

A Companhia informa que disponibilizará a versão traduzida para o português deste documento tão logo seja possível.

Glossary

Small Claims Court (JEC)

Less relevant cases (up to 40 monthly minimum wages) conducted with fast track procedures in courts specialized in matters relating to consumer rights law.

Civil Consumer

More relevant cases, related to consumer rights law and adjudicated in ordinary courts. In addition to Class Action and Public Civil Action cases.

Labor

Administrative and judicial cases filed by unions, the Ministry of Labor, own and third party employees in relation to remuneration and potential breaches of labor rights.

Expansion plan (PEX)

Contracts for financing the public fixed-line telephony network via contributions made by promissory subscribers, as per ordinances enacted by the Ministry of Communications, later converted into shares of the companies in the Telebrás System / CRT (before privatization).

Tax

Administrative and judicial cases related to taxation on income / profit earned by the Company.

Civil Strategic

Administrative and judicial cases related to commercial, civil, criminal and corporate law.

Regulatory

Lawsuits related to the legal interpretation of telecommunications legislation.

Numerical overview

Number of cases / Financial R\$ billion					
	Total Liabilities	Provisioned Contingencies	Deposits / Frozen Assets	Other Collateral	Number of cases
Small Claims Court (JEC)	0,29	0,29	0,77	0,01	400.989
Labor	2,09	1,34	2,69	0,30	44.101
Expansion plan (PEX)	3,68	1,08	5,93	0,42	123.700
Subtotal	6,06	2,71	9,39	0,73	568.790
Civil Consumer	0,13	0,08	0,48	0,07	131.931
Civil Strategic	1,63	0,56	0,40	0,78	14.142
Tax ¹	26,35	1,64	2,90	9,26	6.713
Legal Corporate Manager	0,05	0,05	0,05	-	-
Judicialized Regulatory ²	6,40	1,30 ³	1,04	2,69	765
Subtotal	34,56	3,63	4,87	12,80	153.551
Grand Total	40,62	6,34	14,26	13,53	722.341

Info: Refers to June/17

¹ This amount doesn't reflect amounts related to "Special Amnesty regimes" (998) and "pis/Cofins levied on interconnection expenses"

² In addition, there are Administrative Procedures on Non-Compliance of Obligations (PADOs) yet to be filed, which will be handled by Department of Institutional and Regulatory Affairs.

³ This amount(1,3Bn) in contingencies refers not only to judicial process but also to administrative ones (PADOS).

Small Claims Court and Civil Consumer

R\$ Bn

Area	Total Liabilities	Provisioned Contingencies	Deposits / Frozen Assets	Other Collateral	Number of cases
Small Claims Court (JEC)	0,29	0,29	0,77	0,01	400.989
Civil Consumer	0,13	0,08	0,48	0,07	131.931

Historical context – Quality

- Structure of the Brazilian judiciary encourages litigation (industry of litigation);
- Growth in the volume of Small Claims Court filings;
- High volume of cases upsets the courts, increasing the value of penalties;

Number of active cases					
Area	2012	2013	2014	2015	2016
Small Claims Court (JEC)	272.131	324.933	391.588	468.813	425.718
Civil Consumer	83.202	95.606	108.989	126.984	133.733
Total	355.333	420.539	500.577	595.797	559.451
<i>% Growth</i>		18%	19%	19%	-6%

Expansion plan (PEX)

R\$ Bn

Area	Total Liabilities	Provisioned Contingencies	Deposits / Frozen Assets	Other Collateral	Number of cases
Expansion Plan (PEX)	3,68	1,08	5,93	0,42	123.700

Historical context

- Illegality of the emission criteria for shares resulting from financial participation agreements (PEX) celebrated between the promissory subscribers and the companies in the Telebrás System / CRT.
- Concentration of cases in Brazil Telecom, due to the strategy adopted prior to the acquisition of the company by Telemar.
- Barrier to conducting Due Diligence before the purchase of Brazil Telecom.
- Discussions involving expansion plans are specific to the telecommunications sector (fixed-line telephony).

Labor

Area	Total Liabilities	Provisioned Contingencies	R\$ Bn		Number of cases
			Deposits / Frozen Assets	Other Collateral	
Labor	2,09	1,34	2,69	0,30	44.101

Historical context – Outsourcing

- Improper outsourcing – Core vs. Non-Core Activity – Legal Uncertainty – Absence of Specific Law – New Law regulating outsourcing (13.429/2017) takes effect on November 11, 2017;
- About 90 thousand active outsourced employees (Outside Plant, Call Center and Retail Sales) – Subsidiary Liability and Employment;
- Large demobilizations of suppliers – contract terminations.

Ongoing initiatives – modification of existing legislation

- Participation in the design and applicability of the New Law (13.429/2017) regulating outsourcing in Brazil, currently in progress in Congress;
- Concentration of the workforce responsible for the External Plant in two of the Group's wholly-owned subsidiaries - about 30 thousand professionals - better control over adherence to labor legislation.