

## PART I

### Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

### Item 2. Offer Statistics and Expected Timetable

Not applicable.

### Item 3. Key Information

#### A. [Reserved.]

#### B. Capitalization and Indebtedness

Not applicable.

#### C. Reasons for the Offer and Use of Proceeds

Not applicable.

#### D. Risk Factors

This section is intended to be a summary of more detailed discussions contained elsewhere in this annual report. You should carefully read and consider the following risks, along with the other information included in this annual report. The risks described below are not the only ones we face. Additional risks that we do not presently consider material, or of which we are not currently aware, may also affect us. Our business, results of operations or financial condition could be impacted if any of these risks materialize and, as a result, the market price of our common shares and our ADSs could be affected. The risks described below are organized by risk category and these categories are not presented in order of importance. However, within each category, the risk factors are presented in descending order of importance, as determined by us as of the date of this annual report. We may change our vision about their relative importance at any time, especially if new internal or external events arise.

#### Summary of Risk Factors

#### *Summary of Risks Relating to Brazil*

- The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This influence, as well as Brazilian political and economic conditions, could adversely affect us and the trading price of our common shares and ADSs.
- Political instability may materially adversely affect the Brazilian economy, our business, and the market price of our common shares and ADSs.
- Inflation and government efforts to curb inflation may contribute to economic uncertainty in Brazil, adversely affecting our business and results of operations.
- Fluctuations in exchange rates may adversely affect our ability to meet liabilities denominated or linked to foreign currencies or reduce our income in foreign currency, and may have a material adverse effect on the market value of our common shares and ADSs.

- Political, economic and social developments and the perception of risk in other developed and emerging countries may adversely affect the Brazilian economy, our business, and the market price of Brazilian securities, including our common shares and ADSs.
- Any downgrading of Brazil's credit rating could reduce the trading price of our common shares and ADSs.

***Summary of Risks Relating to the Brazilian Telecommunications Industry and Us***

- Information technology is key to our business and we could be subject to cybersecurity risks.
- We are dependent on key personnel and the ability to hire and retain additional personnel.
- We are subject to liabilities relating to third party contractors, which may have a material adverse effect on our business and results of operations.
- Consolidation in the telecommunications market may increase competition in the near future and may change Brazilian market dynamics.
- We face significant competition in the Brazilian market.
- Potential global or national events related to health, including contagious disease outbreaks, epidemics, or pandemics, may significantly affect our operations.
- Extensive government regulation of the telecommunications industry and our concession agreements may limit, in some cases, our flexibility in responding to market conditions, competition and changes in our cost structure or impact our fees.
- Our concession may be revised by the Brazilian government under certain circumstances.
- A review of our concession agreements and/or the implementation of a new regulatory framework in Brazil could have a materially adverse effect on our operations.
- Our current radiofrequency licenses may not be renewed for additional periods.
- We are exposed to risks in relation to compliance with anti-corruption laws and regulations and economic sanctions programs.
- We depend on key suppliers to obtain the necessary equipment and services for our business.
- Certain key inputs are subject to risks related to importation, and we acquire other key inputs from a reduced number of domestic suppliers, which may further limit our ability to acquire such inputs in a timely and cost-effective manner.
- We make investments based on demand forecasts that may become inaccurate due to economic volatility and may result in revenues that are lower than expected.
- We face risks associated with litigation.

***Summary of Risks Relating to the Common Shares and the ADSs***

- Holders of our ADSs may face difficulties in serving process on or enforcing judgments against us and other persons.
- Holders of our ADSs are not entitled to directly attend shareholders' meetings and may only vote through the depositary.
- Holders of our ADSs or common shares might be unable to exercise preemptive rights with respect to the common shares unless there is a current registration statement in effect which covers those rights or unless an exemption from registration applies.
- An exchange of ADSs for common shares risks the loss of certain foreign currency remittance and Brazilian tax advantages.

- Holders of our common shares will be subject to, and holders of our ADSs could be subject to, Brazilian income tax on capital gains from sales of common shares or ADSs.

***Certain Factors Relating to our Controlling Shareholder***

- Our controlling shareholder has power over the direction of our business.

***Risks Relating to Brazil***

***The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This influence, as well as Brazilian political and economic conditions, could adversely affect us and the trading price of our common shares and ADSs.***

The Brazilian federal government frequently exercises significant influence over the Brazilian economy and occasionally makes significant changes in policy and regulations. The Brazilian government's actions to control inflation and other policies and regulations have often involved, among other measures, changes in tax policies, wage and price controls, foreign exchange controls, currency devaluations, capital controls and limits on imports. Our financial condition, as well as our business and results of operations and the market price of our common shares and ADSs, may be adversely affected by changes in government policies, especially those related to our sector, such as changes in telephony fees and competitive conditions, as well as general economic factors, including:

- exchange rates and currency fluctuations;
- exchange controls and restrictions on remittances abroad, (including with regards to the payment of dividends) such as those imposed in 1989 and early 1990;
- inflation;
- energy policy;
- interest rates and monetary policies;
- liquidity of domestic capital and lending markets;
- fiscal policies and changes in tax laws;
- labor and social security policies, laws and regulations; and
- other political, diplomatic, social and economic developments in or affecting Brazil.

Uncertainty over whether the Brazilian federal government will implement changes to the policies, regulations or standards affecting these or other factors in the future may affect economic performance, which may have an adverse effect on us and the trading price of our common shares and ADSs. Past economic and political instability has led to a negative perception of the Brazilian economy and higher volatility in the Brazilian securities markets, which has adversely affected us and the trading price of our common shares and ADSs.

These issues may be exacerbated by the results of Brazilian elections and the natural uncertainties as to which policies will be adopted by any new government. We cannot assure the maintenance of policies designed to promote macroeconomic stability, fiscal discipline and domestic and foreign investments, and failure to do so may adversely impact Brazil's economy, the prices of securities issued by Brazilian issuers such as us and ultimately our business, financial condition and results of operations.

***Political instability may materially adversely affect the Brazilian economy, our business, and the market price of our common shares and ADSs.***

Brazil's political environment has historically influenced and continues to influence the performance of Brazil's economy, as well as investor and general public confidence, resulting in economic slowdowns and an increase in the volatility of securities issued by Brazilian companies.

Governing bodies have the power to determine policies and issue government measures relating to the Brazilian economy and, as a result, affect the operations and financial performance of companies, including us. We cannot predict what policies will be established or whether such policies or changes in existing policies will have an adverse effect on the Brazilian economy or our business, results of operations, financial condition and the market price of our common shares and ADSs.

In addition, any difficulties that the Brazilian government may face in establishing a majority in Congress could result in a government impasse and/or political unrest, that could materially adversely affect our operations. Uncertainties about the implementation of changes in monetary, tax and social security laws and policies, may contribute to economic instability. These uncertainties and any new measures may increase volatility in the Brazilian securities market.

***Inflation and government efforts to curb inflation may contribute to economic uncertainty in Brazil, adversely affecting our business and results of operations.***

In the past, Brazil has recorded high inflation rates, which, combined with other measures taken by the Brazilian government to fight inflation and speculation on what measures would be taken, has materially adversely affected the Brazilian economy. The measures taken by the Brazilian government to control inflation have included maintaining strict monetary policies and high interest rates, which restricted the availability of credit and reduced economic growth. The COPOM often adjusts interest rates in Brazil during periods of economic uncertainty in order to achieve the inflation targets established by the Brazilian government. Inflation, the Brazilian government's efforts to curb inflation and speculation regarding any future measures, has had material adverse effects on the Brazilian economy and contributed to economic uncertainty in Brazil, which increases volatility in the Brazilian capital markets and may materially adversely affect our business and results of operations.

Periods of higher inflation coupled with higher interest rates and other measures to combat inflation may lead to reduced demand for our products. Inflation is also likely to increase some of our costs and expenses, which we may not be able to fully pass on to customers and could adversely affect our operating margins and operating income. In addition, inflation affects our financial liquidity and financial capital resources primarily by exposing us to variations in our floating-rate loans. Rising interest rates may also impact the costs of our fundraising and indebtedness, increasing our financial expenses. Such an increase could adversely affect our ability to pay our obligations to the extent it reduces cash on hand.

According to the IPCA index, Brazilian inflation rates were 5.8%, 10.1%, 4.5%, and 4.3% in 2022, 2021, 2020 and 2019 respectively. In 2023, the inflation rate, as measured by the IPCA, decreased to 4.6%, reflecting tax cuts on fuel, electric energy, and telecom prices, some dissipation of global supply chain pressures and monetary policy tightening.

As a result of inflationary pressures and macroeconomic instability, the Brazilian government has historically adopted monetary policies that resulted in high interest rates in Brazil. The Central Bank determines the basic interest rates generally available to the Brazilian banking system, based on the expansion or contraction of the Brazilian economy, inflation rates and other economic indicators. Beginning in August 2023, the COPOM reduced the Selic rate from 13.75% to 11.75%. As stated in the Central Bank's December 2023 Inflation Report, the COPOM committee members unanimously anticipate further reductions of half a percentage point and consider this trend appropriate to maintain monetary policy and reduce inflation, while noting that extending this interest rate decrease policy will require future analysis of inflation trends, certain long-term projections, the output gap and the balance of risks.

Currently, fixed broadband and mobile service providers, including us, use the IGP-DI to adjust their prices and television and cable service providers use the IGP-M. The IGP-DI and IGP-M are inflation indexes developed by the FGV, a private organization. Since 2006, telephone fees for fixed-line services have been indexed to the IST, as adjusted by a productivity factor, or X Factor, which is defined by ANATEL Resolution No. 507/2008.

The IST is an index composed of other domestic price indexes (including the IPCA, IGP-DI and IGP-M, among others) that is intended to reflect the telecommunications industry's operating costs. As a result, this index serves to reduce potential discrepancies between our industry's revenue and costs, and thus reduce the apparent adverse effects of inflation on our operations. The productivity factor, pursuant to which ANATEL is authorized to adjust fee rates, is calculated based on a compensation index established by ANATEL to incentivize operational efficiency and to share related gains in earnings from fixed-line services with customers through fee rate adjustments. The IST is calculated based on a 12-month period average. This may cause increases in our revenues above or below our costs (including salaries), with potentially adverse impacts on our profitability.

Inflation and government measures to combat inflation, along with speculation about governmental measures, have had significant negative effects on the Brazilian economy in the recent past, including heightened volatility in the Brazilian securities market. These policies may be incapable of preventing increases in the inflation rate. In the event of an increase in inflation, we may not be able to adjust the prices we charge our customers to offset the effects of inflation on our cost structure, which may adversely affect us.

***Fluctuations in exchange rates may adversely affect our ability to meet liabilities denominated or linked to foreign currencies or reduce our income in foreign currency, and may have a material adverse effect on the market value of our common shares and ADSs.***

The Brazilian currency has been historically volatile and has been devalued frequently over the past three decades. Throughout this period, the Brazilian government has implemented various economic plans and used various exchange rate policies, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments has ranged from daily to monthly), exchange controls, dual exchange rate markets and a floating exchange rate system. Although long-term depreciation of the real is generally linked to the rate of inflation in Brazil, depreciation of the real occurring over shorter periods has resulted in significant variations in the exchange rate between the real, the U.S. dollar and other currencies. The exchange rate between the U.S. dollar and the Brazilian real has experienced significant fluctuations in recent years. From 2017 to 2021 the real depreciated by a total of 71.2% against the U.S. dollar during the period, whereas the real appreciated by 6.5% against the U.S. dollar during 2022. The real/U.S. dollar exchange rate reported by the Central Bank was R\$4.841 per US\$1.00 as of December 29, 2023, which reflected a 7.2% appreciation in the real against the U.S. dollar during 2023, reflecting the positive trade balance result and better-than-expected activity performance. As of February 21, 2024, the real/U.S. dollar exchange rate reported by the Central Bank was R\$4.938 per US\$1.00. There can be no assurance that the real will not again depreciate against the U.S. dollar or other currencies in the future.

As of December 31, 2023, 100% of our total indebtedness, which includes current and non-current loans and financing, debentures, leases and other creditors of R\$18.7 billion was denominated in Brazilian reais. Approximately 11.2% of our operating costs and expenses are payable or linked to payment by us in U.S. dollars or Euros. By contrast, 99.8% of our revenue is generated in reais, except income derived from hedging transactions, international long-distance interconnection fees and services to customers outside of Brazil. To the extent that the value of the real decreases relative to the U.S. dollar or the Euro, our commitments payable or linked to payment by us in foreign currencies become more expensive. Although our accounts receivable denominated in foreign currencies would also appreciate, the net effect could adversely affect our revenue and expenses. In addition, the IST inflation index does not adequately reflect the true effect of exchange rate fluctuations. Thus, our revenue, when translated to U.S. dollars, does not adequately reflect the true effect of exchange rate fluctuations, which may affect our results of operations.

We use derivative instruments to limit our exposure to exchange rate risk. Since September 1999, we have hedged all of our foreign currency-denominated bank debt using swaps and other derivative instruments. Since May 2010, the company began using net balance coverage, which is the hedging of net positions in foreign exchange exposures, or assets (issued invoices) minus liabilities (received invoices) for foreign exchange exposures, substantially reducing our risk to fluctuations in exchange rates. We could still continue to face exchange rate exposure with respect to our planned capital expenditures however, as a small part of our planned capital expenditures are denominated or indexed in foreign currencies (mostly U.S. dollars). We systematically monitor the amounts and time of exposure to exchange rate fluctuations and may hedge positions when deemed appropriate.

***Political, economic and social developments and the perception of risk in other developed and emerging countries may adversely affect the Brazilian economy, our business, and the market price of Brazilian securities, including our common shares and ADSs.***

The market for securities issued by Brazilian companies may be influenced, to varying degrees, by economic conditions in both developing and developed economies. The reaction of investors to developments in other countries may have an adverse impact on the market value of securities of Brazilian companies. The prices of shares traded on the B3, for example, have historically been sensitive to fluctuations in interest rates in the United States, as well as variations of the main U.S. stock exchanges. Additionally, crises in other emerging countries or the economic policies of other countries may reduce investor demand for securities of Brazilian companies, including our common shares and ADSs. Any of the foregoing developments may adversely affect the market value of our common shares and ADSs and hinder our ability to access the capital markets and finance our operations in the future on acceptable terms and costs, or at all.

To the extent that economic problems in emerging market countries or elsewhere adversely affect Brazil, our business and the market value of our common shares and ADSs could be adversely affected. Furthermore, we cannot assure you that, in the event of adverse developments in emerging market economies, the international capital markets will remain open to Brazilian companies or that the resulting interest rates in such markets will be advantageous to us. Decreased foreign investment in Brazil may negatively affect growth and liquidity in the Brazilian economy, which in turn may have a negative impact on our business. Disruption or volatility in the global financial markets could further increase negative effects on the financial and economic environment in Brazil, which could have a material adverse effect on us.

***Any downgrading of Brazil's credit rating could reduce the trading price of our common shares and ADSs.***

We may be harmed by investors' perceptions of risks related to Brazil's sovereign debt credit rating. Rating agencies regularly evaluate Brazil and its sovereign ratings, which are based on a number of factors including macroeconomic trends, fiscal and budgetary conditions, indebtedness metrics and the perspective of changes in any of these factors.

Brazil was downgraded to non-investment grade status by S&P in September 2015, by Fitch Ratings in December 2015, and by Moody's in February 2016. Brazil was further downgraded by S&P in February 2016 and January 2018 and by Fitch in May 2016 and February 2018. Brazil's sovereign rating is currently rated by the three major risk rating agencies as follows: BB- by S&P and Fitch Ratings and Ba2 by Moody's. On June 14, 2023, S&P affirmed the rating at BB- and revised the outlook on Brazil to positive. On July 26, 2023, Fitch upgraded Brazil's credit rating at BB and changed its outlook on Brazil's credit rating to a stable outlook. Brazil's sovereign credit rating is currently rated below investment grade by the three main credit rating agencies. Consequently, the prices of securities issued by Brazilian companies have been negatively affected. A reversal of the current recovery of the Brazilian economic activity, instability in the political environment, changes in fiscal austerity guidelines, among other factors, could lead to a revision of the agencies' outlooks, which could be followed by further ratings downgrades. Any further downgrade of Brazil's sovereign credit ratings could heighten investors' perception of risk and, as a result, cause the market price of our common shares and ADSs to decline.

## **Risks Relating to the Brazilian Telecommunications Industry and Us**

### ***Information technology is key to our business and we could be subject to cybersecurity risks.***

The risks derived from cybersecurity are among our most relevant risks. Despite advances in the modernization of the network and the replacement of legacy systems, we operate in an environment increasingly prone to cyber-threats. Therefore, it is necessary to continue to identify and remedy any technical vulnerabilities and weaknesses in our operating processes, as well as to strengthen our capabilities to detect and react to incidents. This includes the need to strengthen security controls in the supply chain (for example, by focusing on the security measures adopted by our partners and other third parties), as well as to ensure the security of the services in the cloud.

Telecommunications companies worldwide face continuously increasing cybersecurity threats as businesses have become increasingly more digital and dependent on telecommunications and computer networks and cloud computing technologies.

Cybersecurity threats may include gaining unauthorized access to our systems or propagating computer viruses or malicious software to misappropriate sensitive information like customer data, corrupt our data or disrupt our operations. Unauthorized access may also be gained through traditional means such as the theft of laptop computers, data devices and mobile phones. Further, our employees or other persons may have unauthorized or authorized access to our systems and leak data and/or take actions that affect our networks or otherwise adversely affect us or our ability to adequately process internal information.

We manage these risks through a number of technical and organizational measures, which are part of our digital security strategy, including, access control measures, backup systems, log review of critical systems, vulnerabilities checks, network segregation measures and protective systems such as firewalls, intrusion prevention systems, virus scanners and other physical and logical security measures. However, the application of these measures cannot guarantee the mitigation of all risks due to the complexity of the environment and the constant increase of capabilities of threats that now rely on artificial intelligence to improve their processes.

For more information, see “Item 4. Information on the Company–B. Business Overview–Technology–Network Security.”

### ***We are dependent on key personnel and the ability to hire and retain additional personnel.***

We believe that our success will depend on the continued services of our senior management team and other key personnel. Our management team is comprised of highly qualified professionals, with extensive experience in the telecommunications industry. The loss of the services of any of our senior management team or other key employees could adversely affect our business, financial condition and results of operations. We also depend on the ability of our senior management and key personnel to work effectively as a team.

Our future success also depends on our ability to identify, attract, hire, train, retain and motivate highly skilled technical, managerial, sales and marketing personnel. Competition for such personnel is intense, and we cannot guarantee that we will successfully attract, assimilate or retain a sufficient number of qualified personnel. Failure to retain and attract the necessary technical, managerial, sales and marketing and administrative personnel could adversely affect our business, financial condition and results of operations.

### ***We are subject to liabilities relating to third party contractors, which may have a material adverse effect on our business and results of operations.***

We are exposed to contingent liabilities resulting from our contracting structure, which includes third-party service providers. Such potential liabilities may involve labor claims by third-party providers that are treated as direct employees as well as joint liability claims relating to wage or overtime pay complaints and workplace injury claims. If a significant portion of these contingent liabilities is decided against us and for which we have not made adequate provisions, our financial condition and results of operation may be adversely affected.

Furthermore, if the contracting of third party services are considered to involve the main activities of the company, it may be characterized as direct employment, which would significantly increase our costs and, as a result, we may be subject to administrative proceedings by the relevant labor regulators and may be required to pay fines to the third-party service providers.

***Consolidation in the telecommunications market may increase competition in the near future and may change Brazilian market dynamics.***

Mergers and acquisitions may change market dynamics, create competitive pressures, force small competitors to find partners and impact our financial condition; and may require us to adjust our operations, marketing strategies (including promotions), and product portfolio.

The entry of a new market participant with significant financial resources or potential changes in strategy by existing telecommunications service providers can change the competitive environment in the Brazilian market. We may be unable to keep pace with these changes, which could affect our ability to compete effectively and have a material adverse effect on our business, financial condition and results of operations.

Additional joint ventures, mergers and acquisitions among telecommunications service providers are possible in the future. If such consolidation occurs, it may result in increased competition within our market. We may be unable to adequately respond to pricing pressures resulting from consolidation in our market, adversely affecting our business, financial condition and results of operations. We may also consider engaging in merger or acquisition activity in response to changes in the competitive environment, which could divert resources away from other aspects of our business.

***We face significant competition in the Brazilian market.***

The relative competitive stability in the Brazilian telecommunications sector observed in 2021 was maintained in 2022 and 2023. Telecommunications operators continued to focus on improving their base of accesses by attracting customers to higher-value products. On the mobile side of the business, market participants mostly sought to sell hybrid plans (*planos controle*) and pure postpaid plans to consumers to increase overall ARPUS and profitability. On the fixed-line side of the business, we have seen competition both from large and small players to capture customers for fiber connectivity or upgrades for higher internet speeds, mostly driven by increased demand and the increased supply of high-quality broadband given the expansion in the rollout of fiber optic networks. In addition, customers are demanding higher quality services and greater mobile data availability, which require higher investments in the development, modernization, expansion and continuous improvement of the quality of our services and the experience of our customers.

As a result, we continue to face significant competition, mainly driven by the following factors: (1) commercial and pricing pressures from new portfolios launched by competitors; (2) increased 4G, 4.5G, 5G and fiber optic network coverage and improved service quality by our competitors; (3) low-cost alternative services, such as voice and text services provided over IPs, and IPTV/VoD services; and (4) favorable market conditions for MVNO operators, which may affect our competitive position in the market. We continuously monitor market conditions to anticipate future competitive challenges and opportunities and analyze how to address them. Nevertheless, our operational results, market position, competitiveness in the market and margins may be adversely affected if we are unable to keep the same pace as our competitors.



***Potential global or national events related to health, including contagious disease outbreaks, epidemics, or pandemics, may significantly affect our operations.***

Potential global or national events related to health, including contagious disease outbreaks, epidemics, or pandemics, may significantly affect our operations. Such events may cause, among other things, supply chain delays due to issues with factories or logistics; impacts on employees or third-party contractors due to quarantine periods or infection; as well as effects on global economic growth and, therefore, the growth of the national economy, which could have a variety of adverse impacts on supply (paralysis of integrated production chains, freezing of productive resources) and demand (deterioration of confidence and expectations, negative effects on income and wealth) caused by a substantial deterioration in financial markets, unprecedented drops in commodity prices, strong slowdown in business activity or severe transportation restrictions.

***Extensive government regulation of the telecommunications industry and our concession agreements may limit, in some cases, our flexibility in responding to market conditions, competition and changes in our cost structure or impact our fees.***

Our business is subject to extensive regulation, including any regulatory changes that may occur during the terms of our concession agreements and our authorizations to provide telecommunication services in Brazil. ANATEL, the Brazilian telecommunications industry regulator, regulates, among other things:

- industry policies and regulations;
- licensing (including licensing of spectrum and bidding processes);
- fees and tariffs;
- competition incentives and restrictions (including our ability to grow by acquiring other telecommunications businesses);
- service, technical and quality standards;
- consumer rights;
- penalties and other sanctions;
- interconnection and settlement arrangements; and
- universal service obligations.

The Brazilian telecommunications regulatory framework is continuously evolving. The interpretation and enforcement of regulations, the assessment of compliance with regulations and the flexibility of regulatory authorities are all marked by uncertainty. We operate under authorizations and a concession from the Brazilian government, and our ability to maintain these authorizations and concessions is a precondition to our success. However, because of the changing nature of our regulatory framework, we cannot provide assurances that ANATEL will not adversely modify the terms of our authorizations and/or licenses. According to our operating authorizations and licenses, we must meet specific requirements and maintain minimum quality, coverage and service standards. Our failure to comply with such requirements may result in the imposition of fines, penalties and/or other regulatory responses, including the termination of our operating authorizations and concession. Any partial or total termination of any of our operating authorizations and licenses or our concession would have a material adverse effect on our business, financial condition, revenues, results of operations and prospects.

In recent years, ANATEL has been reviewing and introducing regulatory changes, especially regarding asymmetric competition measures and interconnection fees charged among local providers of telecommunications services. Asymmetric competition measures can include regulations intended to rebalance markets in which a market participant has distinct market power over other competitors. The adoption of disproportionately asymmetric measures could have a material adverse effect on our business, financial condition, revenues, results of operations and prospects.

With respect to interconnection fees, these are an important part of our revenue and cost bases. Such fees are charged by telecommunications service providers to each other in order to allow interconnected use of each other's networks. To the extent that changes to the rules governing interconnection fees reduce the amount of fees we can receive, or our ability to collect such fees, our businesses, financial conditions, revenues, results of operations and prospects could be materially adversely affected.

Therefore, our business, results of operations, revenues and financial conditions could be negatively affected by the actions of the Brazilian authorities, including, in particular, the following:

- the introduction of new or stricter operational and/or service requirements;
- the granting of operating licenses in our areas;
- limitations on interconnection fees that we may charge from other telecommunications service providers;
- imposition of significant fines or penalties regarding failures to comply with regulatory obligations;
- delays in the granting of, or the failure to grant, approvals for rate increases; and
- antitrust limitations imposed by ANATEL and CADE.

***Our concession may be revised by the Brazilian government under certain circumstances.***

We operate our fixed-line business in the state of São Paulo under a concession granted by the Brazilian government. According to the terms of this concession, we are obligated to meet certain universal service requirements and to maintain minimum quality and service standards. For example, ANATEL requires that we satisfy certain conditions with respect to, among other things, the expansion of our network to: (i) provide public pay-phone services under specific conditions, despite significant reductions in requirements by Decree No. 9,619/2018 (maintained in Decree No. 10,610/2021); (ii) provide private individual telephony service for locations with a population of over 300 persons, upon request by any consumer; and (iii) meet certain service quality targets (as reviewed by Resolution No. 717/2019, which remains under implementation). Our ability to satisfy these terms and conditions may be affected by factors beyond our control, and our failure to comply with the requirements of this concession may result in the imposition of fines of up to R\$50 million per incident and/or other government sanctions, including the imposition of a preemptive ban on marketing our services or the termination of our concession. The partial or total termination of our concession or other authorizations would have a material adverse effect on our financial condition and results of operations.

Furthermore, our concession agreements provide that all assets owned by us, and which are indispensable to the provision of the services described in such agreements, are considered "reversible assets" (*bens reversíveis*) and are deemed to be part of the concession assets, subject to reimbursement or amortization as compensation for these assets. In 2021, with the publication of ANATEL Resolution No. 744, or the Public STFC Services Continuity Regulation (*Regulamento de Continuidade da Prestação do Serviço Telefônico Fixo Comutado Destinado ao Uso do Público em Geral (STFC) em Regime Público*), or the Continuity Regulation, ANATEL established that, upon the end of an STFC concession contract, reversible assets used for several services, including our public regime STFC services, would be subject to a right-of-use assignment, under fair and reasonable economic conditions, by us and the new service provider or the Brazilian government. In turn, the possession of reversible assets that are effectively and exclusively used to ensure the continuity of public regime STFC services would be reverted to the granting governmental authority if the service continues to be provided (either by the Brazilian government or by the new concessionaire service provider). In this way, the Concessionaire's assets, at the end of the concession contract on December 31, 2025, will not be susceptible to the reversal of its ownership to the Union. The assignment of the use of shared assets and the possession of exclusive assets of the STFC is now defined by means of specific contracts already provided for in the operational manual of the RCON, approved by Decision No. 269/2021/COUN/SCO. Pursuant to the administrative proceeding TC nº. 003.342/2022-0, in progress at the Federal Court of Accounts (TCU), a technical report stated that the RCON should be reviewed and such understanding shall still be submitted to the court's ruling. The process is currently suspended.

Moreover, according to ANATEL's interpretations of current regulations, reversible assets will not be available to creditors in the event of insolvency, bankruptcy or similar events, although there are differing interpretations, even among government agencies, and ongoing discussions regarding the treatment of reversible assets as a result of the passage of Law No. 13,879/2019, or the New General Telecommunications Law, on October 4, 2019. See "—A review of our concession agreements and/or the new telecommunications regulatory framework in Brazil could have a materially adverse effect on our operations."

***A review of our concession agreements and/or the new telecommunications regulatory framework in Brazil could have a materially adverse effect on our operations.***

The expiration date of our fixed-line concession agreements in São Paulo is December 31, 2025. These agreements contain a provision permitting ANATEL to review the concession agreements every five years and include revisions to terms and conditions that relate to network expansion, modernization and quality of service targets in response to changes in technology, competition in the marketplace and domestic and international economic conditions.

On June 24, 2014, ANATEL opened a public review and comment period for the revision of the terms of fixed-line concession agreements with respect to the 2016-2020 period. However, when the agency released the new version of the agreements in June 2017, operators disagreed with the inclusion by ANATEL of certain provisions and decided against executing new agreements with the agency. As a result, the agreements with respect to the 2011-2015 period remain in force. In January 2021, although new concession contracts had not yet been signed, the Brazilian government published Decree No. 10,610/2021, or PGMU V, which approves the revision of PGMU targets. PGMU V establishes that the remaining balance of the previous PGMUs must be used in the construction of backbone networks with optic fiber technology. These targets have been criticized by several of the local operators.

In addition, on October 4, 2019, the New General Telecommunications Law was enacted. This law revises the telecommunications regulatory framework by amending the General Telecommunication Law and significantly impacts this industry. The law permits fixed-line concession operators to migrate from a concession regime (in which the underlying assets must be reverted to the government at the end of the concession) to an authorization regime. ANATEL will be responsible for estimating the gains obtained by operators as a result of migrating from one regime to the other. According to the New General Telecommunications Law, on July 5, 2022, ANATEL presented to the Federal Court of Accounts (Tribunal de Contas da União), or the TCU a methodology with an estimate of the economic value associated with the adaptation of the concession instrument for authorization.

In a session held on March 22, 2023, the methodology applied by ANATEL was approved by TCU, conditioned on the Agency guaranteeing the adoption of values that approximate market values for the evaluation of the more significant reversible assets. The process was forwarded to ANATEL, which evaluated and approved on July 24, 2023, the balance of service adequacy (from concession to authorization) based on the determinations presented by the TCU, presenting a new estimate of economic value. The value of the balance should be assessed by the Company, within 120 (one hundred and twenty) days, however with the possibility of an agreement between ANATEL and the concessionaires involving arbitration and migration to be taken within the scope of a consensual solution with the TCU, ANATEL granted the suspension of the aforementioned deadline. In any case, if the balance value is confirmed and accepted by the Company, it will be converted into investment projects not yet defined by ANATEL.

Any additional changes to laws, rules or regulations could have a material adverse effect on our operations and financial condition. Changes to our concession agreements or further changes to the current regulatory framework may entail the imposition of new requirements, including obligations to make specific investments and/or capital expenditures. ANATEL may also impose new service targets on us with values that we are not able to predict.

***Our current radiofrequency licenses may not be renewed for additional periods.***

Generally, current spectrum authorizations are valid for 15 years. Although the New General Telecommunications Law admits successive spectrum renewals, we cannot guarantee that our existing licenses will be renewed. According to the New General Telecommunications Law and Decree No. 10,402/2020, ANATEL may set specific conditions for such renewals, such as mandatory “refarming” processes in certain spectrum bands or refuse renewal requests altogether. A refarming process can reduce the amount of spectrum available to each operator, depending on the configuration of the new blocks.

In November 2020, ANATEL decided to renew our current authorizations for the use of radio frequencies in bands A and B (850 MHz), on a primary basis, until November 29, 2028. However, the specific conditions for renewal, including those related to economic valuation criteria and related obligations, were challenged by the affected service providers, including us. After ANATEL rejected complaints presented by the providers, a final disposition over such specific conditions is still pending and will require a decision by the Brazilian Federal Court of Accounts (*Tribunal de Contas da União*), or the TCU.

In April 2023, ANATEL determined that our authorizations in the 900 MHz band should not be extended, (except in the state of Minas Gerais, explained below), claiming that the efficient use of this spectrum had not been properly demonstrated, since the low capacity associated with this band (2.5 + 2.5 MHz) imposes limitations on its effective use. The non-renewal of these 900 MHz licenses, however, does not affect the services currently provided by the Company. Also in April 2023, ANATEL decided to renew our 1,800 MHz licenses until 2032. In August 2023, also ANATEL renewed our 900 MHz and 1,800 MHz licenses in part of the state of Minas Gerais (PGO sector 2) until 2032. It is important to note that our 900 MHz and 1,800 MHz licenses in the rest of the state of Minas Gerais (PGO sector 3) were already renewed by ANATEL in April 2020 and expire in 2035.

Nevertheless, if there is no such renewal for the licenses previously mentioned, we would have to compete for new licenses in a spectrum auction. In addition, the coverage of our mobile services would be significantly affected by a loss of or failure to renew spectrum licenses. Further, in certain regions, our services may become unavailable, particularly in the event of a failure to renew or obtain all licenses for such regions. In the event of any of the foregoing circumstances, our business, financial condition, revenues, results of operations and prospects could be materially adversely affected.

***We are exposed to risks in relation to compliance with anti-corruption laws and regulations and economic sanctions programs.***

We are required to comply with anti-corruption laws and regulations in Brazil and in jurisdictions where our securities are traded. In particular, we are subject, in Brazil, to Law No. 12,846/2013, and in the United States, to the U.S. Foreign Corrupt Practices Act of 1977. Additionally, our operations may be subject to, or otherwise affected by, economic sanctions programs and other forms of trade restrictions (hereinafter referred to as sanctions), including those administered by the United States, including the U.S. Treasury Department’s Office of Foreign Assets Control.

Although we have internal policies and procedures designed to ensure compliance with such anti-corruption laws and sanctions regulations (to the extent applicable), there can be no assurance that such policies and procedures will be sufficient or that our employees, directors, officers, partners, agents and service providers will not take individual actions in violation of our policies and procedures (or, otherwise in violation of the relevant anti-corruption and sanctions laws and regulations) for which we, our subsidiaries or such employees, directors, officers, partners, agents and service providers may be ultimately responsible. Violations of such laws and regulations could lead to sanctions, reputational harm, or other legal consequences that could have a material adverse effect on our business, results of operations and financial condition.

***We depend on key suppliers to obtain the necessary equipment and services for our business.***

We depend on certain key suppliers of equipment and services, especially telecommunications network equipment and handsets, for the execution and development of our business. These suppliers may delay delivery, alter prices and limit supply as a result of problems related to their own businesses, over which we have no control. If these suppliers are not able to deliver equipment and services regularly, we may face problems with the continuity of our business activities, which may have an adverse effect on our business and results of operations.

***Certain key inputs are subject to risks related to importation, and we acquire other key inputs from a reduced number of domestic suppliers, which may further limit our ability to acquire such inputs in a timely and cost-effective manner.***

The high growth in data markets in general and broadband in particular may result in a limited supply of equipment essential for the provision of such services, such as data transmission equipment and modems. The reduced number of manufacturers, mainly data transmission equipment and modems, and the geographical locations of non-Brazilian manufacturers of these inputs, pose certain risks, including:

- vulnerability to currency fluctuations in cases where inputs are imported and paid for with U.S. dollars, Euros or other non-Brazilian currency; and
- difficulties in managing inventory due to an inability to accurately forecast the domestic availability of certain inputs.

If any of these risks materialize, they may result in our inability to provide services to our customers in a timely manner or may affect the prices of our services, which may have an adverse effect on our business, financial condition and results of operations.

***We make investments based on demand forecasts that may become inaccurate due to economic volatility and may result in revenues that are lower than expected.***

We make certain investments, such as the procurement of materials and the development of physical sites, based on our forecasts of the amount of demand that customers will have for our services at a later date (generally several months later). However, any major changes in the Brazilian economic scenario may affect this demand and therefore our forecasts may turn out to be inaccurate. For example, economic crises may restrict credit to the population, and uncertainties related to employment may result in a delay in the decision to acquire new products or services (such as broadband or Pay TV). As a result, it is possible that we may make larger investments based on demand forecasts that were necessary given actual demand at the relevant time, which may directly affect our cash flow.

Furthermore, improvements in economic conditions may have the opposite effect. For example, an increase in demand not accompanied by our investment in improved infrastructure may result in a possible loss of opportunity to increase our revenue or result in the degradation of the quality of our services.

***We face risks associated with litigation.***

We are party to a number of lawsuits and other proceedings. An adverse outcome in, or any settlement of, these or other lawsuits could result in significant costs to us. In addition, our senior management may be required to devote substantial time to these lawsuits, which they could otherwise devote to our business. See “Item 8. Financial Information–A. Consolidated Statements and Other Financial Information–Legal Proceedings.”

***Our results of operations may be negatively affected by changes to STFC or SMP rules.***

We receive payments for the interconnection of calls in our fixed-line and mobile networks. Interconnection fees were set by ANATEL in December 2018 and February 2020 for STFC and SMP networks, respectively. See “Item 4. Information on the Company–B. Business Overview–Rates, Taxes and Billing–Interconnection fees.” However, we cannot assure you that new mobile service plans will not be suspended by ANATEL, that current fixed-line or mobile interconnection fees remain the same, or that future negotiations on fixed-line or mobile interconnection rates will result in favorable terms or rates. If current fixed-line or mobile interconnection fees are canceled, or if fixed-line or mobile interconnection fees in the future are changed, our business, financial condition, revenues, results of operations and prospects may be adversely affected.

***ANATEL has the authority to issue new regulations affecting many of our areas of operations.***

ANATEL has the authority to issue new regulations affecting many of our areas of operations. Such new regulations could have an adverse effect on our operating results because: (1) ANATEL could significantly reduce the interconnection fees we are able to charge, thereby reducing our revenues (see “–Our results of operations may be negatively affected by changes to STFC or SMP rules”); (2) ANATEL may allow more favorable conditions for economic groups without significant market power; (3) the granting of new licenses may increase competition in our area from other operators, which could adversely affect our prices and/or market share, thereby reducing our revenues; (4) ANATEL may require that revenue received for the usage of the SMP network must be included in the calculation of renewing licenses costs; and (5) ANATEL’s general plan of updating the regulations targets several areas of vital importance for our business (including both our fixed-line telephony and mobile businesses), which may cause either an increase in operating costs, an increase in competitive pressure, or a decrease in our revenues, among other adverse effects.

For a detailed description of the regulations issued by ANATEL and their impact on our business, see “Item 4. Information on the Company–B. Business Overview–Regulation of the Brazilian Telecommunications Industry.”

***The industry in which we conduct our business is continually changing and evolving technologically, which demands adequate changes in the regulatory environment.***

The telecommunications industry is subject to rapid and significant technological changes. Our future success depends on our ability to anticipate and adapt in a timely manner to technological changes. We expect that new products and technologies will emerge and that existing products and technologies will be further developed.

The advent of new products and technologies could have a variety of consequences. These new products and technologies may reduce the price of our services by providing lower-cost alternatives and the creation of new digital services, such as the example of OTT service providers that provide voice and messaging services over IP. Also, new products and technologies may become superior to, and render obsolete, the products and services we offer and the technologies we use, thus requiring our constant investment in new technology and innovation.

Such new technologies will demand changes in the regulatory environment, challenging both governmental agencies and telecommunication companies. Companies that provide OTT services, which have characteristics similar to telecommunications services, are currently not subject to the same rules as the telecommunications operators. This gap can bring additional challenges to the telecommunications industry, as current developments in the regulatory framework for OTTs are inconsistent and still unclear.

***We are subject to certain risks related to conditions and obligations imposed by ANATEL for the use of the spectrum needed for the 4G and 5G services we offer.***

In 2012, we acquired 40MHz on the 2.5GHz to 2.69GHz frequencies for the amount of R\$1.05 billion. In order to meet the coverage requirements, we had the obligation of implementing 4G coverage in 1,094 cities by December 31, 2017. The remaining coverage commitments in cities with less than 30,000 inhabitants could be fulfilled with other frequency bands until December 31, 2019. Verification of compliance with these targets is controlled by ANATEL and, regarding the cities with less than 30,000 inhabitants, is in progress.

Regarding the 700MHz spectrum, ANATEL has allocated the band for the provision of fixed, mobile and broadband services. On September 30, 2014, we acquired 20 MHz (10+10 MHz) with nationwide coverage, for R\$1.92 billion, at the minimum price, plus R\$904 million for the band cleaning (migration of broadcasters that currently occupy the band) and interference management. According to the auction rules, the winning bidders were responsible for financing and managing the band cleaning process (Analog TV switch off) which was implemented through a legal entity specifically incorporated for this purpose, as set forth in the bidding process and applicable regulations (EAD). Since June 2019, all Brazilian municipalities are ready to activate LTE coverage in the 700 MHz band.

In November 2021, ANATEL held the largest spectrum auction in its history, which included 4G and, for the first time, 5G blocks, with 700 MHz, 2.3 GHz, 3.5 GHz and 26 GHz lots. On that occasion, we acquired 3.5 GHz and 26 GHz national licenses (100 MHz and 600 MHz bandwidths, respectively). We also won regional 2.3 GHz licenses, with 50 MHz bandwidth in the southeast region of Brazil (except São Paulo state and PGO Sector 3) and 40 MHz bandwidth in São Paulo state and in the north and mid-west regions of Brazil (except PGO Sectors 22 and 25). These acquired licenses, which we purchased for a total of R\$4.45 billion, of which R\$0.9 billion is related to licenses and the remaining amount is related to the obligation described below. The licenses ensure we have the required spectrum to provide 5G services, and are valid for 20 years (renewable under the then-existing legal conditions at the expiration of this term).

ANATEL also set forth obligations to be fulfilled by the winners of the 5G spectrum auction. For the 2.3 GHz and 3.5 GHz spectrum bands, these obligations include coverage commitments, the deployment of fiber optic backbone networks in locations with little or no connectivity infrastructure, the implementation of the Integrated and Sustainable Amazon Program (Plano Amazônia de Integração e Sustentabilidade), and devising a project for a private communications network reserved for the Brazilian federal government, as well as the funding activities related to the migration of satellite TV services from the C-band to the Ku-band. Winners of the 26 GHz spectrum bands, in turn, will have to invest in connectivity projects aimed at selected public schools throughout Brazil.

The targets established by ANATEL for the fast-paced implementation of networks could be impacted by (1) our ability to obtain licenses for the construction of new sites at the speed necessary to achieve the coverage targets, (2) the capacity of our suppliers to deliver the equipment necessary for this expansion, which may increase the price of such equipment, and (3) lack of qualified resources to meet the expected implementation pace.

If we are not able to meet targets and obligations set forth in the bid documents, ANATEL may execute our bank guarantees, we may be subject to fines and/or have our licenses to operate these frequencies revoked, negatively affecting our business and results of operations. Additionally, the inefficient use of any frequency may lead to the loss of the usage license. Furthermore, ANATEL may also impose new targets, conditions and/or obligations on us that we are not able to predict (see “—A review of our concession agreements and/or the new telecommunications regulatory framework in Brazil could have a materially adverse effect on our operations”). Any of the above factors could have a material adverse effect on our operations and financial condition.

***Our sales could be suspended as a result of issues with the quality of our services.***

ANATEL and other judicial and administrative agencies have the authority to suspend our sales in an attempt to improve the overall quality of telecommunications services. Sales suspensions are generally applied to the services for which there have been complaints by consumers and the consumer protection agencies. When applied, the suspension is temporary and usually lifted once the company presents an action plan for improvement. In July 2012, ANATEL suspended mobile service sales by our competitors, Oi, Claro and TIM, as a result of a considerable increase in consumer complaints. The suspensions lasted about 20 days and ANATEL requested that all telecommunications companies, including us, present an action and investment plan to improve the mobile network. Although our action plan was approved by ANATEL in September 2012, if a similar increase in customer complaints occurs in the future we may face suspension of one or more of our services until a new plan can be presented to and approved by ANATEL, which may materially affect our business and results of operations.

***We are subject to the risk of noncompliance with data privacy and protection laws, which may lead to sanctions, including financial penalties.***

In 2018, the President of Brazil approved Brazilian Law No. 13,709/2018, named the General Personal Data Protection Law (*Lei Geral de Proteção de Dados*), or the LGPD, which came into force on September 18, 2020, a comprehensive data protection law establishing the general principles and obligations that apply across multiple economic sectors and contractual relationships. Certain aspects of the LGPD will be subject to further regulation by the National Data Protection Authority (*Autoridade Nacional de Proteção de Dados*), or the ANPD, in accordance with the ANPD's Ordinances No. 11/2021 and 35/2022.

The LGPD establishes detailed rules for the collection, use, processing and storage of personal data in all economic sectors, regardless of whether data is collected in a digital or physical environment. In general, our services and processes depend on personal data. The way in which we collect, store and manage this data must comply with the provisions of the LGPD. In addition, the administrative sanctions provided for in the LGPD (arts. 52, 53 and 54), came into force on August 1, 2021, pursuant to Law No. 14,010/2020 and which were further regulated in 2023 by ANPD through the Administrative Sanctions and Dosimetry Regulation (Resolution No. 4/2023). Sanctioning is expected to follow ANPD Regulation No. 1/2021, which was approved following public notice and comment by the ANPD's board of directors. In the event of a violation of the LGPD, we may be subject to (1) legal notices and the required adoption of corrective measures, (2) fines of up to 2% of our or our economic group's revenues up to a limit of R\$50.0 million per infraction, (3) publication of the infraction following confirmation of its occurrence, (4) the blocking and erasing of personal data involved in the infraction, (5) partial or complete suspension of the infringing processing activities for up to one year and (6) partial or complete prohibition to engage in processing activities.

We may be held liable for material, punitive, individual or collective damages to the data subjects due to the processing of their personal data and could be held individually or jointly liable for material, punitive, individual or collective damages caused by us, our subsidiaries, service providers that may process personal data on our behalf or our affiliates due to non-compliance with the obligations set forth by the LGPD and other laws and regulations in force that address data protection, which may adversely affect our reputation and results and, consequently, the value of our shares.

Failure or insufficiency to adopt efficient measures to protect personal data or failure to maintain compliance with the LGPD may lead to the application of fines, obligation to disclose relevant incidents to the market, obligation to eliminate personal data from relevant databases and suspension of access to our databases and prohibition of our activities related to the processing of compromised data. We also may be subject to sanctions not related to the supervision of the ANPD, since consumer protection authorities and the Public Prosecutor's Office have already been active in pursuing data privacy violations even before the LGPD became effective. Accordingly, failure to protect personal data processed by us or any failure to implement adequate data protection measures in response to applicable legislation may subject us to additional costs such as the payment of fines and indemnities, implementation of adjustment measures, and loss of business, in addition of civil sanctions, which may adversely affect our reputation and results.



In addition, the application of administrative sanctions under other laws dealing with privacy and data protection issues might be possible, such as the Consumer Protection Code and the Brazilian Civil Rights Framework for the Internet. These administrative sanctions may be imposed by other public authorities, such as the Public Prosecutors' Offices, the National Consumer Secretariat and consumer protection agencies. We may also be subject to liability in the civil sphere for violation of these laws. Sanctions imposed against us by these authorities may also adversely affect our reputation and results and, consequently, the value of our ADSs and common shares.

***Internet regulation in Brazil is still limited and several legal issues related to the Internet are uncertain.***

In 2014, Brazil enacted a law, which we refer to as the Brazilian Civil Rights Framework for the Internet (Marco Civil da Internet), setting forth principles, guarantees, rights and duties for the use of the Internet in Brazil, including provisions about internet service provider liability, internet user privacy and internet neutrality. In May 2016, further regulations were passed in connection with the referred law. The administrative penalties imposed by the Brazilian Civil Rights Framework for the Internet include notification, fines (up to 10% of the revenues in Brazil of the relevant entity's economic group in the preceding fiscal year) and suspension or prohibition from engaging in data processing activities. The Brazilian Civil Rights Framework for the Internet also determines joint and several liability between foreign parent companies and local Brazilian subsidiaries for the payment of fines that may be imposed for breach of its provisions. Administrative penalties may be applied cumulatively. Daily fines may be imposed in judicial proceedings, as a way to compel compliance with a Brazilian court order. If for any reason a company fails to comply with the court order, the fine can reach significant amounts. We may be subject to liability under these laws and regulations should we fail to adequately comply with the Brazilian Civil Rights Framework.

However, unlike in the United States, little case law exists around the Brazilian Civil Rights Framework for the internet and existing jurisprudence has not been consistent. Legal uncertainty arising from the limited guidance provided by current laws in force allows for different judges or courts to decide very similar claims in different ways and establish contradictory jurisprudence. This legal uncertainty allows for rulings against us and could set adverse precedents, which individually or in the aggregate could seriously harm our business, results of operations and financial condition. In addition, legal uncertainty may harm our customers' perception and use of our service.

***Some of our debt agreements may contain covenants, key performance indicators, and targets; as such, any default or failure to reach such targets under such debt agreements may have a material adverse effect on our financial condition and cash flows.***

The agreements governing most of our outstanding loans and financing may contain certain standard restrictive covenants, including financial covenants. These agreements can provide an acceleration of the full balance of our obligations in the event of default. In general, such agreements are subject to the acceleration of maturity over: (i) the inclusion in the agreement of our shareholders, bylaws or articles of incorporation or of the companies that control us of conditions that lead to restrictions or loss of ability to pay financial obligations arising from these agreements; or (ii) liquidation, dissolution, insolvency; bankruptcy, judicial or extrajudicial recovery to any creditor or class of creditors. Failure to comply with or fulfill any of these restrictions, covenants, financial metrics or financial tests could result in a default under these agreements, which would have a material adverse effect on our financial condition.

***We are subject to environmental laws and regulations. Failure to comply with governmental laws and regulations could subject us to penalties that could have an adverse effect on our business and reputation.***

Our operations and properties are subject to a variety of environmental laws and regulations governing, among other subjects, environmental licensing and registries, protection of flora and fauna, air emissions, waste management and remediation of contaminated areas. Failure by us or by our business partners to comply with present and future requirements, or to identify and manage new or existing environmental liabilities, could cause us to incur substantial costs, including investigation and remediation costs, indemnification, compensation, conduct adjustments, fines, suspension of activities and other penalties, investments to upgrade our facilities or change our processes, as well as damages to the company's reputation. The identification of presently unidentified environmental issues, change in evaluation criteria by regulatory agencies, enactment of more restrictive laws and regulations or other unanticipated events may arise in the future and result in material environmental liabilities and related costs. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations, assets and financial condition.

***Man-made or natural disasters, including extreme weather conditions due to climate change (high temperatures, floods, thunderstorms) or other unexpected events could adversely affect networks, systems, infrastructure and service continuity.***

Our operations may be suspended or interrupted for an indeterminate period in case of adverse events that are likely to damage our transmission bases. These events include natural disasters, storms, cyclones, climate change or other impacts, environmental events, and man-made disasters, including fires, explosions, and geopolitical disruptions, to civil unrest or health crises (such as the COVID-19 pandemic), or any other unexpected events.

Climate change represents systemic risks that, when realized, can result in socio-economic, financial and environmental impacts potentially affecting the fulfillment of Telefônica Brasil's business strategy and objectives. Climate change related risks can be categorized as physical risks (chronic and acute) and transition risks.

When examining physical risks, the increasing frequency of extreme weather events such as storms, heatwaves, and wildfires can lead to significant damage to our infrastructure causing failures in our wired and mobile networks. When severe natural disasters occur in short intervals, there is a risk that we may not have sufficient resources to repair and restore our infrastructure in a timely and cost-effective manner.

From September to November 2023, the South and Southeast regions of Brazil were significantly affected by the adverse effects of climate change. In the Southern region, extreme weather events caused by an extratropical cyclone impacting the energy supply at our network facilities. In the State of São Paulo, part of the Southeast region of Brazil, winds exceeding 100 km/h affected the state's energy supply. The growing likelihood of damage to our infrastructure due to extreme natural disasters could have a material adverse impact on our operations. Rising mean temperatures could increase our operating costs due mostly to the increase in refrigeration needs of network equipment. High temperatures also can affect the telecommunication equipment producing failures, write-offs and early retirement and therefore increase the risk of severe disruption, therefore, cooling is essential.

When considering transition risks, an increased cost of energy (electricity operating expenses) stands out for having the most substantial financial impact. This is largely due to our high consumption of electricity (an average of 1.800 GWh per year) and the significant dependence of the Brazilian electricity matrix on hydroelectric power, where prolonged periods of drought can adversely impact energy prices.

The Telecom sector is not especially dependent on fossil fuels but is very dependent on electricity consumption for its networks, so an increase in electricity prices due to a shortage of natural resources could have a significant impact on our energy related operating expenses.

If we are unable to mitigate or prevent any such damage in the event of a natural or man-made disaster and any other unexpected events, the suspension or interruption of our operations could have an adverse effect on the continuity of our operations, our financial results and compliance with applicable regulations. To manage these risks, we promote energy efficiency programs, renewable energy plans and distributed energy generation, in addition to having a dedicated business continuity department guided by the Global Business Continuity Regulation, which prescribes guidelines on the preventive management of risks, and which supports the resilience of our operations against potential interruptions.

***Companies operating in the telecommunication industry, including us, may be harmed by restrictions regarding the deployment and maintenance of network infrastructure.***

Currently, hundreds of municipal laws in Brazil limit the installation of new antennas for mobile service. This scenario has been a barrier to the expansion of mobile networks. Those laws are meant to regulate issues related to zoning and the alleged effects of the radiation and radio frequencies of the antennas. Despite the existence of a federal law enacted in 2015, that addresses this issue by establishing new guidelines to create a consolidated plan for the installation of antennas, as long as the municipal laws remain unchanged, the risk of non-compliance with regulations and of having services of limited quality in certain areas continues to exist.

Additional antenna installation is also limited because of concerns that radio frequency emissions from base stations may cause health problems and other environmental impacts. These concerns could have an adverse effect on the wireless communications industry and, possibly, expose wireless providers, including us, to litigation. Based on information from the WHO we are not aware of any evidence in the latest medical research that conclusively establishes any relationship between radio frequency emissions of base stations and health concerns. Perceived risks may, however, delay the expansion of our network if we experience problems in finding new sites, which in turn may delay expansion and affect the quality of our services. For instance, in May 2009, Law No. 11,934/2009 was enacted, which limits the exposure for fields with frequencies of up to 300 GHz. The new law uses the exposure limits determined by the International Commission on Non-Ionizing Radiation Protection and recommended by the WHO and restricts the installation of new antennas.

New laws and regulations may also create additional restrictions on our transmission infrastructure, which in turn, could have an adverse effect on our business. In this sense, a new regulation regarding the use of electricity poles infrastructure by telecommunication companies is expected to be published by ANATEL and ANEEL (the national Brazilian electricity regulatory agency) by the end of 2024. The new regulation can set forth changes in pricing and other conditions related to the access and maintenance of telecommunication equipment in light poles that may affect our ability to make use of such infrastructure, deemed vital to our current and future operations.

Additionally, health concerns regarding the effects of radio frequency emissions may also discourage the use of mobile telephones and may result in the adoption of new measures by governments or any other regulatory interventions, any of which could materially and adversely affect our business, results of operations and financial condition.

***Changes in taxes and other assessments or changes in the interpretation of tax laws or regulations may adversely affect us and our shareholders***

The legislatures and tax authorities in the tax jurisdictions in which we operate regularly enact reforms to the tax and other assessment regimes to which we and our customers are subject. Such reforms include changes in tax rates and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. In addition, the interpretation of tax laws by courts and taxation authorities is constantly evolving. In Brazil, the tax system is highly complex and tax laws and regulations is commonly subject to controversial interpretation by tax authorities. In the event that tax authorities interpret tax laws in a manner that is inconsistent with our interpretations, we may be adversely affected. The effects of these changes and any other changes that result from the enactment of additional tax reforms or changes to the manner in which current tax laws are applied cannot be quantified and there can be no assurance that any such reforms or changes would not have an adverse effect upon our business.

The Brazilian government regularly implements changes to tax regimes that may increase the tax burden on us, our subsidiaries and jointly-controlled entities and their respective customers. These changes include modifications in the rate of assessments and the enactment of new or temporary taxes, the proceeds of which are earmarked for designated governmental purposes.

In addition, the current administration proposed to revoke the income tax exemption over the distribution of dividends, which, if promulgated, would increase tax expenses associated with any dividends or distributions, which could impact our ability to pay dividends and receive future dividends from our subsidiaries. The administration has also effected certain changes to the taxation of interest on shareholders' equity. Any future changes in tax policy or laws may adversely affect our business, financial condition and results of operations.

For more information, see "Item 4. Information on the Company—B. Business Overview—Significant changes in tax legislation."

***The ongoing war between Russia and Ukraine may have a material adverse effect on the global and Brazilian economies as well as on us.***

The ongoing war between Russia and Ukraine has provoked strong reactions from the United States, the UK, the EU and various other countries around the world, including from the members of NATO. Following Russia's invasion of Ukraine beginning on February 24, 2022, the United States, the UK, the EU and other countries announced broad economic sanctions against Russia, including financial measures such as freezing Russia's central bank assets and limiting its ability to access its U.S. dollar reserves. The United States, the EU and the UK have also banned people and businesses from dealings with the Russian central bank, its finance ministry and its wealth fund. Selected Russian banks have also been removed from the Swift messaging system, which enables the smooth transfer of money across borders. Other sanctions by the UK include major Russian banks being excluded from the UK financial system, stopping them from accessing sterling and clearing payments, major Russian companies and the state being stopped from raising finance or borrowing money on the UK markets, and the establishment of limits on deposits Russians can make at UK banks. The United States, the EU and the UK adopted personal measures, such as sanctions on individuals with close ties to the Russian government, and placed visa restrictions on several oligarchs, as well as their family members and close associates, and freezing of assets.

While the precise effect of the ongoing war and these sanctions on the Russian and global economies remains uncertain, they have already resulted in significant volatility in financial markets, depreciation of the Russian ruble and the Ukrainian hryvnia against the U.S. dollar and other major currencies, as well as an increase in energy and commodity prices globally. Should the conflict continue to escalate, markets may face continued volatility as well as economic and security consequences including, but not limited to, supply shortages of different kinds, further increases in prices of commodities, including piped natural gas, oil and agricultural goods, among others.

There remains considerable uncertainty as to the outcome of the war and its impact on the global economy, financial markets and the prices and supply of commodities and other products and services globally. The potential consequences of the war for us include, without limitation:

- The U.S. dollar may appreciate sharply which could increase the price of goods and services on which we depend for which we are required to pay in U.S. dollars, as well as increase the pressure on our margins and prices generally.
- Given that Russia and Ukraine are among the largest grain exporters in the world, a continuation of the conflict could result in increased inflation in Brazil and in measures by the Brazilian government and the Brazilian Central Bank to contain inflation, such as raising the basic interest rate, which could materially impact the cost of debt and third-party capital for our financing and investing activities.

- Inflation resulting from the COVID-19 crisis has been compounded by the conflict between Russia and Ukraine. Inflation makes it more difficult for us to conduct our financial planning, and increases the capital needed to fund our activities and our credit risk exposure. Measures by the Brazilian government and the Brazilian Central Bank to contain inflation, such as raising the basic interest rate, could materially impact the cost of debt and third-party capital for our financing and investing activities.
- A recession of the Brazilian and/or global economies as a result of the aforementioned developments could also have a material adverse effect on our business.

In addition, this conflict can exacerbate supply chain disruption, which was borne out of the COVID-19 pandemic and contributed to inflationary pressures throughout the world, leading to higher interest rates and financing issues.

Other potential consequences include, but are not limited to, growth in the number of popular uprisings in the region, increased political discontent, especially in the regions most affected by the conflict or economic sanctions, increased cyberterrorism activities and attacks, an exodus from regions close to the areas of conflict and an increase in the number of refugees fleeing across Europe, among other unforeseen social and humanitarian effects.

The effects of the war between Russia and Ukraine and the conflict in the Middle East are ongoing, and its continuation or escalation could precipitate or aggravate the other risk factors identified in this annual report on Form 20-F, which in turn could further materially and adversely affect our business, financial condition, liquidity, results of operations and profitability, including in ways not currently known or considered by us to present material risks.

While as of the date of this annual report there have not been any material impacts from the ongoing war between Russia and Ukraine on our business, we are continuously monitoring the developments to assess any potential future impacts that may arise as a result of the ongoing war. The adverse effects—global or localized—of the ongoing war between Russia and Ukraine, and/or economic sanctions and import and/or export controls to be imposed by the United States, the UK, the EU or others, and their adverse effects on the wider global economy and market conditions could have a material adverse effect on our business, financial condition and results of operations.

#### **Risks Relating to the Common Shares and the ADSs**

***Holders of our ADSs may face difficulties in serving process on or enforcing judgments against us and other persons.***

We are organized under the laws of Brazil, and all of our executive officers and our independent public accountants reside or are based in Brazil. Also, four of our 12 board members reside or are based in Brazil. Substantially all of our assets are located in Brazil. As a result, it may not be possible for holders of the ADSs to effect service of process upon us or these other persons within the United States or other jurisdictions outside Brazil or to enforce any judgments obtained in the United States or other jurisdictions outside Brazil against us or such other persons. Because judgments of U.S. courts for civil liabilities based upon the U.S. federal securities laws may only be enforced in Brazil if certain conditions are met, holders may face greater difficulties in protecting their interests due to actions by us, our board members or executive officers than would shareholders of a U.S. corporation.

***Holders of our ADSs are not entitled to directly attend shareholders' meetings and may only vote through the depositary.***

Under Brazilian law, only shareholders registered as such in our corporate books may attend shareholders' meetings. All common shares underlying our ADSs are registered in the name of the depositary. A holder of ADSs, accordingly, is not entitled to directly attend shareholders' meetings. Holders of our ADSs may exercise their limited voting rights with respect to our common shares represented by the ADSs indirectly, and only in accordance with the deposit agreement relating to the ADSs. There are practical limitations on the ability of ADS holders to exercise their voting rights due to the additional steps involved in communicating with ADS holders. For example, we are required to publish a notice of our shareholders' meetings in a Brazilian newspaper published in the same city as our headquarters, and the same newspaper's website must provide digital certification for all the documents kept on such website. Holders of our shares can exercise their right to vote at a shareholders' meeting by attending the meeting in person or voting by proxy. By contrast, holders of our ADSs will receive notice of a shareholders' meeting by mail from the ADR depositary following our notice to the ADR depositary requesting the ADR depositary to do so. To exercise their voting rights, ADS holders must instruct the ADR depositary on a timely basis. This voting process will take longer for ADS holders than for direct holders of our shares.

We cannot assure you that holders will receive the voting materials in time to ensure that such holders can instruct the depositary to vote the shares underlying their respective ADSs. In addition, the depositary and its agents are not responsible for failing to carry out holder's voting instructions or for the manner of carrying out your voting instructions. This means that holders may not be able to exercise their right to vote and may have no recourse if our shares held by such holders are not voted as requested.

***Holders of our ADSs or common shares might be unable to exercise preemptive rights with respect to the common shares unless there is a current registration statement in effect which covers those rights or unless an exemption from registration applies.***

Under Brazilian law, if we issue new shares for cash as part of a capital increase, we generally must grant our shareholders the right to purchase a sufficient number of shares to maintain their existing ownership percentage. Rights to purchase shares in these circumstances are known as preemptive rights. Holders of our ADSs or common shares in the United States will not be able to exercise any preemptive rights unless a registration statement under the U.S. Securities Act of 1933, as amended, or the Securities Act, is effective with respect to that future issuance of shares, or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement. Unless we file a registration statement or an exemption from registration applies, holders of our ADSs may receive only the net proceeds from the sale of their preemptive rights by the depositary, or if the preemptive rights cannot be sold, they will lapse and they will not receive any value for them. For more information on the exercise of these rights, see "Item 10. Additional Information—B. Memorandum and Articles of Association—Description of our Bylaws—Preemptive Rights."

***An exchange of ADSs for common shares risks the loss of certain foreign currency remittance and Brazilian tax advantages.***

Beginning on March 30, 2015, the different forms of foreign portfolio investments in Brazil, including investments via depositary receipts, have been regulated by CMN Resolution No. 4,373/2014, or Resolution No. 4,373, which revoked the former rule that had been in effect for the preceding 15 years (CMN Resolution No. 2,689/2000), and by Law No. 4,131/1962. Law No. 4,131/1962 was recently significantly amended by Law No. 14,286/2021, which became effective on December 31, 2022. Following such amendments, a revision of Resolution No. 4,373 is also expected in the future. As this time, we are unable to foresee the effects such a revision may have on the Company.

Resolution No. 4,373 regulates the issuance of depositary receipts in foreign markets in respect of shares of Brazilian issuers. Pursuant to this regulation, the ADSs benefit from a certificate of foreign capital registration, which permits Citibank N.A., as depositary, to convert dividends and other distributions with respect to common shares into foreign currency and to remit these proceeds abroad. Holders of ADSs who exchange their ADSs for common shares will then be entitled to rely on the depositary's certificate of foreign capital registration for five business days from the date of exchange. Thereafter, if acting as an individual investor, they will not be able to remit non-Brazilian currency abroad unless they obtain their own certificate of foreign capital registration, constituting a Brazilian financial institution as representative, or unless they qualify under Resolution No. 4,373, which entitles certain investors to buy and sell shares on Brazilian stock exchanges without obtaining separate certificates of registration. Further rules may be issued by CVM and by the Central Bank to regulate foreign investments in ADSs, including with regard to the exchange of ADSs for common shares and the remittance of funds arising from the sale of these common shares.

If holders of ADSs do not qualify under Resolution No. 4,373, they will generally be subject to less favorable tax treatment with respect to our common shares. There can be no assurance that the depositary's certificate of registration or any certificate of foreign capital registration obtained by holders of ADSs will not be affected by future legislative or regulatory changes, or that additional Brazilian law restrictions applicable to their investment in the ADSs may not be imposed in the future. Considering, however, that one of the premises of Law No. 14,286/21 is to grant equal treatment to foreign capital entering Brazil and to Brazilian capital, the scenario regarding foreign investment should be made simpler than the rules currently in force.

***Holders of our common shares will be subject to, and holders of our ADSs could be subject to, Brazilian income tax on capital gains from sales of common shares or ADSs.***

Law No. 10,833/2003, or Law No. 10,833, provides that gains on the disposition of assets located in Brazil by nonresidents of Brazil, whether to other nonresidents or to Brazilian residents, will be subject to Brazilian taxation. The common shares are expected to be treated as assets located in Brazil for purposes of the law, and gains on the disposition of common shares, even by nonresidents of Brazil, are expected to be subject to Brazilian taxation.

Based on the fact that the ADSs are issued and registered abroad, we believe that gains on the disposition of ADSs made outside of Brazil by nonresidents of Brazil to another non-Brazilian resident would not be subject to Brazilian taxation, since they would not fall within the definition of assets located in Brazil for purposes of Law No. 10,833. However, considering the generic and unclear scope of Law No. 10,833 and the absence of judicial/administrative court rulings in respect thereto, we cannot be assured that such an interpretation of this law will prevail in the courts of Brazil.

In case of any assessment by the Brazilian tax authorities, the gains arising from the disposal of ADSs made are subject to capital gain tax in Brazil at (i) progressive rates ranging from 15% to 22.5%, or (ii) 25%, if the non-Brazilian holder is located in a tax haven jurisdiction. See "Item 10. Additional Information—E. Taxation—Brazilian Tax Considerations."

#### **Certain Factors Relating to our Controlling Shareholder**

***Our controlling shareholder has power over the direction of our business.***

Telefónica, our controlling shareholder, and its affiliates currently own, directly and indirectly, approximately 75.29% of our total capital stock. See "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders" and "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions." As a result of their share ownership, Telefónica and its affiliates can decide most of the matters that require shareholder approval.

**'Item 4. Information on the Company**

**A. History and Development of the Company**

**General**

We were incorporated on May 22, 1998, as a corporation (*sociedade anônima*) organized under the laws of the Federative Republic of Brazil, as a result of the restructuring and privatization of Telecomunicações Brasileiras S.A. and its operating subsidiaries, or Telebrás, which monopolized the provision of public telecommunications services in virtually all areas of Brazil prior to 1998. We were incorporated under the name Telesp Participações S.A. and after subsequent reorganizations, we were named Telecomunicações de São Paulo S.A. – TELESP. After our merger with Vivo Participações in October 2011, we changed our corporate name to Telefônica Brasil S.A.

On September 18, 2014, we entered into a stock purchase agreement with Vivendi S.A. to acquire all of the shares of GVT Participações S.A., or GVT, the controlling shareholder of Global Village Telecom S.A., or Operating GVT, which was approved by our board of directors on the same date. Pursuant to Brazilian law, the transaction required approval by both ANATEL and CADE. On December 22, 2014, ANATEL approved the transaction and imposed certain obligations, that included (1) the maintenance of current GVT services and plans within the same geographic scope in which GVT previously operated, requiring, in addition, that the successor company expand its operations to at least ten new municipalities within three years beginning on January 26, 2015; and (2) the waiver of the STFC license held by GVT within 18 months of ANATEL's decisions, since the same economic group cannot hold more than one STFC license in the same geographic area. Telefônica has satisfied both obligations. On March 25, 2015, CADE provisionally approved the GVT acquisition, subject to a series of obligations imposed to prevent any undesired concentration effects of the merger. Such obligations require that we:

- Maintain, for at least three years, the current geographical coverage for STFC, SCM and SeAC services;
- Maintain, for at least three years, the current average broadband speed for GVT's customers on a nationwide basis. The reference as of December 2014 was 15.1 Mbps;
- Maintain, for at least three years, the current average broadband speed for GVT's customers in São Paulo. The reference as of December 2014 was 18.25 Mbps; and
- Do not exchange, directly or indirectly, classified information, strategic or competitively sensitive information with any other company or between management and representative responsible for subsidiaries of Vivendi group, the Telefônica group and the Telecom Italia group related to its operations in the Brazilian market.

In November 2015, ANATEL consented to our corporate reorganization involving Telefônica Brasil S.A., GVT Participações S.A. and its subsidiaries. The approval was subject to certain conditions such as the end of overlap licenses of STFC, SCM and SeAC within 18 months and the obligation to present a list of all assets from the companies incorporated in our STFC (Sector 31, Region III) concession area, confirming the absence of reversible assets burdened judicially (by means of a negative certificate), or in case of attachment, present the appropriate requests for replacement. On March 14, 2016, the corporate reorganization was approved by our board of directors and was completed on April 1, 2016, after the approval by an extraordinary shareholders meeting of the relevant companies.

On July 3, 2017, Telefônica Data S.A., or TData, a wholly-owned subsidiary of the Company, acquired all the shares of capital stock of Terra Networks Brasil S.A., or Terra, from SP Telecomunicações Participações Ltda., or SP Telecom, one of the controlling shareholders of the Company. The purpose of the Terra Networks Transaction was to expand and integrate our offering of digital services, in order to provide additional value to our customer base and TData's. Effective as from December 1, 2018, TData was merged into the Company as part of a corporate restructuring. See “–Historical Background–Restructuring Involving TData” for more information.