the main profiles and calculate their respective GHG emissions, reported under scope 3 of the GHG Emissions Inventory.

Business travel, also monitored, decreased considerably year-over-year in 2016.

Air travel (km)	2015	2016	Chg%
Short distance (up to 500 km)	4,000,495	2,935,454	-27%
Medium distance (500 km to 3,700 km)	16,890,674	16,950,655	0.3%
Long distance (over 3,700 km)	5,208,851	3,699,040	-29%

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

Environmental protection expenditures and investments (R\$)	2015	2016
Treatment and disposal of waste (fixed collection points + dumpsters)	R\$ 1,201,359.10	R\$ 1,165,996.25
Disposal of batteries, handsets and accessories collected at Oi stores	0	0 ⁽¹⁾
Environmental licensing costs	R\$ 1,181,186.50	R\$ 732,758.21
Issuance of radiometric reports, used to monitor the quality of radio signals, and prove it to Anatel and government bodies in general	R\$ 342,000.00	R\$ 4,856,000.00
Solid waste transportation and storage costs	R\$ 400,000.00	R\$ 301,305.00
External assurance for the GHG inventory	R\$ 19,124.00	R\$ 19,124.00
Environmental prevention and management costs	R\$ 31,717.00	0 ⁽²⁾
Total	R\$ 3,156,262.60	R\$ 7,075,183.46

⁽¹⁾ In 2016, mobile phone accessory, handset and battery waste collected at Oi stores was sent to Oi's logistics supply centers and distribution centers for temporary storage.
⁽²⁾ In 2016, there were no expenses under "Environmental management and prevention costs" due to the temporary suspension of the Building Risk project (Environmental Pillar) in order to align Oi's internal definitions. The project was resumed in 2017.

In 2016, we launched the Prad (*Plano de Recuperação de Área Degradada*, or Damaged Land Recovery Plan), agreed upon with Ibama (*Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis*, or Brazilian Institute of Environment and Renewable Natural Resources), related to the backbone project in Amapá, Manaus and Boa Vista, meeting Ibama's requests. We also began the environmental compliance process for the works of the underwater crossing of fiber optic cable and cable grounding in Juruena and Juara, both in Mato Grosso.

In addition, R\$ 556,000.00 was allocated to issuance of radiometric reports, used to monitor the quality of radio signals, and prove it to Anatel and government bodies. We also consider the R\$ 4,300,000.00 spent to comply with the conditions required by the regulatory agency (Anatel), as the health risks arising from Base Radio Stations are also parameterized by this agency.

G4-EN34 - Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms

In 2016, our Whistleblower Channel received two complaints (one founded and one unfounded). The founded complaint referred to inappropriate disposal of telephone cables in an environmental protection area. As a result, the involved employees received written warnings and instructions to dispose of the material in appropriate places.

Social dimension

Labor practices and decent work

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

New hires	2014	2015	2016
By gender			
Male	2,403	1,161	1,153
Female	1,936	1,336	1,001
By age group			
Under 30	2,399	1,358	1,132
Between 30 and 50	1,876	1,096	1,005
Over 50	64	43	17
By region			
South	535	142	193
Southeast	2,400	1,299	1,268
Midwest	347	140	156
Northeast	879	823	444
North	178	93	93

Turnover rate [%]	2014	2015	2016
By gender			
Male	14.83	10.89	12.5
Female	10.51	9.17	8.8
By age group			
Under 30	12.45	8.13	7.5
Between 30 and 50	11.89	10.19	11.4
Over 50	0.99	1.72	2.4
By region			
South	3.53	1.9	2.2
Southeast	13.68	10.88	12.1
Midwest	2.16	1.58	1.5
Northeast	4.76	4.7	4.3
North	1.21	0.99	1.1

Number of terminations	2014	2015	2016
By gender			
Male	3,130	2,514	2,637
Female	1,986	1,758	1,654
By age group			
Under 30	2,249	1,388	1,135
Between 30 and 50	2,561	2,345	2,441
Over 50	306	539	715
By region			
South	783	499	477
Southeast	2,706	2,374	2,403
Midwest	458	393	308
Northeast	896	764	868
North	273	242	235

G4-LA2 - Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation

We offer all employees food/meal vouchers, transit passes, life insurance, health plan, dental plan, maternity/paternity leave and private pension plan, through the possibility of joining the voluntary plan – with variable contributions –, which offers retirement pensions, as well as illness and death benefits.

G4-LA4 - Minimum notice periods regarding operational changes, including whether these are specified in collective agreements

There are no such periods, but Oi's employees, as well as their representatives and union, are duly notified of any significant operational changes.

G4-LA12 - Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity

Age group diversity of level of staff [%]	2014			2015			2016		
	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50
Executive Board	0.0	71.7	28.3	0.0	72.0	28.0	0.0	0.5	0.1
Managers	1.5	86.6	11.9	1.0	85.0	14.0	0.0	4.7	0.7
Supervisors/coordinators	24.8	66.0	9.2	25.0	64.0	10.0	1.4	4.1	0.6
Staff	24.1	61.3	14.6	22.0	63.0	15.0	18.4	56.9	12.5
Total	22.8	62.9	14.2	21.0	64.0	15.0	19.9	66.2	13.9

Gender diversity by level of staff [as a % of total staff]	2014		2015		2016	
	Male	Female	Male	Female	Male	Female
Executive Board	0.5	0.1	0.6	0.1	0.6	0.1
Managers	3.7	1.3	3.9	1.5	3.8	1.6
Supervisors/coordinators	3.5	2.0	3.5	2.0	3.8	2.3
Staff	57.2	31.7	55.6	32.9	54.4	33.4
Total	64.9	35.1	63.6	36.4	62.6	37.4

G4-LA13 - Ratio of basic salary and remuneration of women to men by employee category and relevant operating units

Our guidelines for establishing salaries and positions do not allow gender discrimination. The differences in average salaries between men and women are explained by different professional development levels and length of service.

Average compensation by employee category (R\$) in 2016	Male	Female	Ratio F/M (%)
Executive Board	39,866.00	34,449.09	86%
Managers	14,764.43	14,185.70	96%
Supervisors/coordinators	4,261.61	3,910.11	92%
Staff	5,740.65	4,010.72	70%

G4-LA16 - Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms

In 2016, the Whistleblower Channel received two complaints related to labor practices and both were considered unfounded.

Human rights

G4-HR2 - Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained

In 2016, we continued our Ethics and Anti-Corruption training programs. We held several two-hour face-to-face training sessions to over 700 employees from different areas of the Company. We also offered online training programs that enabled 503 employees to learn more about the topic, totaling 533 hours. It is important to mention that, since its launch, distance-learning training has already benefited 9,030 employees and reviewed content will be available in 2017.

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

In 2015, the Whistleblower Channel received three discrimination complaints and only one was considered founded. The report was confirmed and the result of the investigation was submitted to Oi's Ethics Committee, which resolved to fire the employee guilty of discrimination.

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

We guarantee our employees' right of association, which is at risk in none of our operations. All employees are covered by collective agreements, which contain clauses concerned with working hours, occupational health & safety, benefits and profit sharing. All collective bargaining agreements are duly entered into with the respective unions and filed with the Ministry of Labor Mediation System.

G4-HR5 - Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor

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

We do not accept child, forced or compulsory labor, and all our supplier contracts provide for the duty and commitment to curb such practices. In addition, we audit suppliers critical to our business regularly to check for compliance with those legal and contractual requirements.

G4-HR8 - Total number of incidents of violations involving rights of indigenous peoples and actions taken

We recorded no incidents of violations involving rights of indigenous people in 2016.

G4-HR12 - Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms

No such grievances were filed in 2016.

Responsibility for the product

G4-PR4 - Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes

In 2016, the Company was fined R\$ 439,542.90 in a 2015 lawsuit, tried by a trial court in 2016, related to undue billing and violation of users' rights.

In 2016, we also implemented a number of preventive controls and monitoring routines in order to ensure the program's effectiveness, including actions associated with supplier due diligence and the identification of politically exposed persons.

We expect the program to evolve in 2017, permeating the culture of ethics, transparency and anti-corruption; strengthening controls; promoting structured risk assessment; and disseminating the practice of mapping processes in the areas.

Society

G4-S04 - Communication and training on anti-corruption policies and procedures

We invested in training programs, updating the e-learning program on integrity and holding several face-to-face training courses for employees and executives of areas that interact with third parties and government officials.

In 2016, we created our Integrity Program. The initiative comprises necessary actions to promote ethics management, as well as to prevent, detect and interrupt acts of fraud and corruption.

Among the adopted measures, we designed the Anti-Corruption Policy, which establishes the rules and conducts that should be followed by all employees and reinforces Oi's commitment to comply with national and international legislation on the topic.

Oi's Integrity Program is focused on enhancing governance levels, always in line with the Company's priorities and supporting the business transformation process. We have the full support of senior management, imparting to all employees the importance of complying with the Code of Ethics and corporate policies, as well as acting with integrity in all day-to-day activities.

G4-S05 - Confirmed incidents of corruption and actions taken

No such grievances were filed in 2016.

G4-S07 - Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes

In 2016, no legal actions were filed against the Company related to this indicator.

G4-S011 - Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms

No such grievances were filed in 2016.