STRATEGIC RISK MANAGEMENT POLICY

1. OBJECTIVE

1.1 This "Risk Management Policy" ("Policy"), was approved at the Board of Directors' meeting of **ALGAR TELECOM S.A.** ("Company"), held on October 16, 2017, and is aimed at establishing and disseminating the guidelines and responsibilities for the Company's risk management, enabling a reasonable reduction in the amount of uncertainties during the process of achieving corporate objectives while preservation of the value of the Company.

2. REFERENCES

2.1 This Policy is based on the principles of: (i) the corporate governance guidelines of the Company's bylaws, as amended ("Bylaws"); (ii) the applicable rules issued by the Brazilian Securities and Exchange Commission ("CVM"); (iii) the Novo Mercado Listing Regulation issued by B3 S.A. – Brasil, Bolsa, Balcão approved by the CVM Board on September 5, 2017 ("Novo Mercado Regulation"); (iv) the Authority Policy applicable to companies who are part of the Company's economic group ("Algar Group"), whose adoption was ratified at the Company's Board of Directors Meeting held on October 16, 2017; (v) the Consequence Management Policy applicable to the Algar Group companies whose adoption was approved on August 20, 2013; (vi) peer benchmarking, mainly in relation to the telecommunications sector; and (vii) the COSO-ERM - *Committee of Sponsoring Organizations of Treadway Commission* ("COSO ERM") model.

3. APPLICABILITY

3.1 This Policy is applicable to all executive members (employees) of the Company.

4. TECHNICAL DEFINITIONS AND RISK IDENTIFICATION PROCESSES

4.2. "**Risk(s)**": any and all types of events arising from uncertainties to which the Company is exposed and which may negatively impact the achievement of its objectives and the generation of value established in its long-term strategic plan.

4.3 "**Types of Risks**": (i) *Qualitative*: when the risk assessment is performed through the judgment of risk factors by specialists, based on the evaluator's experience. It represents an alternative to costly quantitative analyzes, or when the Risk cannot be quantified due to lack of available and reliable data; (ii) *Quantitative*: when the risk can be measured in monetary amounts and/or valuation is based on a data series, allowing the establishment of probability of occurrence and a valuation of the impact on the Company's results. It allows greater accuracy by employing more sophisticated analysis techniques, with a strong statistical component; and (iii) *Hybrids*: when the risk assessment involves the use of qualitative and quantitative techniques, which complement each other.

4.3.1. It is defined that the Risks, when applicable, should be evaluated in a quantitative manner and the resulting impacts on the Revenue, EBTIDA, Financial and Economic Profit and NPV expressed in the Long-Term Plan.

4.4. "**Risk Map**": a risk map, as set out in **Attachment I**, classified into four (4) groups: (i) strategic (including, among others, political risks); (ii) operational (which include, among others, technological and environmental risks); (iii) financial; and (iv) compliance (which includes regulatory risks, among others); which together represent the Company's Risks.

4.5. "**Risk Matrix**": aims to establish an individual comparison of Risks based on the impacts and probabilities of occurrence for purposes of prioritization and management efforts. The risk matrix is constantly evolving and updated, at least annually, during the Company's review of its strategic planning and in a timely manner whenever risk events emerge.

4.6. "**Priority Risks**": risks with higher probability and potential to significantly impact the business, whose management must be prioritized and their indicators monitored on a regular basis.

4.7. "**Risk Response Strategies**": a set of actions, whose initiatives aim to provide a respond to the Risk. The options include:

A. *Eliminate*: eliminate the risk altogether, protecting the Company's objectives from the impacts associated with risk.

B. *Transfer*: transfer the risk to third parties through insurance contracts, outsourcing of operations and activities;

C. *Reduce/Manage*: partially reduce exposure or adopt timely actions to minimize potential impacts; and

D. *Accept*: acceptance of the potential impacts of the risk and the respective opportunities.

4.8. **"Risk Limit (or appetite)"**: the exposure and/or maximum impact that the Company is willing to accept from the risk in pursuit of objectives and generation of value. Not all types of risks are acceptable. Therefore, the proposed limits should be substantiated and formalized by the following analyzes: (i) evaluation of the tangible and intangible returns related to the proposed Risk limit; (ii) the Company's ability to withstand the impact of the proposed Risk limit; (iii) decision whether or not Risk should be accepted according to its type; (iv) feasibility of implementing the mitigation initiatives (costs and efforts) versus the effect on risk mitigation and its respective return; and (v) availability of resources (investments and efforts) for implementation.

4.9. **"Risk Owner"**: must be a member of the Company's Senior Management who has the highest level of ownership and technical knowledge of the corresponding Risk, responsible for decision making and capable of establishing and managing action plans to adjust exposure to the approved limits.

4.10. **"Risk Modeling"**: each Risk may require specific (quantitative and/or qualitative) evaluation models with the objective of determining probability and impact, requiring dedication and studies.

5. GUIDELINES

5.1. While conducting its business, the Company assumes risks that, if not properly identified and treated, may compromise its competitiveness and business continuity.

5.2. Any and all decisions involve a certain degree of Risk. It should be noted that Risks will never be eliminated. The objective is to understand them, evaluate and define responsive actions so that losses are foreseen and reduced.

5.3. Risk analysis should assist the decision-making process at various levels. For all purposes, Risks with approved limits should be taken into account when preparing projections and targets should be adjusted, when necessary, to the approved risk limits. Action plans may eventually be required to be adjusted according to Risks limits.

5.4. The Risk Map/Matrix should be updated annually according to the Management's perception of impact and probability, and subsequently validated by the Audit and Risk Management Committee and by the Company's Board of Directors, in order to consolidate and prioritize of development of each identified risk.

5.5. Risk Modeling should be comprised with analysis and support tools for Management to make decisions, and it is the responsibility of the Company's Risk and Internal Control Coordination to provide the necessary support for its development with the Risk Owners.

5.6. The assumption of Risks that may jeopardize the business continuity and/or deliberate non-observance/extrapolation of limits, in the exercise of its functions, will be subject to the sanctions set forth in item 5 of the Algar Group's Consequences Management Policy.

5.7. It is of fundamental importance the understanding and dissemination among the bodies and executives involved of the correct differentiation of impacts caused by events and situations that do not directly involve risk management, such as: (i) failures in internal control processes; (ii) unsuccessful strategic decisions; or (iii) governance failure. This understanding seeks to improve and strengthen the Company's Corporate Governance model.

5.8. All developed Risks, with approved limits, should be formalized in detailed explanatory reports, with action plans, if applicable, the responsible member and deadlines. The reports shall be signed by the Risk Owner and the Risk and Internal Control Coordination.

6. STRATEGIC RISK MANAGEMENT MODEL

6.1. The Company's Risk Management is based (but not limited to) in the internationally recognized COSO-ERM model. The process is composed of 04 (four) steps:

A. *Risk Identification*: identification of risk factors (causes) and implications for projected objectives (goals and outcomes)

B. *Assessment*: calculations of the impact and likelihood of occurrence of the Risks on the projected results. This assessment includes the development of models based on risk factors as well as their correlation with other risks.

C. *Limit Proposals:* the level of risk that shareholders are willing to accept in the quest for return and generation of value. The risk limits will be defined for both impact and indicators.

D. *Action Plan*: set of initiatives defined and implemented by the risk owner/responsible member in order to adjust the exposures to the approved limits (subject to periodic monitoring).

7. ROLES AND RESPONSIBILITIES

7.1. This Policy defines and communicates the roles and responsibilities of the main agents involved in the risk management process and is designed to help construct and implement a model that captures experiences, perceptions and the best sets of information available for decision making processes.

7.2. The Company's Management, Audit and Risk Management Committee and Board of Directors must understand the practices, which will allow for the adequate fulfillment of their responsibilities in the process, thus strengthening the levels of corporate governance.

7.3. In this context, the responsibility of the Company's ***Board of Directors*** is to:

A. approve policies, guidelines, Risk Map/Matrix, exposure limits and proposed impacts

B. provide, periodically, its perception of the degree of Risks that the Company is exposed to (a shareholder's view) and influence the prioritization of the Risks to be dealt with; and

C. provide prior assessment to changes or updates to each Risk, whose limits have already been approved

7.4. The responsibility of the Company's ***Audit and Risk Management Committee***, in addition to its specific regiment, is to:

A. recommend inclusions, assessments and prioritizations within the Company's Risk Map/Matrix;

B. recommend, to the Company's Board of Directors, the assessment of policies, limits and action plans;

C. monitor the compliance with this Policy and evaluate its performance against approved Risk limits; and

D. evaluate the effectiveness of the Risk management model and suggest improvements in the process, pointing out the causes and responsibilities

7.5. The responsibility of the Company's ***Management*** is to:

A. update the Risk Map/Matrix whenever the strategic plan is reviewed and, in a timely manner, whenever risk factors emerge

B. establish risk prioritizations based on impact and probability, aiming to achieve an individual risk comparison for the prioritization and management purposes

C. evaluate and make decisions regarding exposure to risks (impact and probability) and limits presented by Risk Owners and recommend the responsive actions to be taken;

D. periodically monitor the evolution of the exposure to Risks taking into consideration the limits approved by the Board of Directors;

E. adopt Risks evaluated as tools to guide the revision or construction of the strategic plan;

F. disseminate the risk management culture throughout the Company, through incentives and variable remuneration policies.

7.6. The responsibility of the Company' ***Risk Owners*** is to:

A. identify, jointly with the Risk and Internal Control Coordination, the risk factors and indicators to be used to measure and monitor Risks;

B. provide accurate, fair and sufficient information for modeling efforts;

C. provide its perception on risk exposure (magnitude of impact and likelihood of occurrence), and, if possible, also based on market indicators;

D. propose limits for risk exposure under its responsibility, observing the analyzes mentioned in item 4.7 of this Policy;

E. suggest, assess, implement and monitor actions to reduce exposure to Risk under their responsibility;

F. comply with the Risk limits approved by the Board of Directors; and

G. communicate, on a timely basis, risk events that present a tendency for occurrence and/or eventual extrapolation of limits, for discussion in the appropriate forums and authorities

7.7. The responsibility of the Company's ***Risk and Internal Control Coordination*** is to:

A. support the Company's Management in updating the Priority Risk Matrix;

B. provide the necessary support to Risk Owners in applying the methodology adopted by the Company (COSO-ERM);

C. consolidate exposures to Risks and ensure the reporting of information to Management, as well as monitor the implementation of actions, considering the limits approved by the Board of Directors.

8. GENERAL PROVISIONS

8.1. This Policy and its applicability must be accompanied by Management, the Audit and Risk Management Committee and by the Company's Board of Directors.

8.2. Exceptions to this Policy should be communicated to the Risk and Internal Control Coordination for analysis and subsequent referral to the applicable governance forums.

9. TERM

9.1. This Policy shall be enforced on the date of its approval and may only be modified by resolution from the Company's Board of Directors and may be viewed by accessing http://ri.algartelecom.com.br/governanca-corporativa/codigos-e-politicas, then selecting "*Strategic Risk Management Policy*".

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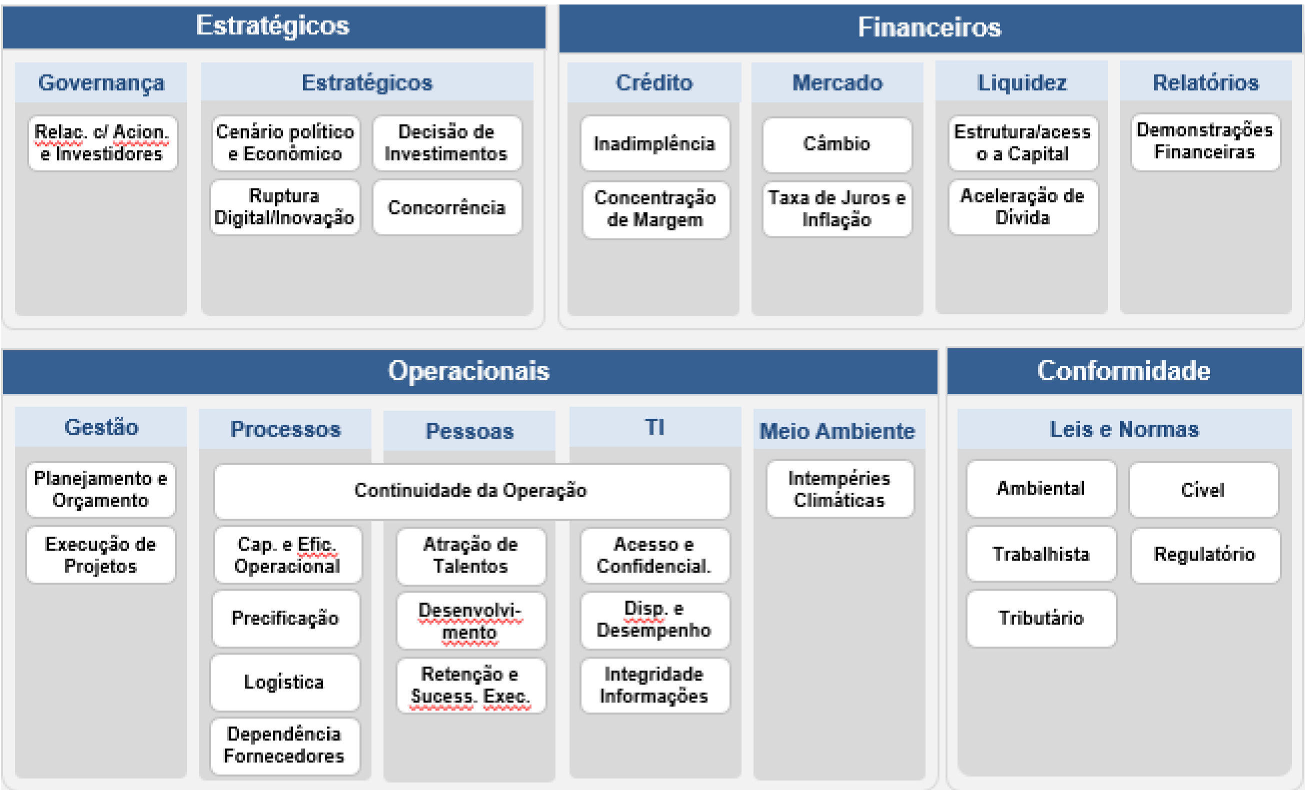
Attachment I

RISK MAP FOR ALGAR TELECOM S.A.



Attachment II

DESCRIPTION OF ALGAR TELECOM S.A.'S CORPORATE RISKS

Class	Category	Risk	Description
Strategic	**Governance**	Relationship with Shareholders and Investors	Divergences between shareholders and/or investors regarding strategic decisions which may compromise the Company's direction.
	Strategic	Political and Economic Scenarios	Political instability in Brazil with deterioration in the economic scenario that can negatively impact the business and return on investments (ex. Interest rates, inflation, currency exchange rates, taxes, employment, income, access to and cost of capital etc.).
		Digital Breakthrough and Innovation	Changes in customer behavior patterns due to the new technologies capable of significantly impacting the business with the emergence of substitute products, including disruptive businesses (ex: big data, cloud, social mobility, sharing economy, etc.) and thus technical obsolescence of assets. This risk also considers the Company's inability to develop innovations to allow it to operate in attractive markets and/or maintain its competitive capacity in its current market.
		Investment Decision	Loss of value as a result of decisions related to the allocation of inadequate capital towards the business portfolio or strategic projects that prove to be unsuccessful in the future.
		Competition	Loss of margin and/or market share due to increased competition (traditional competitors) and/or new entrants.
Financial	**Credit**	Default	Losses due to lack of accounts receivable.
		Margin Concentration	The Company's dependency on a small number of clients that are responsible for a large portion of margins, with the possibility of one of these clients terminating their agreement. Concentration increase the risk of default and may place the Company at risk in the short term.

		Currency Exchange	Losses due to exchange variation on assets (ex: cash, accounts receivable, inventories, etc.) and/or liabilities (capex, opex, indebtedness, etc.).
		Interest Rates and Inflation	Loss of profitability due to higher interest rates and inflation, increasing financial costs and expenses.
	Liquidity	Structure / Access to Capital	Difficulty in accessing credit lines at an appropriate cost due to the restriction of market liquidity.
		Debt Acceleration	Possibility of non-compliance with covenants (bonds with creditors, such as financial institutions and debenture holders), which may result in the anticipation of debt maturity.
	Accounting	Financial Statements	Disclosure of information containing inappropriate accounting practices, lack of record for relevant or non-existent transactions, errors or frauds.
Operations	**Management**	Planning and Budget	Error in assumptions used or bias assumptions during the preparation of short and long term projections.
		Project Execution	While decisions create risks of making an inadequate decision, executions create the possibility of executing projects that capturing smaller returns than expected.
	Processes	Operational Continuity	Unscheduled operational stops (ex: due to obsolescence, incidents, fires, lack of energy, lack of preventive maintenance, etc.) and/or difficulty to reestablish it at the appropriate time (due to lack of redundancy, lack of a continuity plan, etc.) compromising the availability/quality of the service/product.
		Capacity and Efficiency	Inadequate architecture of resources required to provide services or for the production and sale of products (assets, processes, etc.) or by inadequate use of available resources available for maximum value extraction of assets (ex: networks, websites, factories, warehouses, etc.).
		Pricing	Possibility of using incorrect assumptions, bases or quantitative data for the pricing of products and services that may impact expected margin/profitability.
		Logistics	Inadequate or costly strategy and/or receipt, storage and transportation of

			products and equipment in a way that jeopardizes the Company's competitiveness.
		Supplier Dependency	Concentration of inputs, services and assets in a small number of suppliers. When there is a dependency, the Company may have its margins squeezed or, in case of supply disruption, have a significant impact on the operation. Examples of relevant suppliers are manufacturers of technology platforms, telecom infrastructure, etc.
	People	Attraction and Retention	Represents the difficulty of attracting candidates, especially to key positions of the Company.
		Development	Difficulty or inability of the Company in developing talents with the necessary skills for the business. When this risk is evident, the Company must hire external candidates as there are no employees prepared for the challenges of new roles in the business.
		Executive Retention and Succession	Characterized by the possibility that executives in key positions request their resignation, which is aggravated by the lack of prepared potential successors.
	Information Technology	Cyberattacks	Possible impacts resulting from cyberattacks, such as breach of confidentiality, hijacking of information and/or unavailability of the IT environment.
		Access and Confidentiality	Fragility in the process of granting access or access to unduly confidential information by employees and/or third parties.
		Availability and Performance	Possibility of unscheduled shutdowns in the technological environment or low performance of the Company platforms, resulting in loss of productivity.
		Information Integrity	Improper alteration and/or data loss of the Company's systems.
	Environment	Weather / Natural Resources	Losses due to climatic issues such as excessive rains, windfalls, solar storms, among others that can cause damage to telecommunications networks and equipment, operational interruptions, etc. This also considers scarcity of water resources that can impact the business, such as electricity rationing, and also its increased cost in the business.

Conformity	Laws and Regulation	Environmental	Non-compliance with environmental laws and regulations, application of administrative sanctions, legal convictions, and the creation of new environmental regulations that have a negative impact on the business. They also tend to have significant impact on a Company's image.
		Labor	Failure to comply with laws, labor standards and trade union agreements, application of administrative sanctions, legal convictions, as well as the creation of new regulations that may negatively impact the business and its image with the Ministry of Labor.
		Tax	Failure to comply with tax laws and regulations, application of administrative sanctions, legal convictions, loss of tax incentives and / or special regimes, as well as the appearance of new regulations that may negatively impact the business.
		Civil	Non-compliance with laws, applications of administrative sanctions, legal convictions, as well as the creation of new regulations that may negatively impact the business.
		Regulatory	Changes in existing regulations and/or policies, creation of new regulations, and increase severity in inspections, especially regarding the quality and availability of services.